

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place  
Harrisburg, Pennsylvania 17101-1923  
(717) 783-5048  
800-684-6560

FAX (717) 783-7152  
consumer@paoca.org

July 12, 2017

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
Commonwealth Keystone Bldg.  
400 North Street  
Harrisburg, PA 17120

Re: Application of Pennsylvania-American Water  
Company under Sections 1102 and 1329 of the Public  
Utility Code for Approval of its Acquisition of the  
Wastewater System Assets of The Municipal  
Authority of the City of McKeesport  
Docket No. A-2017-2606103

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 "Christ Maloni Hoover".

Christine Maloni Hoover  
Senior Assistant Consumer Advocate  
PA Attorney I.D. #50026  
E-Mail: CHoover@paoca.org

Attachment

cc: Honorable Mark Hoyer, ALJ  
Honorable Mary Long, ALJ  
Certificate of Service

236727

CERTIFICATE OF SERVICE

Re: Application of Pennsylvania-American :  
Water Company under Sections 1102 and 1329 of :  
the Public Utility Code for Approval of its : Docket No. A-2017-2606103  
Acquisition of the Wastewater System Assets of :  
The Municipal Authority of the City of :  
McKeesport :

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 12th day of July, 2017.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

Gina Miller, Esquire  
Erika McLain, Esquire  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

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

Susan Simms Marsh, Esquire  
Pennsylvania-American Water Company  
800 West Hershey Park Drive  
Hershey, PA 17033

Thomas S. Wyatt  
1500 Market Street  
Suite 3500E  
Philadelphia, PA 19102

David P. Zambito, Esquire  
Jonathan P. Nase  
George A. Bibikos, Esquire  
COZEN O'CONNOR  
17 North Second Street, Suite 1410  
Harrisburg, PA 17101

/s/ Christine Maloni Hoover  
Christine Maloni Hoover  
Senior Assistant Consumer Advocate  
PA Attorney I.D. #50026  
E-Mail: [CHoover@paoca.org](mailto:CHoover@paoca.org)

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

Counsel for Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152  
Dated: July 12, 2017  
236731

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Pennsylvania-American	:	
Wastewater, Inc. Pursuant to Sections 1102	:	
and 1329 of the Public Utility Code for	:	
Approval of its Acquisition of the	:	Docket No. A-2017-2606103
Wastewater System Assets of The	:	
Municipal Authority of the City of	:	
McKeesport	:	

---

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 Deputy Chief Administrative Law Judge Mark A. Hoyer on June 23, 2017, the Office of Consumer Advocate (OCA) provides the following:

**I. INTRODUCTION**

On May 24, 2017, Pennsylvania-American Water Company (PAWC or Company) filed an Application pursuant to Sections 1102 and 1329 of the Public Utility Code for Approval of its Acquisition of the Wastewater System Assets of The Municipal Authority of the City of McKeesport (McKeesport). The Commission acknowledged receipt of the Application by Secretarial Letter dated June 14, 2017.

On June 26, 2017, the parties received Notice that a Prehearing would be held on July 13, 2017. On June 23, 2017, the presiding Administrative Law Judge issued a Prehearing Order directing the parties to provide prehearing memoranda by July 12, 2017. On June 21, 2017, the Office of Consumer Advocate (OCA) filed a Protest. On the same date, the Bureau of

Investigation and Enforcement (I&E) filed a Notice of Appearance. On June 28, 2017, the City of McKeesport and the Municipal Authority of the City of McKeesport filed Petitions to Intervene. By email dated July 11, 2017, ALJ Hoyer advised the parties that ALJ Mary Long will also preside over this proceeding.

## **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. Two copies of all documents should be served in the OCA as follows:

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

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) 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**

As noted above, 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 a Section 1329 application. 66 Pa. C. S. § 1329. The OCA has served four sets of discovery to date and has participated in informal discovery.

#### **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 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 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 \$162 million for the Authority's sewer 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.

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

(3) Conditions: 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**

PAWC's existing wastewater customers are located in Adams, Beaver, Chester, Clarion, Cumberland, Lackawanna, Monroe, Northumberland, Pike, Washington, and York Counties. They have not received direct notice or even newspaper notice of the proposed transaction and the impact on those customers has not been determined. The OCA is unaware of any specific consumer requests for public input hearings in this matter to date. However, if the OCA becomes aware of substantial consumer interest, the OCA will promptly notify the Administrative Law Judge and parties to 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	July 31, 2017
Rebuttal Testimony	August 18, 2017
Surrebuttal Testimony	August 28, 2017
Rejoinder	August 30, 2017
Hearings	August 31-September 1, 2017
Main Briefs	September 19, 2017
Reply Briefs	September 27, 2017
Recommended Decision	October 23, 2017
Public Meeting	December 7, 2017
End of six month suspension period	December 14, 2017

Using the Reply Brief Date in the ALJ's Prehearing Order, the following schedule could be used, which is also acceptable to all parties:

Other Party Direct Testimony	July 17, 2017
Rebuttal Testimony	July 26, 2017
Surrebuttal Testimony	August 2, 2017
Hearing (with Oral Rejoinder)	August 3-4, 2017
Main Briefs	August 22, 2017
Reply Briefs	September 1, 2017
Public Meeting	December 7, 2017
End of six month suspension period	December 14, 2017

The OCA would note that the first schedule is based on similar schedules that have been used in the two prior Section 1329 proceedings.

## VIII. SETTLEMENT

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

Respectfully submitted,



---

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

Christine Maloni Hoover  
Senior Assistant Consumer Advocate  
PA Attorney I.D. #50026  
E-Mail: CHoover@paoca.org  
Counsel for:

Tanya J. McCloskey  
Acting Consumer Advocate

Office of Consumer Advocate  
555 Walnut Street, Forum Place 5th Floor  
Harrisburg PA 17101-1923  
(717) 783-5048  
(717) 783-7152 (fax)

DATED: July 12, 2017  
237182