

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

August 13, 2018

David P. Zambito, Esquire
Cozen O'Connor
170 North Second Street
Suite 1410
Harrisburg, PA 17101

Dear Mr. Zambito:

Re: Application of SUEZ Water Pennsylvania Inc. for the Acquisition of the Township of Mahoning Water and Wastewater System Pursuant to Sections 1102 and 1329 of the Public Utility Code.

Docket Nos. A-2018-3003517 and A-2018-3003519

Enclosed you will find two copies of Interrogatories of the Office of Consumer Advocate, Set I in the above-referenced proceeding.

In accordance with the discovery modifications agreed to by the parties, we request that the Company and Mahoning Township use best efforts to provide verified answers to these inquires within five (5) days of service.

We also request that you send a copy of the answers directly to our consultant, as listed below:

Ashley E. Everette
Regulatory Analyst
E-Mail: AEverette@paoca.org

David P. Zambito, Esquire

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A-2018-3003517

If you have any questions, please call us. By copy of this letter, copies of these interrogatories have been served upon all parties. A certificate of service showing service of these interrogatories on all parties has been filed with Secretary Chiavetta of the Pennsylvania Public Utility Commission as required by 52 Pa. Code §5.341(b).

Very truly yours,

/s/Christine Maloni Hoover

Christine Maloni Hoover

Senior Assistant Consumer Advocate

PA Attorney I.D. # 50026

E-Mail: CHoover@paoca.org

Enclosure

cc: PUC Secretary Chiavetta, (letter and Certificate of Service only)
Certificate of Service

CERTIFICATE OF SERVICE

Application of SUEZ Water Pennsylvania Inc. :
for the Acquisition of the Township of Mahoning : Docket Nos. A-2018-3003517
Water and Wastewater System Pursuant to Sections : A-2018-3003519
1102 and 1329 of the Public Utility Code :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Interrogatories Set I to SUEZ Water Pennsylvania Inc., and Mahoning Township, 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 13th day of August 2018.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

Scott Granger, Esquire
Carrie Wright, 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

David P. Zambito, Esquire
Jonathan P. Nase, Esquire
Cozen O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101

Ryan M. Tira, Esquire
McNerney Page Vanderlin & Hall
433 Market Street
Williamsport, PA 17701

/s/Christine Maloni Hoover
Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50026
E-Mail: CHoover@paoca.org
*256833

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

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of SUEZ Water Pennsylvania Inc. :
for the Acquisition of the Township of Mahoning : Docket Nos. A-2018-3003517
Water and Wastewater System Pursuant to Sections : A-2018-3003519
1102 and 1329 of the Public Utility Code :

INTERROGATORIES OF THE
OFFICE OF CONSUMER ADVOCATE
SET I

Pursuant to 52 Pa. Code §5.341, the Office of Consumer Advocate hereby propounds the following Interrogatories to SUEZ Water Pennsylvania Inc., and to Mahoning Township to be answered by those officers, employees, agents, or contractors who have knowledge of the requested facts and who are authorized to answer on behalf of the Company and Mahoning Township. Each interrogatory is to be verified by the responding witness in accordance with 52 Pa. Code §5.342(a)(6).

DATED: August 13, 2018

Instructions

- 1) These interrogatories shall be construed as a continuing request. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as first becomes available to the Respondent after the answers hereto are filed.
- 2) Restate the interrogatory immediately preceding each response.
- 3) Identify the name, title, and business address of each person(s) providing each response.
- 4) Provide the date on which the response was created.
- 5) Divulge all information that is within the knowledge, possession, control, or custody of Respondent or may be reasonably ascertained thereby. The term "SUEZ Water Pennsylvania Inc.," "SUEZ," "The Company," or "you" as used herein includes SUEZ Water Pennsylvania Inc., its attorneys, agents, employees, contractors, or other representatives, to the extent that the Company has the right to compel the action requested herein.
- 6) Regarding questions 1-15, divulge all information that is within the knowledge, possession, control, or custody of Respondent or may be reasonably ascertained thereby. The term "Mahoning Township," "Mahoning," "The Township," or "you" as used herein includes SUEZ Water Pennsylvania Inc., its attorneys, agents, employees, contractors, or other representatives, to the extent that the Company has the right to compel the action requested herein.
- 7) Provide a verification by the responsible witness that all facts contained in the response are true and correct to the best of the witness' knowledge, information and belief.
- 8) As used herein, but only to the extent not protected by 52 Pa. Code Section 5.323, the word "document" or "workpaper" includes, but is not limited to, the original and all copies in whatever form, stored or contained in or on whatever media or medium including computerized memory, magnetic, electronic, or optical media, regardless of origin and whether or not including additional writing thereon or attached thereto, and may consist of:

- a) notations of any sort concerning conversations, telephone calls, meetings or other communications;
- b) bulletins, transcripts, diaries, analyses, summaries, correspondence and enclosures, circulars, opinions, studies, investigations, questionnaires and surveys;
- c) worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing.

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Application of
Pennsylvania American Water Company
to acquire
Mahoning Township Water and Wastewater System

Docket No. A-2018-3003517

Docket No. A-2018-3003519

Interrogatories of the Office of Consumer Advocate
Set I

Questions for the Township

1. Please provide a copy of all proposals received by Mahoning Township and any accompanying exhibits with respect to the proposed sale of the system.
2. Please provide a copy of any valuation studies the Township used in preparation for sending or receiving the request for proposals regarding the potential sale of the sewer system.
3. Please provide a copy of Mahoning Township's request for proposals and any accompanying exhibits with respect to the proposed sale of the system.
4. Please provide a listing of any entities that currently receive free service from the Seller. Indicate whether each receives water and/or wastewater service.
5. Refer to Appendix A-19-b. Explain why Mahoning Township did not have a budget in 2016.
6. Refer to Appendix A-19-b. Please provide a second year of budgets for water and sewer. If 2016 is not available, please provide the most recent available year.
7. Refer to Appendix A-19-b. What does "WITH 3 QTS" mean?
8. Please provide a copy of an actual recent bill for each rate classification for Mahoning's existing sewer customers. The customer name and address should be redacted but the type of customer identified.
9. The audited financial statements provided in Appendix A-19-a are for the year ended September 30, 2016. Please confirm that the audited financial statements represent a full 12 months of data.
10. Please provide the amount paid to Danville for purchased water for the most recent three years available.

11. Please provide the amount paid to Danville for sewage treatment for the most recent three years available.
12. Refer to A-22-d. Are all 1,186 water customers also sewer customers? Are any water customers served by a different entity or do any water customers have a septic tank? If yes, state the number of water customers not served by Mahoning Township's wastewater.
13. Refer to A-22-d and the previous question. Regarding the number of wastewater customers that do not receive water service from Mahoning Township: if known, please state the number of customers that receive other public water service and the number of customers using well water.
14. Refer to the audited financial statements provided in Appendix A-19-a. Please state the amount paid to Danville for purchased water for the year ended September 30, 2016.
15. Refer to the audited financial statements provided in Appendix A-19-a. Please state the amount paid to Danville for sewage treatment for the year ended September 30, 2016.

Questions for SUEZ

16. For the proposed acquisition of the Mahoning water system, please estimate the monthly cost impact on existing and acquired customers following SUEZ's next base rate case, utilizing (a) a scenario in which the acquired system's cost of service is fully allocated to the acquired customers and (b) a scenario in which any anticipated cost of service revenue deficiency associated with the acquired system is shared equally by acquired customers and existing customers.
17. For the proposed acquisition of the Mahoning sewer system, please estimate the monthly cost impact on existing and acquired customers following SUEZ's next base rate case, utilizing (a) a scenario in which the acquired system's cost of service is fully allocated to the acquired customers and (b) a scenario in which any anticipated cost of service revenue deficiency associated with the acquired system is shared equally by acquired customers and existing customers. (Assume no combined water and wastewater revenue requirement.)
18. Please provide a copy of any proposals or exhibits made or commissioned by SUEZ for the purchase of Mahoning's water and wastewater assets that have not already been provided.
19. Has SUEZ made any previous offer to purchase the Seller wastewater system? If yes, provide a copy of the offer and relevant communications.
20. Please provide a listing of any entities that SUEZ expects to receive free service from the water or wastewater system after acquisition.

21. Refer to Appendix A-13-a – Water and Appendix A-17-c – Water. A-17-c indicates there are 148 public fire hydrants in the service territory. Will SUEZ charge for public fire hydrants after acquisition? If yes, state where the rate is reflected in A-13-a.
22. Refer to the Water and Sewer Applications and the tariffs at Appendix A-13-a. Please explain why SUEZ is proposing to convert sewer customers, but not water customers, to monthly billing after closing.
23. Regarding sewer rates, refer to Appendix A-18-a. Does Mahoning currently charge the rates shown on the attachment titled “Mahoning Township Rate Increase Q2 2017,” and/or the rates charged on the Danville Municipal Authority resolution page? Please clarify what rates Mahoning currently charges for sewer service.
24. Refer to Sewer Appendix A-18-a, the Sewer Use Fees for the Borough of Danville. Please state what the handwritten amounts represent on the sheet labeled Sewer Use Fees for the Borough of Danville.
25. Refer to Sewer Appendix A-13-a and Appendix A-18-a. A-18-a indicates that the current quarterly rate for sewer service is a flat rate of \$168.59. Explain how SUEZ derived the monthly flat rate of \$36.80 shown in the proposed tariff.
26. Refer to Appendix A-13-a and Appendix A-18-a. Please explain in detail how the rates (except for the flat rate residential) on the proposed tariff were determined. For all cases in which the proposed rates do not exactly match the rates shown on Appendix A-18-a, provide an explanation and calculation of SUEZ’s proposal.
27. Refer to Sewer Appendix A-18-a. For non-residential flat rate customers, please clarify the rates that SUEZ proposes to charge each customer. Will the customer pay the EDU rate in addition to the flat rate? Is this a per-EDU rate?
28. Refer to Appendix A-18-a, current Danville sewer rates and Sewer Appendix A-13-a. The rates are shown on the existing rates schedule as “per employee” or “per room” rates but are shown as EDU rates on the proposed tariff. Please clarify whether these are the same or different.
29. Please refer to the revised response to A-19-d that were provided in response to TUS-11 (water). This response indicates that the \$600,000 revenue estimate assumed 1,648 customers, while Appendix A-17-a (water) indicates there are 1,186 water customers. Please provide a revised revenue calculation under SUEZ ownership.
30. Please refer to the revised response to A-19-d that was provided in response to TUS-11 (water). Is 4,000 gallons the average usage of both residential and commercial customers? Is \$364 the average commercial customer bill? State how these amounts were determined and provide any corresponding calculations or workpapers. If necessary, please incorporate any corrections into the schedule requested in the previous question.

31. Refer to Appendix A-19-d Sewer and the revised version provided in response to TUS-10. Is this the average residential bill, commercial bill or overall average bill? Please state the basis for the average annual bill of \$674 and provide any calculations or workpapers used to determine this amount.
32. Refer to Appendix A-19-d Sewer and revised version provided in response to TUS-10. See also the response to A-17-a. A-17-a indicates that Mahoning has 1,620 current sewer customers, not 2,077. Please provide a revised calculation of the anticipated Mahoning sewer revenue in the first year of SUEZ ownership.
33. Refer to Appendix A-19-d Sewer and revised version provided in response to TUS-10. Regarding the annual operating expenses of \$1,048,190, please explain why a portion of the purchased water cost is allocated to Sewer.
34. Please refer to the revised responses to A-19-d that were provided in response to TUS-11 (water) and TUS-10 (sewer). SUEZ provided depreciation expense based on a total net book value of \$3,078,179. The proposed ratemaking rate base is \$9.5 million. Please explain whether SUEZ plans to depreciate only the net book value, and why.
35. Please refer to the revised responses to A-19-d that were provided in response to TUS-11 (water) and TUS-10 (sewer). Are the estimated income taxes shown here at the purchase price or at the net book value referenced in the response?
36. Please refer to the revised responses to A-19-d that were provided in response to TUS-11 (water) and TUS-10 (sewer). Does SUEZ agree that the federal corporate income tax rate is 21% not 21.6%? Does SUEZ agree that state taxes are deductible for federal income tax purposes, creating a combined rate of 28.89%?
37. Please provide an estimate of the depreciation expense on the \$9.5 million purchase price, separated by water and sewer.
38. Please provide a calculation of SUEZ's water and wastewater estimated cost of capital after closing. If the cost of capital after closing is not available, please provide the current cost of capital.
39. Refer to Exhibit G, Water. Does the pro forma income statement include the effect of the pending rate case?
40. Refer to Exhibit G, Water. Please explain the increase in net income between 2017 and 2019.

Question for Engineer

41. Refer to Appendix A-15-a, 11th page of the pdf. The “General Assets” section indicates a subtotal of \$211,487 but only \$49,807 of assets are listed. Please provide the missing information.

Questions for Mahoning Township’s UVE

42. Please provide the following for ScottMadden:
- A list of fair market valuations of utility property performed by ScottMadden
 - A list of appraisals of utility property performed by ScottMadden
43. Please provide the following for Mr. D'Ascendis:
- A list of fair market valuations of utility property performed
 - A list of appraisals of utility property performed by Mr. D'Ascendis
 - An electronic copy of any testimony in which Mr. D'Ascendis has testified on fair value acquisitions.
44. Refer to the spreadsheet titled D’Ascendis Electronic WP Mahoning, tab “Market-to-Book Ratio,” cells C7:C14. For each Market to Book ratio listed here, please provide the following:
- The market value
 - The book value
 - The calculation of market to book, if not equal to market/book
 - For each market value and book value shown in response to parts “a” and “b,” please provide a copy of the source showing the respective values.
45. Refer to the spreadsheet titled D’Ascendis Electronic WP Mahoning, tab “Asset.” Please provide an explanation for each of the values in columns “Q” and “R” that were used to calculate the Accumulated Depreciation amounts in column H.
46. Refer to the spreadsheet titled D’Ascendis Electronic WP Mahoning, tab “Asset.” Please provide the source of the Cost Index Numbers in columns K and L. Provide an explanation of the source used and what the numbers in each column represent.

Questions for SUEZ’s UVE

47. Refer to the spreadsheet titled Ex 6 and 9, tab “paste area.” Provide the calculation of reproduction cost shown in cells H50:H68 in live electronic format with links intact. Provide an explanation of any assumptions or inputs other than original cost that were used in determining the reproduction cost.
48. Refer to the spreadsheet titled Ex 6 and 9, tab “paste area.” Provide the calculation of calculated reserve shown in cells I50:I68 in live electronic format with links intact.

Provide an explanation of any assumptions or inputs other than original cost that were used in determining the reproduction cost.

49. Refer to Exhibit 5, page 1. Please explain how Gannett Fleming determined that 100% of the difference between invested capital and net PP&E was due to contributions.
50. Does Mr. Walker believe that contributions is the only reason that net PP&E would be less than invested capital? Discuss.
51. Did Mr. Walker or Gannett Fleming examine the books of any company listed on Exhibit 5, page 1 to determine whether the hypothesis regarding contributions is correct?

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