



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

IN REPLY PLEASE  
REFER TO OUR FILE

July 12, 2017

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

Re: Application of Pennsylvania-American Water Company - Wastewater under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §1329, for approval of the use for ratemaking purposes of the lesser of the fair market value or the negotiated purchase price of The Municipal Authority of the City of McKeesport's assets related to its wastewater collection and treatment system and other related transactions;  
Docket No. A-2017-2606103

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 as evidenced in the attached Certificate of Service. If you have any questions, please contact me at (717) 787-8754.

Sincerely,

Gina L. Miller

Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney I.D. #313863

Erika L. McLain, Esquire  
Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney I.D. #320526

GLM/sea  
Enclosure

cc: ALJ Mark A. Hoyer  
ALJ Mary D. Long  
Certificate of Service

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Pennsylvania-American  
Water Company - Wastewater under Section  
1329 of the Pennsylvania Public Utility  
Code, 66 Pa. C.S. §1329, for approval of the  
use for ratemaking purposes of the lesser of  
the fair market value or the negotiated  
purchase price of The Municipal Authority of  
the City of McKeesport's assets related to its  
wastewater collection and treatment system  
and other related transactions;

Docket No. A-2017-2606103

**CERTIFICATE OF SERVICE**

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated July 12, 2017, 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 Electronic and First Class Mail**

David P. Zambito  
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Prosecutor  
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PA Attorney I.D. #313863

Erika L. McLain, Esquire  
Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney I.D. #320526

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Application of Pennsylvania- :  
American Water Company- :  
Wastewater under Section 1329 of the :  
Public Utility Code for Approval of : Docket No. A-2017-2606103  
the use for ratemaking purposes of :  
the lesser of the fair market value or :  
the negotiated purchase price of The :  
Municipal Authority of the City of :  
McKeesport's assets related to its :  
wastewater collection and treatment :  
system and other related :  
transactions; :**

**PREHEARING MEMORANDUM OF THE  
BUREAU OF INVESTIGATION AND ENFORCEMENT**

**TO DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE MARK A.**

**HOYER AND ADMINISTRATIVE LAW JUDGE MARY D. LONG:**

In accordance with the Prehearing Conference Order dated June 23, 2017, the Bureau of Investigation and Enforcement ("I&E") hereby submits this Prehearing Memorandum. The I&E prosecutors assigned to this proceeding are Gina L. Miller and Erika L. McLain. Ms. Miller and Ms. McLain may be contacted as follows:

By Mail: Gina L. Miller  
Erika L. McLain  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

By e-mail: [ginmiller@pa.gov](mailto:ginmiller@pa.gov)  
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## I. BACKGROUND

By Secretarial Letter dated June 14, 2017, the Commission acknowledged receipt of the Application of Pennsylvania-American Water Company, Inc. (“PAWC” or “Company”) for approval of, inter alia, 1) the acquisition of the wastewater systems assets of the Municipal Authority of the City of McKeesport (“MACM”) situated within Allegheny County, Pennsylvania, 2) the right of PAWC to begin to offer, render, furnish and supply wastewater service to the public in McKeesport, Allegheny County, Pennsylvania, and 3) for an order approving the acquisition that includes the ratemaking rate base of the Municipal Authority of the City of McKeesport wastewater system assets pursuant to Section 1329(c)(2) of the Public Utility Code.

On June 21, 2017, I&E filed its Notice of Appearance and the Office of Consumer Advocate (“OCA”) filed a protest in this proceeding. On June 28, 2017, the Municipal Authority of the City of McKeesport and the City of McKeesport filed petitions to intervene.

A Prehearing Conference is now scheduled for Thursday, July 13, 2017, at 10:00 a.m., before Deputy Chief Administrative Law Judge Mark A. Hoyer (“ALJ Hoyer”) and Administrative Law Judge Mary D. Long (“ALJ Long”). In accordance with the Prehearing Conference Order issued by ALJ Hoyer on June 23, 2017, I&E now respectfully submits this prehearing memorandum.

## **II. ISSUES**

Based upon a preliminary review of the filing, I&E has identified the following area of inquiry, representing a listing of potential issues at this time. However, I&E reserves the right to address such other issues when those issues arise:

1. Whether the transaction is in the public interest under 66 Pa. C.S. § 1102 of the Public Utility Code.
2. Evaluation of PAWC's claimed rate base
3. Errors and omissions in the Fair Market Appraisal done by Herbert, Rowland, & Grubic, Inc.
4. The timing and ramifications of the Municipal Authority of the City of McKeesport's acquisition of the Port Vue Borough's Sewer System
5. Ratemaking issues implicated by the acquisition
6. Benefits and detriments of the acquisition

Most of the issues raised by I&E will be supported by the Direct Testimony of I&E witnesses. If there are issues of Commission policy or legal interpretation that are not properly the subject of testimony or factual issues that are clear on the record and need not be supported by testimony, I&E reserves the right to dispense with testimony when, in its opinion, an issue can be adequately addressed in Brief.

## **III. WITNESSES**

It is currently expected that I&E may call the following witnesses without being limited thereto:

Ethan Cline Fixed Utility Valuation Engineer: Mr. Cline anticipates addressing issues identified as 1, 2, 5, and 6 in the above listing.

Anthony Spadaccio Fixed Utility Financial Analyst: Mr. Spadaccio anticipates addressing issues identified as 1, 2, 3, and 4 in the above listing,

The I&E witnesses may be contacted through the contact information listed above for Ms. Miller and Ms. McLain. I&E reserves the right to substitute witnesses or call additional witnesses if warranted.<sup>1</sup> All active parties will be notified of any amendments to the I&E witness list.

#### IV. SCHEDULE

The parties proposed the following procedural schedule (“extended schedule”) prior to receiving ALJ Hoyer’s Prehearing Conference Order:

Non-Company Direct	July 31, 2017
Rebuttal	August 18, 2017
Surrebuttal	August 28, 2017
Rejoinder	August 30, 2017
Hearings <sup>2</sup>	August 31 – September 1, 2017
Main Briefs	September 19, 2017
Reply Briefs	September 27, 2017

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<sup>1</sup> The above listing is provided without analysis of the positions of all parties to this proceeding and without the benefit of completed discovery.

<sup>2</sup> I&E requests that the hearings be held in Harrisburg.

After receipt of the Prehearing Conference Order which gave a non-negotiable due date for reply briefs of September 1, 2017, the parties proposed the following schedule adhering to the non-negotiable due date:

Non-Company Direct	July 17, 2017
Rebuttal	July 26, 2017
Surrebuttal	August 2, 2017 (by Noon)
Hearings (Oral Rejoinder)	August 3-4, 2017
Main Briefs	August 22, 2017
Reply Briefs	September 1, 2017

I&E appreciates your consideration of the proposed dates of the extended schedule if possible, but is prepared to follow the latter schedule.

#### **V. SETTLEMENT**

I&E intends to participate in any settlement discussions and is willing to work with the parties to reach a resolution of any or all issues.

## VI. DISCOVERY

The regulations relating to discovery have been modified by the Prehearing Conference Order dated June 23, 2017. However, due to the time limitations in Section 1329 proceedings, I&E requests that the Commission's Rules of Practice and Procedure for the conduct of discovery be modified as follows:

- a. Answers to written interrogatories shall be served in-hand within five (5) calendar days of service.
- b. Objections to interrogatories shall be communicated orally within two (2) calendar days and in writing within three (3) calendar days of service of the interrogatories.
- c. Motions to dismiss objections and/or direct the answering of interrogatories shall be filed within two (2) calendar days of service of the written objections.
- d. Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within two (2) calendar days of service of such motions.
- e. Responses to requests for document production, entry for inspection, or other purposes must be served in-hand within five (5) calendar days.
- f. Requests for admissions will be deemed admitted unless answered or denied within three (3) calendar days of service.
- g. Discovery and all discovery-related pleadings, such as objections, motions, or answers, served after 12:00 noon on a Friday or after 12:00 noon the day before a holiday recognized by the Commission will be deemed to have been served on the following business day for purposes of tracking due dates.



Respectfully submitted,

A handwritten signature in black ink, appearing to read 'G L Miller', written in a cursive style.

Gina L. Miller

Prosecutor

Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission

Erika L. McLain

Prosecutor

Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission

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Dated: July 12, 2017