



August 23, 2018

**VIA E-FILING**

**Jonathan P. Nase**

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

**In re: Application of SUEZ Water Pennsylvania Inc. under Section 1102(a) of the Pennsylvania Public Utility Code, 66 Pa C.S. § 1102(a), for approval of (1) the transfer, by sale, of substantially all of the Township of Mahoning's assets, properties and rights related to its wastewater collection and conveyance system to SUEZ Water Pennsylvania Inc., and (2) the rights of SUEZ Water Pennsylvania Inc. to begin to offer or furnish wastewater collection and conveyance service to the public in portions of the Townships of Mahoning, Cooper and Valley, Montour County, Pennsylvania; Docket No. A-2018-3003517**

**Partial Response #1 of SUEZ Water Pennsylvania Inc. to Data Request of the Bureau of Technical Utility Services**

Dear Secretary Chiavetta:

Enclosed please find the Partial Response #1 of SUEZ Water Pennsylvania Inc. to the Data Request of the Bureau of Technical Utility Services in the above-referenced matter. Additional responses will be forthcoming. Copies of the filing have been served on the parties as indicated on the attached certificate of service.

Thank you for your attention to this matter. Should you have any question or concern, please feel free to contact me.

Sincerely,

COZEN O'CONNOR

By: Jonathan P. Nase

Counsel for *SUEZ Water Pennsylvania Inc.*

JPN:kmg

Enclosures

cc: Per Certificate of Service  
John D. Hollenbach, P.E., General Manager and Vice President  
William C. Kelvington, Director of Operations  
Clinton McKinley, Bureau of Technical Utility Services

Bureau of Technical Utility Services  
Water/Wastewater Division  
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- A-2. The following questions are regarding the appraisal of Gannett Fleming Valuation and Rate Consultants, LLC (Gannett Fleming), included in the Application as Appendix A-5-a:
- a. Please clarify if the file named “Ex12 all.xlsx”, provided in the Application as Appendix A-4-a, is an electronic copy of Exhibit 21. If not, please provide an electronic copy of Exhibit 21.
  - b. Page 3 of Exhibit 9 reflects that Gannett Fleming used different service lives than the service lives contained in Appendix A-15-a. Please explain why Gannett Fleming deviated from the service lives contained in Appendix A-15-a.
  - c. Exhibit 12 identifies certain expense reductions for economies of scale under municipal ownership. Please explain why Gannett Fleming assumes municipal ownership would result in greater economies of scale than under current Mahoning Township operations.
  - d. Exhibits 16 and 17 reflect wastewater system operations under municipal and investor-owned utility ownership. Under municipal ownership, Gannett Fleming estimates a 17% rate increase in 2021 and 4% rate increases every 3 years thereafter. Under investor-owned utility ownership, Gannett Fleming estimates a 29% rate increase in 2021, and 3-4% rate increases every 3 years thereafter. Please state if SUEZ-WD agrees with Gannett Fleming’s observation that Mahoning customers would be subject to greater rate increases in the future under investor-owned utility ownership as compared with municipal ownership.

Answer:

- a. “Ex12 all.xlsx” provided in the Application as Appendix A-4-a, is an electronic copy of Exhibit 12. There is no “Exhibit 21” contained in the appraisal. Therefore, an electronic copy of Exhibit 21 cannot be provided.
- b. Based on a review of the enacting legislation and the Commission’s order related thereto, Gannett Fleming does not believe the role of the “Engineer’s Assessment” is to develop service lives. Accordingly, Gannett Fleming used service lives of depreciable assets that were based on the materials used for construction and how long the depreciable assets are likely to meet service demands.
- c. The referenced “municipal ownership” is assumed to be a large regional municipal authority, not a township. Gannett Fleming believes a large regional municipal authority can achieve some economies of scale over a township because a large regional municipal authority’s sole focus is the



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- A-3. The hourly billing rates indicated on the invoices for Gannett Fleming, provided in the Application’s Appendix A-8, do not match the hourly billing rates listed in the proposal letter dated October 30, 2017, also provided in Appendix A-8-a. Additionally, the letter dated October 30, 2017, also provided in the Application’s Appendix A-8-a, guarantees that Gannett Fleming’s cost for a complete study will not exceed \$35,000 while SWPA Statement No. 3, Direct Testimony of Harold Walker III, provided in the Application as Appendix A-14-a, identifies a cost of \$45,000 on page 7, line 16. Please explain this discrepancy and the reason for the apparently increased cost.

Answer:

The proposal states Gannett Fleming will perform the authorized services “based on hourly billing rates for our personnel in effect when we perform the work.” The “hourly billing rates listed in the proposal” were effective 12/31/16 as the proposal was a 2017 proposal. However, the appraisal work occurred in 2018 and was billed based upon rates that became effective 12/30/17.

The cost not-to-exceed listed in the proposal was for a single appraisal of a group of water and wastewater assets. After beginning the appraisal process, Gannett Fleming was informed that the Commission needed separate appraisals for water assets and for wastewater assets. Accordingly, the revised requirement for separate appraisals for water assets and for wastewater assets was completed but it fell outside the scope of the original proposal and required more time to complete, which resulted in a higher cost than originally proposed.

Answer provided by: Harold Walker, III, Manager, Financial Studies  
Gannett Fleming Rate and Valuation Consultants, LLC

Date: August 23, 2018

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- A-4. The following questions are regarding the testimony submitted by SUEZ-WD in the Application’s Appendix A-14-a:
- a. Pages 17-18 of SWPA Statement No. 1 states, in part, no municipal authority other than Mahoning is now furnishing or has rights to furnish service similar to that to be rendered by SUEZ-WD in the requested territory, and no competitive condition will be created. Please verify that the Cooper Township Municipal Authority does not provide wastewater service within the requested territory.
  - b. Pages 19-20 of SWPA Statement No. 1 identified that copies of certain municipal contracts provided in the Application are not fully-executed versions of said contracts. Please provide evidence that the entities party to those contracts agree to the contract being transferred from Mahoning to SUEZ-WD, where consent is required.
  - c. Pages 6-7 of SWPA Statement No. 2 indicated Mahoning residential wastewater customers will be billed monthly rather than quarterly. Please explain how SUEZ-WD will notify impacted customers of the conversion from quarterly billing to monthly billing.

Answer:

- a. Cooper Township Municipal Authority does not provide wastewater service within the requested territory.
- b. None of the contracts necessary for SUEZ to provide wastewater service require the other party’s consent to the assignment.
- c. Prior to closing, this change will be communicate to the customer, with the assistance of Mahoning Township.

Answer provided by: William C. Kelvington, SWPA Director of Operations

Date: August 23, 2018

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A-5. Please provide additional details for the descriptions provided in the Land and Right of Way table on page 2 of the Engineer’s Assessment (i.e., explain why the line item is required for the water or wastewater operation).

Answer:

The list of properties and easements was taken from information provided by the Township solicitor. To the best of the Township Engineer’s knowledge, these were all of the properties and easements that were transferred from the Mahoning Township Authority to Mahoning Township when the Authority was dissolved.

- Mahoning Village Water Booster Station: The station delivers water to the Township’s 0.5 MG and 0.3 MG water storage tanks. Without this station, it would not be possible to serve water in the higher elevations of the township. The Township owns the 0.911 acre parcel containing the booster station. The agreement also provides an easement to access the booster station for maintenance and operational oversight.
- Route 11 Interceptor Sewer: The Route 11 Interceptor and Force Main conveys wastewater from the Route 11 Sewage Pump Station to the Danville Borough. The Township acquired the site in order to have access to the interceptor and force main for maintenance.
- Woods of Welsh Booster Station and Maintenance Building: This site houses the Woods of Welsh Booster Station and a maintenance garage. The booster station delivers water to the 75,000 gallon water storage tank that serves the Woods of Welsh development. The maintenance garage is used to store piping and materials used to maintain the water and sewer systems.
- Water Storage Tank Site: This site contains the 0.5MG and 0.3MG water storage tanks. The site was expanded from 1.7 acres to a little over 2 acres when the 0.3MG tank was added to the system. The site is fenced, which provides security for the site.
- The remaining items on the list are easements that have been acquired to allow for the construction, operation and maintenance of water or sewer lines. Larson did not perform deed or title research to determine the type or location of these easements.

Answer provided by: David Walters, P.E., Senior Project Manager,  
Water/Wastewater, Larson Design Group

Date: August 23, 2018

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- A-6. The tentative journal entries provided in Appendix A-15-f identify a proposed debit to Utility Plant in Service. However, the Uniform System of Accounts (USOA) for Class A Wastewater Utilities provides that Account 101 – Utility Plant in Service includes the original cost of utility plant. Please explain how SUEZ-WD’s proposed accounting treatment complies with the USOA.

Answer:

Section 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1329, creates a statutory exception to the Uniform System of Accounts by permitting the acquiring wastewater utility to incorporate the lesser of the purchase price or the fair market value into its rate base rather than original cost. Accordingly, under this statutory exception, it is appropriate for SWPA to incorporate the anticipated Mahoning wastewater system estimated rate base of \$5,266,800 as a proposed debit to Account 101- Utility Plant in Service.

Answer provided by: Michael Watkin, Finance Director, SWPA

Date: August 23, 2018

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- A-8. Please provide a copy of Mahoning Township’s sewage facilities planning module submitted to DEP to update its Act 537 Sewage Facilities Plan due to the proposed sale of the wastewater facilities as referenced in the Application’s Appendix A-22-a.

Answer:

The updated Act 537 plan is being worked on by Mahoning Township and SWPA. It will be completed and approved by DEP prior to closing.

Answer provided by: William C. Kelvington, SWPA Director of Operations

Date: August 23, 2018

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- A-9. Please identify if any non-dedicated developer lines listed in Exhibit 3.5 of the Application’s Appendix A-24-a are used to provide wastewater service and quantify the original date of construction, length and type of material.

Answer:

Please see attached.

Answer provided by: David Walters, P.E., Senior Project Manager,  
Water/Wastewater, Larson Design Group

Date: August 23, 2018

### Mahoning Undedicated Wastewater Assets

Year	Pipe Size	Linear Feet	2017 Unit Cost	2017 Installed Cost	2017 ENR	Yr Installed ENR	ENR Multiplier	Yr Installed Cost	Location	Pipe Type
<b>1978</b>										
Sewer Main	8"	2640	\$ 175	\$ 462,000.00	10737	2776	0.259	\$ 119,447.89	Hidden Hollow, Woodbine Pl Montg Village/Evergreen	Terra Cotta
<b>1982</b>										
Sewer Main	8"	8360	\$ 175	\$ 1,463,000.00	10737	3825	0.356	\$ 521,186.09	Peachtree & Woodbine Industrial Park	PVC
<b>1998</b>										
Sewer Main	8"	1624	\$ 175	\$ 284,200.00	10737	6059	0.564	\$ 160,377.00	Delwood Drive/Hawkins	PVC
<b>2000</b>										
Sewer Main	8"	3267	\$ 175	\$ 571,725.00	10737	6221	0.579	\$ 331,256.52	Strawberry Fields	PVC
<b>2004</b>										
Sewer Main	8"	5356	\$ 175	\$ 937,300.00	10737	7115	0.663	\$ 621,112.93	Woods of Welsh	PVC
<b>2009</b>										
Sewer Main	8"	2224	\$ 175	\$ 389,200.00	10737	8570	0.798	\$ 310,649.53	Mahoning Terrace	PVC
<b>2014</b>										
Sewer Main	8"	317	\$ 175	\$ 55,475.00	10737	9806	0.913	\$ 50,664.79	Lexi Drive	PVC

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A-10. Please state if it is SUEZ-WD’s intention to install a flow meter at the unmetered connection point with Danville Municipal Authority. If so, please state the estimated cost and timeline of this project.

Answer:

No.

Answer provided by: William C. Kelvington, SWPA Director of Operations

Date: August 23, 2018

## VERIFICATION

I, Harold Walker III, 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: August 23, 2018



**VERIFICATION**

I, David D. Walters, 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: 8/22/2018

David D. Walters

**VERIFICATION**

I, MICHAEL WATKIN, 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: August 23, 2018

  
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VERIFICATION

I, WILLIAM C. KELLING, Esq. 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: August 23, 2018

W C Kelling

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of SUEZ Water Pennsylvania Inc. :  
under Section 1102(a) of the Pennsylvania Public :  
Utility Code, 66 Pa C.S. § 1102(a), for approval of (1) :  
the transfer, by sale, of substantially all of the :  
Township of Mahoning's assets, properties and rights : Docket No. A-2018-3003517  
related to its wastewater collection and conveyance :  
system to SUEZ Water Pennsylvania Inc., and (2) the :  
rights of SUEZ Water Pennsylvania Inc. to begin to :  
offer or furnish wastewater collection and conveyance :  
service to the public in portions of the Townships :

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing **Partial Response #1 of SUEZ Water Pennsylvania Inc. to Data Request of the Bureau of Technical Utility Services**, upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

**VIA E-MAIL AND FIRST CLASS MAIL**

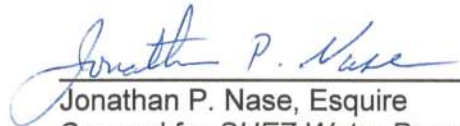
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Counsel for *SUEZ Water Pennsylvania Inc.*

Date: August 23, 2018