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VIA ELECTRONIC FILING AND FIRST CLASS MAIL

August 1, 2018

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
400 North Street, 2nd Floor
Harrisburg, PA 17120

**RE: Affiliated Interest Agreement between SUEZ Water Pennsylvania Inc. –
Wastewater and Multiple Affiliated Corporations (Money Pool Agreement) at
Docket No. G-2018-3002450**

Dear Secretary Chiavetta:

Enclosed for filing please find responses to Data Request Set 1 from the Bureau of Technical Utility services Water/Wastewater Division in the above captioned case.

Best regards,

A handwritten signature in black ink, appearing to be 'JC Cagle', written over a circular scribble.

James C. Cagle
Vice President – Rate and Regulatory Affairs

JC:dmv
Enc.

cc: Tanya McCloskey, Office of Consumer Advocate (w/ enclosure)
John Evans, Office of Small Business Advocate (w/ enclosure)
Richard Kanaskie, PUC Bureau of Investigation and Enforcement (w/ enclosure)
Manasi Deshpande, Bureau of Technical Utility Services (w/enclosure) *VIA EMAIL*
David P. Zambito, Esq. – Cozen O'Connor (w/ enclosure)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of SUEZ Water Pennsylvania Inc.'s responses to Bureau of Technical Utility Services data requests at **Docket No. G-2018-3002450**, upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

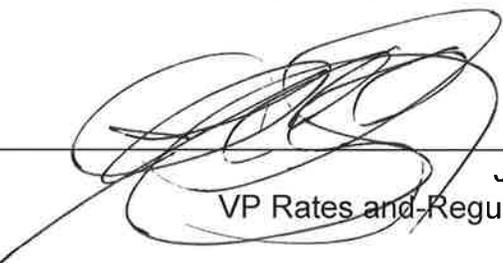
Tanya J. McCloskey, Esq.
Office of Consumer Advocate
Forum Place, Fifth Floor
555 Walnut Street
Harrisburg, PA 17101

John Evans
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

Richard A. Kanaskie
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

Via email:
Manasi Deshpande
Bureau of Technical Utility Services
Water/Wastewater Division
mdeshpande@pa.gov

SUEZ Water Pennsylvania Inc.



James Cagle
VP Rates and Regulatory Affairs

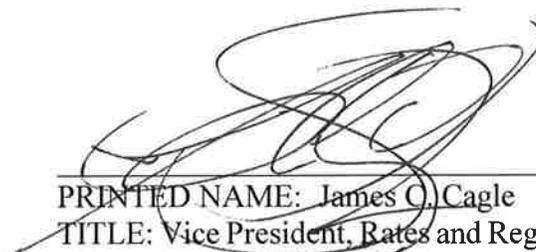
Dated: August 1, 2018

VERIFICATION

I, James C. Cagle, hereby state that the facts set forth above are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: _____

8-1-18



PRINTED NAME: James C. Cagle
TITLE: Vice President, Rates and Regulatory Affairs
COMPANY: SUEZ Water M&S Inc.

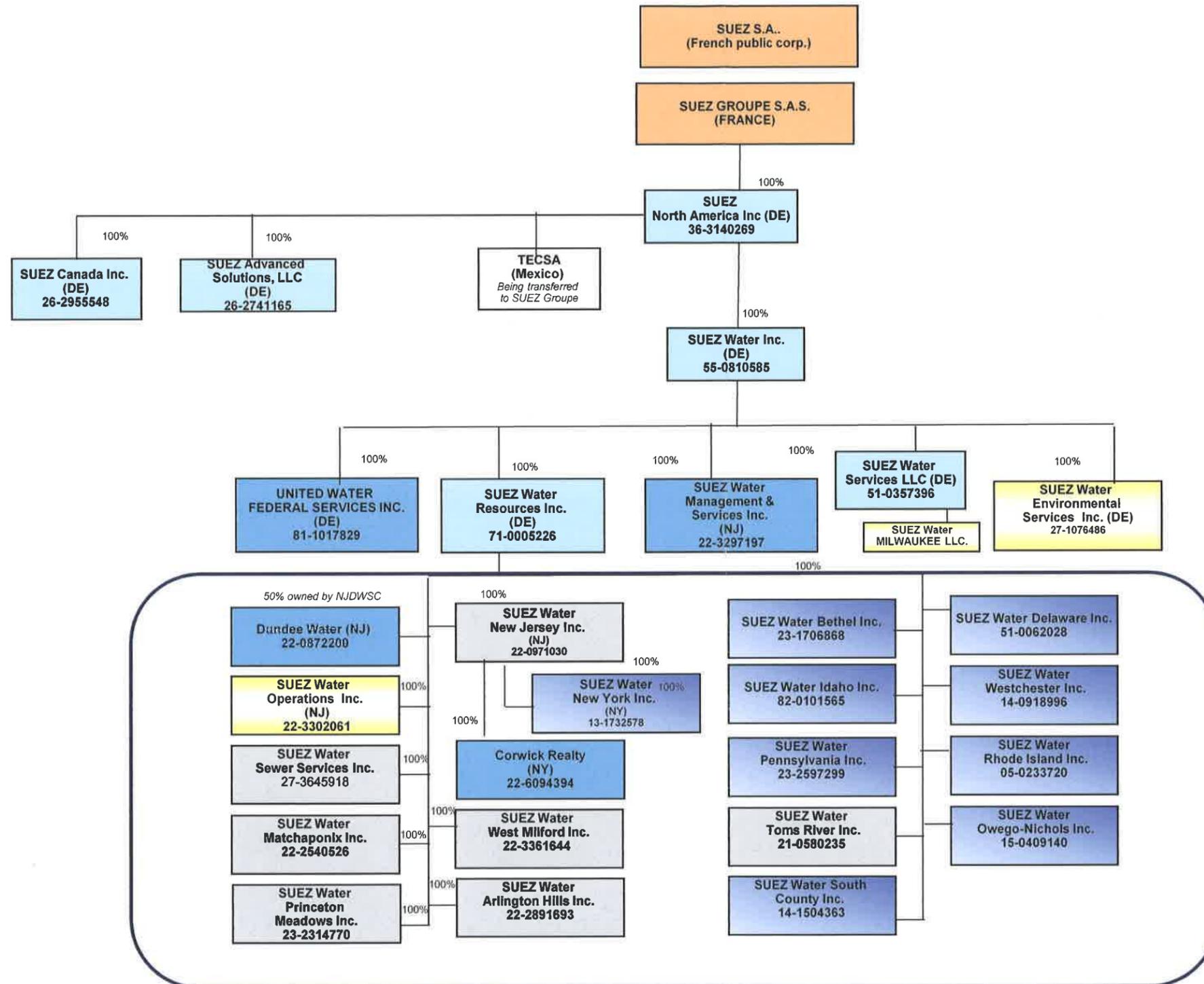
Affiliated Interest Agreement between SUEZ Water Pennsylvania Inc. -- Wastewater
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at Docket No. G-2018-3002450
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Data Request Set 1

BTS-G-1
(Cagle)

BTS-G-1 The organization chart provided in the AIA's Appendix A is not legible. Please provide a legible copy of Appendix A.

Response: Please see the attached.

SUEZ NORTH AMERICA (Regulated only)



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BTS-G-2
(Cagle)

BTS-G-2 Please identify the name of the bank or financial institution that SUEZ Water Resources Inc. (SWR) will utilize to create a centralized cash account (Money Pool) for SUEZ Water Pennsylvania Inc. - Wastewater Division (SWPA-WD) and its affiliates.

Response: Bank of New York Mellon.

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BTS-G-3
(Cagle)

BTS-G-3 Please quantify the estimated annual amount that SWPA-WD will deposit into the Money Pool.

Response: Like the other participants, all receipts of cash would be deposited into the Money Pool and all cash disbursements made from the Money Pool. In the normal course of business, cash received from customer billing is the most significant item. Total revenues for the 12 months ended 12/31/2017 for SWPA was approximately \$44.8M of which wastewater customers contribute approximately \$58k. The Company does not produce a statement of cash flows at the SWPA level.

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BTS-G-4
(Cagle)

BTS-G-4 Please quantify the total estimated annual amount that SWPA-WD and its affiliates will deposit into the Money Pool.

Response: Total revenues for SUEZ Water Resources ("SWR") which includes the participants was approximately \$571M. Attached is a copy of the 2017 SWR statement of cash flows.

SUEZ Water Resources Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(in thousands of dollars)

	Years Ended December 31,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 95,058	\$ 92,743
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	75,742	69,537
Provision for bad debts	1,937	2,927
Deferred income taxes and investment tax credits	16,799	24,033
Equity in losses of affiliates	35	242
Impairment of regulatory assets	204	479
Amortization of debt discount and premium	2,270	2,277
Allowance for funds used during construction	(1,613)	(5,296)
Share-based compensation (income) expense	150	(293)
Unrealized (gain) loss on warrants	(5)	1,002
Changes in operating assets and liabilities:		
Billed and unbilled accounts receivable	(4,697)	(6,327)
Intercompany money pool receivable/payable, net	(32,055)	47,851
Prepaid and other current assets	(288)	(1,000)
Intangible assets	-	(1,450)
Accounts payable and other current liabilities	3,112	(14,455)
Accrued taxes	315	13,360
Accrued interest	(574)	(28)
Accrued employee benefits	(2,812)	2,190
Regulatory assets	538	11,599
Regulatory liabilities	6,538	(5,279)
Other, net	(2,631)	3,056
Net cash provided by operating activities	<u>158,023</u>	<u>237,168</u>
Cash flows from investing activities:		
Capital expenditure (excludes allowance for funds used during construction)	(238,166)	(170,036)
Increase in restricted cash	(74)	(33)
Net cash used in investing activities	<u>(238,240)</u>	<u>(170,069)</u>
Cash flows from financing activities:		
Issuance of notes payable	-	305,280
Repayment of notes payable	-	(305,280)
Proceeds from issuance of long-term debt	145,000	-
Repayment of long-term debt	(66,358)	(974)
Dividend on common stock	-	(69,000)
Debt issuance and redemption costs	(42)	-
Net customer advances and contributions in aid of construction	1,604	2,855
Net cash provided by (used in) financing activities	<u>80,204</u>	<u>(67,119)</u>
Net decrease in cash and cash equivalents	(13)	(20)
Cash and cash equivalents, beginning of year	62	82
Cash and cash equivalents, end of year	<u>\$ 49</u>	<u>\$ 62</u>
Supplemental cash flow information:		
Interest paid	\$ 49,176	\$ 49,114
Income taxes paid	\$ 36,473	\$ 16,335

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BTS-G-5
(Cagle)

BTS-G-5 Please quantify the estimated annual amount that SWPA-WD will withdraw from the Money Pool.

Response: Like the other participants, all disbursements of cash would be made from the Money Pool. In the normal course of business, plant additions, O&M Costs, taxes, and interest expense are the most significant items totaling approximately \$50.7M. Of this amount O&M Expenses for Pennsylvania Wastewater operations are approximately \$96k. Funding for capital expenditures in excess of revenues generated are received through the money pool from financing at the SWR level. The Company does not produce a statement of cash flows at the SWPA level.

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BTS-G-6
(Cagle)

BTS-G-6 Please state if SUEZ Water Management and Services Inc. (SWM&S) will provide any other services other than the one listed in the AIA's Section II, Paragraph 12, to SWPA-WD for the operation and administration of the Money Pool.

Response: SUEZ Water Management and Services Inc. provides services to SWPA under a separate affiliate agreement approved in Docket Nos. G-2016-2546454 (Water), G-2016-2557846 (Wastewater), G-2016-2546481 (Bethel). SWM&S will provide administrative services through the Treasury function to the Money Pool through the above referenced agreements but will not be a part of the money pool.

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BTS-G-7
(Cagle)

BTS-G-7 Please provide a copy of the schedule of the charges that SWM&S will charge SWPA-WD and its affiliates for managing the Money Pool.

Response: SWPA does not have an independent Treasury function and receives all such services from SWM&S under the agreement referred to in response to BTS-G-6. Total annual charges from the SWM&S Treasury Department totaled approximately \$101k for 2017. SWPA will receive no additional charges specifically for managing the Money Pool. M&S charges are not allocated separately for water and wastewater.

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BTS-G-8
(Cagle)

BTS-G-8 Please describe and provide an example calculation of the cost allocation method that SWM&S will use to allocate the service costs between SWPA-WD and its affiliates for providing the Money Pool management services.

Response: The cost of Treasury services are allocated based upon the Company's M&S Affiliate Agreement and Cost Allocation Manual. See Docket Nos. G-2016-2546454, G-2016-2557846, and G-2016-2546481. Accumulated allocable costs are allocated based upon a three factor formula the components of which are Total Assets, Total Payroll Costs, and Revenues. There are no incremental costs Money Pool management services.

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BTS-G-11
(Cagle)

BTS-G-11 Regarding the AIA's Section II, Paragraph 9, please quantify the estimated annual interest charge amount that will be allocated to SWPA-WD.

Response: Through June 30, 2018, approximately \$84k of short term interest expense was incurred for SWR. If annualized, SWPA would receive approximately 9.98% of \$168k or approximately \$17k. Interest charges are not recorded separately for water and wastewater.

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BTS-G-12
(Cagle)

BTS-G-12 Regarding the AIA's Section II, Paragraph 9, please describe the terms of SWR's
line of credit.

Response:

The Company has uncommitted credit lines with several banks. Borrowings under these credit
lines generally bear interest at rates based on The London Interbank Offered Rate ("LIBOR").

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BTS-G-13
(Cagle)

BTS-G-13 Please state if SWM&S will be managing any other money pools other than the one referred in the AIA's Section II, Paragraph 8.

Response: SWM&S will also manage the "non-regulated" money pool which includes SWM&S and SUEZ Water Environmental Services Inc. (SWES)

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BTS-G-9
(Cagle)

BTS-G-9 Please quantify the estimated annual cost that SWPA-WD will have to pay to SWM&S for managing the Money Pool.

Response: SWPA does not have an independent Treasury function and receives all such services from SWM&S under the agreement referred to in response to BTS-G-6. Total annual charges from the SWM&S Treasury Department totaled approximately \$101k for 2017. SWPA will receive no additional charges specifically for managing the Money Pool. M&S charges are not allocated separately for water and wastewater.

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BTS-G-10
(Cagle)

BTS-G-10 Regarding to the AIA's Section II, Paragraph 9, please explain and provide an example of how interest charges will be allocated among SWPA-WD and its affiliates.

Response: Both long-term and short-term debt (when needed) are raised at the SWR level for the parties to the AIA.

Interest costs are allocated based upon total Net Capitalization

As of 12/31/2017

SWPA Net Capitalization	\$186,432,132	9.98%
SWBE Net Capitalization	1,342,939	0.07%
Total SWR Net Capitalization	\$1,867,916,979	100.0%

Allocable interest on Short Term Debt for May 2018	\$12,442
SWPA Allocation Factor	<u>X 9.98%</u>
Allocated to SWPA	\$ 1,242

Net Capitalization is computed by taking the operating subsidiaries' Total Capitalization and netting this with the balance of operating subsidiaries' Inter Company Money Pool receivable/payable.

Please note that interest is not allocated separately for water and wastewater.

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BTS-G-14
(Cagle)

BTS-G-14 Please state why the AIA between SWPA-WD and its affiliates is in the best interest of SWPA-WD's ratepayers and describe the benefits that SWPA-WD's ratepayers will realize.

Response: The Company believes a Money Pool is the most effective and least cost alternative for managing the Company's cash needs. SWPA does not have a separate treasury function and receives only a portion of the costs of the SWM&S treasury department costs. Additionally, SWPA and its customers are benefitted by utilizing lines of credit negotiated for the larger SWR entity the terms of which are likely better than SWPA might achieve on its own.