

**Application of SUEZ Water Pennsylvania Inc. for the Acquisition of Wastewater Assets of
the Township of Mahoning Pursuant to 66 Pa. C.S. §1329
Application Filing Checklist – Wastewater
Docket No. A-2018-_____**

11. State the ratemaking rate base as required in 66 Pa. C.S. § 1329 and specify whether it is based on either the fair market value determined by the valuation experts or the asset purchase price.

RESPONSE: The negotiated purchase price for the Water and Wastewater System together is \$9,500,000. As discussed in the Direct Testimony of John Hollenbach, Vice President and General Manager of SWPA, SWPA Statement No. 1, p. 11, enclosed at **Appendix A-14**, the purchase price has been allocated between the Water System and the Wastewater System as follows: \$4,734,800 for the Water System and \$4,765,200 for the Wastewater System. This is lower than the average of the two appraisals completed by the buyer’s Utility Valuation Expert (“UVE”) and the seller’s UVE. Gannett Fleming’s valuation of the Wastewater System was \$5,414,200 (rounded) and ScottMadden’s valuation of the Wastewater System was \$5,731,341, for an average of \$5,572,770. Accordingly, the negotiated purchase price is the fair market value for ratemaking purposes under Section 1329 (i.e. the lower of the negotiated purchase price and the average of the UVEs’ appraisals). The fair market value as determined by the Section 1329 process, which in addition to the transaction and closing costs described below, becomes the rate base for ratemaking purposes. Note, however, that SUEZ Water Pennsylvania Inc. reserves its right in future proceedings to make rate base claims related to the acquisition as may otherwise be permitted under the Pennsylvania Public Utility Code.