



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY PLEASE
REFER TO OUR FILE

July 12, 2019

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

Re: Application of Pennsylvania-American Water Company for approval of the transfer, by sale, of substantially all the Steelton Borough Authority's assets, properties and rights related to its water treatment, transportation, and distribution facilities to Pennsylvania-American Water Company; and the rights of Pennsylvania-American Water Company to begin to offer or furnish water service to the public in the Borough of Steelton and a portion of the Township of Swatara, Dauphin County, Pennsylvania.
Docket No. A-2019-3006880
I&E Statement in Support

Dear Secretary Chiavetta:

Enclosed please find the Bureau of Investigation and Enforcement's (I&E) **Statement in Support of Joint Petition for Settlement** in the above-referenced proceeding.

Copies are being served on all active parties of record per the attached Certificate of Service. If you have any questions, please contact me at (717) 425-7593.

Sincerely,

A handwritten signature in black ink that reads "Scott B. Granger".

Scott B. Granger
Prosecutor

Bureau of Investigation and Enforcement
PA Attorney I.D. No. 63641

SBG/jfm
Enclosure

cc: Hon. Steven K. Haas (ALJ, PUC Harrisburg)
Hon. Benjamin J. Myers (ALJ, PUC Harrisburg)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In Re: Application of Pennsylvania-American :
Water Company for approval of the transfer, :
by sale, of substantially all the Steelton :
Borough Authority's assets, properties and : A-2019-3006880
rights related to its water treatment, : A-2019-_____
transportation, and distribution facilities to : P-2019-_____
Pennsylvania-American Water Company; and : U-2019-_____
the rights of Pennsylvania-American Water :
Company to begin to offer or furnish water :
service to the public in the Borough of :
Steelton and a portion of the Township of :
Swatara, Dauphin County, Pennsylvania. :

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT**

**TO: ADMINISTRATIVE LAW JUDGES STEVEN K. HAAS
AND BENJAIMN J. MYERS:**

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), by and through its Prosecutor Scott B. Granger, hereby respectfully submits that the terms and conditions of the Joint Petition for Approval of Settlement of All Issues ("Joint Petition" or "Settlement") filed in this proceeding are in the public interest and represent a fair, just, and reasonable balance of the interests of the Pennsylvania American Water Company ("PAWC"), the Steelton Borough Water Authority ("Steelton" or "Authority") and the affected ratepayers of PAWC and Steelton.

I. BACKGROUND

1. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served. Based upon I&E's analysis of the Application of PAWC for approval of the acquisition of all of the Authority's water assets, acceptance of this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judges and the Commission approve the Settlement in its entirety.

2. On January 2, 2019, PAWC filed an Application requesting that the Commission issue such Certificates of Public Convenience as necessary to evidence its approval under Section 1102(a) of the Pennsylvania Public Utility Code ("Code"), 66 Pa. C.S. § 1102(a), of: (a) the transfer, by sale, of substantially all of the Steelton Borough Authority's assets, properties and rights related to Steelton's water treatment, transportation, and distribution facilities (the "Steelton System") to PAWC; and, (b) PAWC's right to begin to offer, render, furnish or supply water service in the areas served by Steelton in the Borough of Steelton and in a portion of Swatara Township, Dauphin County, Pennsylvania.

3. PAWC is also requesting that the Commission approve, pursuant to Code Section 1329: (a) the use for ratemaking purposes of the lesser of the fair market value or the negotiated purchase price of Steelton's assets related to the Steelton System; (b) collection of a distribution system improvement charge ("DSIC") related to the Steelton

System prior to the first base rate case in which the Steelton System plant-in-service is incorporated into rate base; (c) the accrual of Allowance for Funds Used During Construction ("AFUDC") for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; and, (d) the deferral of depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes, as well as other related and necessary regulatory approvals.

4. On January 17, 2019, the Commission issued a Secretarial Letter notifying PAWC that the Application was conditionally accepted for filing.

5. The Steelton Borough Authority filed a Petition to Intervene on January 22, 2019.

6. I&E filed its Notice of Appearance regarding this proceeding on January 23, 2019.

7. The Office of Consumer Advocate ("OCA") filed a Protest and Public Statement in this proceeding on February 5, 2019. Also note that the OCA filed a Petition for Appeal of Staff Action and/or a Determination of Finality on January 24, 2019 regarding the Commission's initial Secretarial Letter, dated January 17, 2019, conditionally accepting the initial filing.

8. The Office of Small Business Advocate ("OSBA") filed its Notice of Appearance, Intervention and Public Statement on February 6, 2019.

9. PAWC's filing was ultimately accepted by the Commission's Secretary's Bureau on April 16, 2019 and the matter was assigned to the Office of Administrative Law Judge for adjudication and disposition.

10. A Prehearing Conference was held on May 17, 2019 before Administrative Law Judges Steven K. Haas (“ALJ Haas”) and Benjamin J. Myers (“ALJ Myers”) (collectively the “ALJs”), during which the parties agreed to a schedule for the conduct of the case including the service of testimony among the parties and the dates for evidentiary hearings.

11. All parties undertook comprehensive discovery in this proceeding after the filing was made and continued to conduct discovery throughout the litigation process.

12. In accordance with the procedural schedule established at the prehearing conference, I&E served to all active parties the following four (4) pieces of testimony and accompanying one (1) exhibit from two (2) I&E witnesses:

I&E Statement No. 1 and I&E Exhibit No. 1 – the Direct Testimony of I&E witness Anthony Spadaccio;

I&E Statement No. 1-SR PROPRIETARY – the Surrebuttal Testimony of I&E witness Anthony Spadaccio;

I&E Statement No. 2 – the Direct Testimony of I&E witness Ethan Cline;

I&E Statement No. 2-SR – the Surrebuttal Testimony of I&E witness Ethan Cline.

13. In accordance with Commission policy encouraging settlements at 52 Pa. Code § 5.231, I&E participated in multiple settlement discussions with the PAWC, Steelton, OCA and other parties to the proceeding. Following extensive settlement negotiations, the Joint Petitioners reached a full settlement of all issues as set forth in detail in the Joint Petition filed in this proceeding.

II. THE TERMS AND CONDITIONS OF THE SETTLEMENT ARE IN THE PUBLIC INTEREST

14. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served.

15. “The prime determinant in the consideration of a proposed Settlement is whether the settlement is in the public interest.”¹ The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”²

16. Finally, settlements conserve precious administrative resources and provide regulatory certainty with respect to the disposition of issues with results that are often preferable to those achieved at the conclusion of a fully-litigated proceeding; and, provide a final resolution of adversarial proceedings which, in the Commission’s judgement, is preferable.³ The very nature of a settlement requires a review and discussion of all issues raised by the parties’ and a negotiated compromise on the part of all parties. It is the negotiated compromise on the part of the parties that must ultimately be found to be in the public interest.

¹ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

² *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

³ See 52 Pa. Code § 5.231 and § 69.401.

17. I&E submits that this Settlement balances the interests of the PAWC, Steelton Authority, existing Steelton customers, existing PAWC customers, and the Joint Petitioners in a fair and equitable manner and presents a resolution for the Commission's adoption that best serves the public interest. Accordingly, based upon I&E's analysis of PAWC's Application; the testimonies and exhibits served by the Joint Petitioners; for the specific reasons articulated below; and, in order to achieve the full scope of benefits addressed in the Settlement, I&E requests that the Settlement be recommended by the ALJs and approved by the Commission in its entirety and without modification.

A. Approval of the Application (Joint Petition ¶ 19):

In the Settlement, the Joint Petitioners agree that the Application shall, subject to the other terms and conditions contained in the Settlement, be approved as being in the public interest and the Commission shall issue such Certificates of Public Convenience as may be necessary to evidence its approval pursuant to 66 Pa. C.S. § 1102(a) of (i) the transfer, by sale, of substantially all of Steelton's assets, properties and rights related to its water treatment, transportation, and distribution facilities to PAWC as provided in the Application, and (ii) PAWC's right to begin to offer, render, furnish or supply water service to the public in the areas served by Steelton as indicated in the Application.

I&E fully supports approval of the Application according to the terms set forth in this Joint Petition. While I&E raised concerns in its direct and surrebuttal testimony,⁴ I&E believes this Settlement represents a fair and equitable compromise of the positions

⁴ See *supra*, p. 4.

argued by the parties. In its testimony, I&E raised concerns regarding whether the proposed acquisition represents an affirmative public benefit to the existing Steelton customers and/or the existing PAWC customers.⁵ Additionally, I&E raised concerns regarding the proposed large amount of capital spending needed over the next decade to upgrade the Steelton system;⁶ and, Steelton's dependence on a single large industrial customer, which equates to significant financial risk for the Authority and the current Steelton ratepayers.⁷

I&E believes the negotiated Settlement represents a fair and equitable compromise of the positions argued by the parties. Further, I&E believes that the Settlement maintains the proper balance of the interests of all parties. The Steelton ratepayers will continue to receive safe and reliable service at reasonable rates while PAWC will ultimately be in a much better position than the Authority to maintain and upgrade the Steelton system as needed going forward. Accordingly, I&E submits that the proposed Settlement is in the public interest.

B. Tariff (Joint Petition ¶ 20):

In the Settlement, the Joint Petitioners agree that the *pro forma* tariff supplement attached to the Amended Application as Revised Appendix A-13 and attached to the Joint Petition as Appendix A, including all rates, rules and regulations regarding conditions of

⁵ I&E St. No. 1, pp. 6-11; I&E St. No. 1-SR, pp. 1-4, 9-11.

⁶ I&E St. No. 1, pp. 9-10; I&E St. No. 1-SR, pp. 5-8.

⁷ I&E St. No. 1, pp. 10-11; I&E St. No. 1-SR, pp. 6-8.

PAWC's water service as revised therein, shall be permitted to become effective immediately upon closing of the Transaction.

Although I&E did not submit testimony regarding specific tariff issues, I&E monitored and reviewed the proposals and counter proposals offered by the parties throughout this proceeding and the settlement negotiations. The Joint Petitioners had some interests and concerns regarding tariff issues as they pertain to the effect they may have on the existing Steelton customers and the PAWC ratepayers. Further, I&E recognizes that 66 Pa. C.S. § 1329(d)(1)(v) provides in pertinent part that the acquiring utility will provide an applicable tariff to take effect at the time of the acquisition.

Therefore, I&E does not oppose this settled upon term, as stated in the Joint Petition, as a full and fair compromise that provides the affected ratepayers, PAWC, and the interested Joint Petitioners with resolution of this issue, which is in the public interest.

**C. Fair Market Value for Ratemaking Rate Base Purposes
(Joint Petition ¶ 21):**

In the Settlement, the Joint Petitioners agree that, pursuant to 66 Pa. C.S. § 1329, PAWC shall be permitted to use \$20,500,000 for ratemaking rate base purposes based on a modified purchase price of \$21,750,000 for the acquired assets. Further, the parties agree the Commission approval of the Transaction shall be conditioned upon PAWC's filing of an amendment to the Asset Purchase Agreement, along with copies of required authorizations from Steelton Borough Authority's Board of Directors that adjusts the purchase price to \$21,750,000.

I&E raised some concerns in its testimony relevant to the determination of the ultimate ratemaking rate base value⁸ including the fact that a system being purchased for approximately \$22 million dollars is proposed to be in need of approximately \$36 million dollars of capital improvements.⁹ Throughout this proceeding and the settlement negotiations, the Joint Petitioners shared their interests and concerns regarding the ratemaking rate base issue and the overall effect it will have on the existing Steelton customers and the PAWC ratepayers in the future. I&E does, however, recognize that 66 Pa. C.S. § 1329 provides in pertinent part that a certain rate base value will be established for the acquired system to be placed into the acquiring utility's rate base for post-acquisition ratemaking purposes.

Therefore, I&E does not oppose this settled upon term, as stated in the Joint Petition, as a full and fair compromise that provides the affected ratepayers, PAWC, and the interested Joint Petitioners with resolution of this issue, which is in the public interest.

D. Rates (Joint Petition ¶¶ 23-25):

1. In the Settlement, the Joint Petitioners agree that in the first base rate case that includes Steelton water system assets, PAWC will submit a cost of service study that removes all revenues, expenses and rate base associated with the operation of the Steelton System. And, in the first base rate case that includes Steelton water system assets, PAWC will also provide a separate cost of service study for the Steelton System.

⁸ I&E St. No. 1, pp. 6-11.

⁹ *Id.*, pp. 8-10.

Further, except as explicitly stated herein, nothing contained in the Settlement or in the Commission's approval of the Application shall preclude any Joint Petitioner from asserting any position or raising any issue in a future PAWC base rate proceeding.

2. Further, regarding existing Steelton customer rates, the Joint Petitioners agree that in its first base rate case following the closing of the acquisition, PAWC will propose to move the Steelton System to its cost of service or 1.4 times the current Steelton rates, whichever is lower, based on a separate cost of service study for the Steelton System, provided that such rates for Steelton customers do not exceed the proposed Zone 1 water rate. Notably, the current average Steelton rate is \$33.78 per month based on 4,000 gallons of monthly usage. Finally, the OCA, I&E and OSBA reserved their rights to fully address this proposal and to make other rate proposals in the base rate case.

In its testimony, I&E raised concerns regarding the ability of the parties to evaluate the cost of service related to the Steelton system separate and apart from PAWC's existing systems.¹⁰ I&E opined that the primary goal of a cost of service study is to determine a utility's revenue requirement to provide service to its different customer

¹⁰ I&E St. No. 2, pp. 6-9.

classes.¹¹ In this case, a cost of service study for the Steelton water system is beneficial because it:

- Determines the cost to operate the Steelton water system separately;
- Calculates the costs of the utility's different services;
- Separates the costs between the utility's different customer classes and service areas;
- Attributes costs to the utility's different customer classes and service areas; and
- Determines how costs will be recovered from the utility's different customer classes and service areas.¹²

I&E argued that moreover, a cost of service study can establish the existence and extent of subsidization (inter and intra-class) and assist in determining the appropriate amount of revenue requirement to be shifted from wastewater customers to water customers, which PAWC has utilized in past base rate cases.¹³ Therefore, without the cost of service study that includes segregated water costs, the appropriate ratemaking recommendations for those costs cannot be proposed or implemented.¹⁴ Additionally, and specifically for the present case, a separate Cost of Service Study would help to determine the proper allocation of a revenue shortfall among PAWC's existing customers and rate classes should Steelton's single large industrial customer reduce or cease its water consumption.¹⁵ I&E concluded, it is imperative that the parties have all of the information provided by a cost of service study to determine the allocation of costs that

¹¹ *Id.*, p. 7.

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*, pp. 7-8.

will be least harmful to all customers particularly for water customers as they will be allocated additional costs from wastewater customers as allowed by Act 11.¹⁶

Therefore, I&E supports these settled upon terms, as stated in the Joint Petition, as a full and fair compromise that provides the affected ratepayers, PAWC, and the interested Joint Petitioners with resolution of these issues, which is in the public interest.

E. Low Income Program Outreach (Joint Petition ¶ 26):

In the Settlement, the Joint Petitioners agree that within the first 90 days of PAWC's ownership of the Steelton System, PAWC shall include a bill insert to the Steelton-area customers regarding its low-income programs and shall include such information in a welcome letter to Steelton-area customers. The bill insert and welcome letter shall include, at a minimum, a description of the available low-income programs' eligibility requirements for participation in the programs, and PAWC's contact information.

I&E did not submit testimony regarding this specific issue. I&E monitored but did not play an active role regarding the proposals and counter proposals offered by the parties throughout this proceeding and the settlement negotiations. I&E shares the interests and concerns regarding these issues raised by some of the Joint Petitioners as it pertains to the effect they may have on the existing Steelton customers. Therefore, I&E does not oppose the settled upon terms, as stated in the Joint Petition, as a full and fair

¹⁶ I&E St. No. 2, pp. 6-8; I&E St. No. 2-SR, pp. 7-11.

compromise that provides the affected ratepayers, PAWC, and the interested Joint Petitioners with resolution of these issues, all of which is in the public interest.

F. Distribution System Improvement Charge (Joint Petition ¶ 27):

In the Settlement, the Joint Petitioners agree that if PAWC proposes to modify its Long-Term Infrastructure Improvement Plan (“LTIIIP”) to include the Steelton System, PAWC will not reprioritize other existing capital improvements that the Company already committed to undertake in other service areas. Upon approval by the Commission of such modification to its LTIIIP, PAWC shall be permitted to collect a distribution system improvement charge (“DSIC”) related to the Steelton System prior to the first base rate case in which the Steelton assets are incorporated into rate base.

Although I&E did not specifically raise this issue in written testimony, the issue of reprioritizing other existing planned capital improvements that PAWC already committed to undertake in other service areas was a concern raised by I&E and other Joint Petitioners during the settlement negotiations. PAWC’s expression of its intent to not reprioritize other existing capital improvements in this regard was clear and unequivocal. Further, I&E recognizes that 66 Pa. C.S. §1329(d)-(f) provides in pertinent part that certain post-acquisition projects may be included in the distribution system improvement charge of the acquiring utility.

Therefore, I&E supports these settled upon terms as stated in the Joint Petition as a full and fair compromise that provides the affected ratepayers, PAWC, the Joint Petitioners and the Commission with resolution of these issues, all of which is in the public interest.

**G. Accrual of Allowance for Funds Used During Construction
(Joint Petition ¶ 28):**

In the Settlement, the Joint Petitioners acknowledge that the Application includes a request that PAWC be permitted to accrue Allowance for Funds Used During Construction (“AFUDC”). Any claim for AFUDC related to post-acquisition improvements not recovered through the DSIC will be addressed in PAWC’s first base rate case which includes Steelton water system assets, pursuant to 66 Pa.C.S. § 1329(f)(1). The Joint Petitioners reserve their rights to litigate their positions fully in future rate cases when this issue is ripe for review. Finally, the Joint Petitioners agree that the Joint Petitioners’ assent to these terms should not be construed to operate as their preapproval of PAWC’s request.

Although I&E did not specifically raise this issue in written testimony, the issue of the accrual of allowances for funds used during construction was a concern raised by the Joint Petitioners during the settlement negotiations. Further, I&E recognizes that 66 Pa. C.S. §1329(f)(1) provides in pertinent part that an acquiring public utility's post-acquisition improvements that are not included in a distribution improvement charge shall accrue an allowance for funds used during construction after the date the cost was incurred until the asset has been in service for a period of four years or until the asset is included in the acquiring public utility's next base rate case, whichever is earlier. Therefore, I&E supports these settled upon terms as stated in the Joint Petition as a full and fair compromise that provides the affected ratepayers, PAWC, Joint Petitioners and the Commission with resolution of these issues, all of which is in the public interest.

**H. Deferral of Depreciation for Post-Acquisition Improvements
(Joint Petition ¶ 29):**

In the Settlement, the Joint Petitioners acknowledge that the Application includes a request that PAWC be permitted to defer depreciation related to post acquisition improvements not recovered through the DSIC for book and ratemaking purposes. Any claim for deferred depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes will be addressed in PAWC's first base rate case which includes Steelton water system assets. The Joint Petitioners reserve their rights to litigate their positions fully in future rate cases when this issue is ripe for review. And finally, the Joint Petitioners' assent to this term should not be construed to operate as their preapproval of PAWC's request.

Although I&E did not specifically raise this issue in written testimony, the issue of the deferral of depreciation of post-acquisition improvements was a concern raised by the Joint Petitioners during the settlement negotiations. Further, I&E recognizes that 66 Pa. C.S. §1329(f)(2) provides in pertinent part that the depreciation on an acquiring public utility's post-acquisition improvements that have not been included in the calculation of a distribution system improvement charge shall be deferred for book and ratemaking purposes. Therefore, I&E supports these settled upon terms as stated in the Joint Petition as a full and fair compromise that provides the affected ratepayers, PAWC, Joint Petitioners and the Commission with resolution of these issues, all of which is in the public interest.

**I. Transaction and Closing Costs
(Joint Petition ¶¶ 30):**

In the Settlement, the Joint Petitioners acknowledge that the Application includes a request that PAWC be permitted to claim transaction and closing costs associated with the Transaction. The Joint Petitioners agree that they will not contest this request in this proceeding, but they reserve their rights to litigate their positions fully in future rate cases when this issue is ripe for review. The Joint Petitioners' assent to this term should not be construed to operate as their preapproval of PAWC's request.

Although I&E did not specifically raise this issue in written testimony, the issue of transaction and closing costs was a concern raised by the Joint Petitioners during the settlement negotiations. Further, I&E recognizes that 66 Pa. C.S. §1329(d)(1)(iv) provides in pertinent part that an acquiring public utility may include, in its Section 1329 application, the transaction and closing costs incurred by the acquiring public utility that it is proposing to be included in the acquiring utility's next base rate case. Therefore, I&E does not oppose these settled upon terms, as stated in the Joint Petition, as a full and fair compromise that provides PAWC and the Joint Petitioners with a reliable resolution of these issues, all of which is in the public interest.

J. Investigation of Alternatives to Total Replacement of Steelton Water Treatment Plant (Joint Petition ¶¶ 31-33):

In the Settlement, the Joint Petitioners agree that in the first base rate case that includes a claim for recovery of costs related to a new Steelton water treatment plant, if PAWC constructs such plant, PAWC will provide a report indicating what alternatives to total replacement of the Steelton water treatment plant were considered, provide

cost/benefit information for each alternative and support for the chosen action. The report will be included in PAWC's base rate filing and served on all Joint Petitioners and the Commission's Bureau of Technical Utility Services. And, all Joint Petitioners reserve their respective rights to support or challenge a claim for recovery of costs related to improvements to the Steelton System, including a new Steelton water treatment plant, in future proceedings.

I&E did not specifically raise this issue in written testimony. This issue was raised primarily by the Office of Consumer Advocate. I&E monitored the negotiations but took no position regarding this issue during the settlement negotiations. Therefore, I&E does not oppose the settled upon terms as stated in the Joint Petition as a full and fair compromise of the parties which is in the public interest.

K. Discovery Issue (Joint Petition ¶ 34):

In the Settlement, the Joint Petitioners acknowledge that on July 2, 2019, Steelton provided under confidential cover, copies to the OCA, I&E and OSBA of all proposals and accompanying exhibits received by Steelton with respect to the proposed sale of its water system. Further, all Joint Petitioners reserve their rights to raise this issue in any future proceeding and the Joint Petitioners agree that no decision in this case nor this settlement shall be used as precedent in any future proceeding.

This issue arose out of a discovery dispute between PAWC and OCA. The genesis of the dispute was summarized in the OCA's Motion to Compel Answers to OCA Set V, Question 2 filed on May 10, 2019 at this Docket Number A-2019-3006880. Even though Steelton vigorously objected to the OCA's discovery request, Steelton ultimately

agreed to provide the discovery under confidential cover in order to facilitate this Settlement.

Therefore, I&E did not oppose this settled upon term in order to facilitate the Settlement as a full and fair compromise, all of which supports the Commission stated preference favoring negotiated settlements as in the public interest.

L. Customer Notice (Joint Petition ¶¶ 35-36):

In the Settlement, the Joint Petitioners agreed that PAWC shall mail the notice attached to the Joint Petition as Appendix B to existing customers of Steelton notifying them of the settlement in this proceeding concurrently with the filing of this Joint Petition. The Joint Petitioners also agreed in future Section 1329 water system acquisition proceedings, PAWC will send a notice substantially in the form attached to the Joint Petition as Appendix C to existing customers of the system being acquired and a notice substantially in the form attached to the Joint Petition as Appendix D to existing water customers of PAWC; and, in future Section 1329 wastewater system acquisition proceedings, PAWC will send a notice substantially in the form attached to the Joint Petition as Appendix E to existing customers of the system being acquired and a notice substantially in the form attached to the Joint Petition as Appendix F to existing water and/or wastewater customers of PAWC.

I&E did not submit testimony regarding this issue. The OCA was the primary driver behind the settlement negotiations regarding the Customer Notice issue. I&E monitored the proposals and counter proposals offered by the parties throughout this proceeding and the settlement negotiations. I&E shares the interests and concerns

regarding these issues raised by the Joint Petitioners. Therefore, I&E does not oppose the settled upon terms as stated in the Joint Petition as a full and fair compromise that provides the affected ratepayers, PAWC, and Joint Petitioners with resolution of these issues, all of which is in the public interest.

M. Approval of Section 507 Agreements (Joint Petition ¶ 37).

In the Settlement, the Joint Petitioner agree that they do not oppose PAWC requesting that, pursuant to 66 Pa. C.S. § 507, the Commission issue a Certificate of Filing or approvals for the Asset Purchase Agreement By and Between Steelton Borough Authority, as Seller, and Pennsylvania-American Water Company, as Buyer, dated as of November 14, 2018 and the First Amendment to the Asset Purchase Agreement (reflecting revised purchase price per the Settlement).

I&E did not submit testimony regarding the Section 507 agreement approvals issue. I&E does not oppose the settled upon terms as stated in the Joint Petition as a full and fair compromise that provides the affected ratepayers, PAWC, and the Joint Petitioners with resolution of these issues, all of which is in the public interest.

N. Other Necessary Approvals (Joint Petition ¶ 38).

In the Settlement, the Joint Petitioners agree that the Commission shall issue any other approvals or certificates appropriate, customary, or necessary under the Code to carry out the Transaction contemplated in the Application in a lawful manner.

I&E does not oppose the Commission issuing other approvals or certificates appropriate, customary or necessary to carry out the Transaction pursuant to the terms of this Joint Petition as a full and fair compromise that provides the affected ratepayers,

PAWC, and the Joint Petitioners with resolution of this proceeding, all of which is in the public interest.

III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

18. I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. The very nature of a settlement requires compromise on the part of all parties. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

19. Based upon I&E's analysis of the filing, acceptance of this Settlement is in the public interest. Resolution of this case by settlement rather than litigation avoids the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense and regulatory uncertainty.

20. I&E further submits that the acceptance of this Settlement negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the

preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all parties agree benefits their discrete interests.

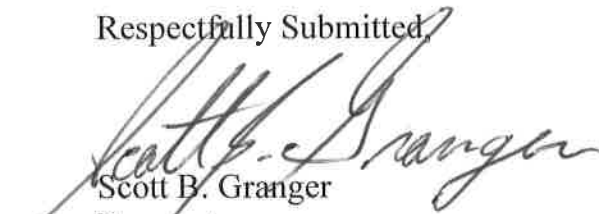
21. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, I&E, or any other Joint Petitioner.

22. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any other parties to the Settlement.

23. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E does not waive its right to file Replies to Exceptions with respect to any modifications to the terms and conditions of the Settlement or any additional matters that may be proposed by the ALJ in her Recommended Decision. I&E also does not waive the right to file Replies in the event any party files Exceptions.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judges Steven K. Haas and Benjamin J. Myers recommend, and the Commission approves, the terms and conditions contained in the Joint Petition for Settlement.

Respectfully Submitted,



Scott B. Granger
Prosecutor
PA Attorney I.D. No. 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120
(717) 425-7593

Dated: July 12, 2019

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Company to begin to offer or furnish water :
service to the public in the Borough of :
Steelton and a portion of the Township of :
Swatara, Dauphin County, Pennsylvania. :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **I&E Statement in Support of Joint Petition for Settlement** dated July 12, 2019, 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

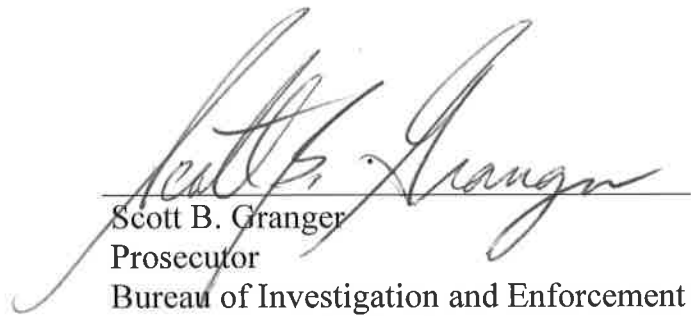
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