



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

September 4, 2018

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
400 North St.
Harrisburg, PA 17120

Re: Application of Suez Water Pennsylvania, Inc. for the Acquisition of Mahoning Township's Wastewater System Pursuant to Sections 1102 and 1329 of the Public Utility Code
Docket No. A-2018-3003517

Application of Suez Water Pennsylvania Inc. Pursuant to Section 1329 of the Public Utility Code for Approval of Its Acquisition of the Water System Assets of the Township of Mahoning
Docket No. A-2018-3003519

Dear Secretary, Chiavetta:

Enclosed please find the Bureau of Investigation and Enforcement's (I&E) **Prehearing Memorandum** in the above-captioned proceeding.

Copies are being served on parties as identified in the attached certificate of service. If you have any questions, please contact me at (717) 425-7593.

Sincerely,

Scott B. Granger
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #63641

Carrie B Wright
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #208185

Enclosure
SBG/CBW/snc
cc: ALJ Joel H. Cheskis
Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Suez Wastewater	:	
Pennsylvania, Inc. for the Acquisition of the	:	
Township of Mahoning Water System	:	Docket No. A-2018-3003517
Pursuant to Sections 1102 and 1329 of the	:	
Public Utility Code	:	

Application of Suez Water Pennsylvania Inc.	:	
Pursuant to Section 1329 of the Public Utility	:	
Code for Approval of Its Acquisition of the	:	Docket No. A-2018-3003519
Water System Assets of the Township of	:	
Mahoning	:	

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated September 4, 2018, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

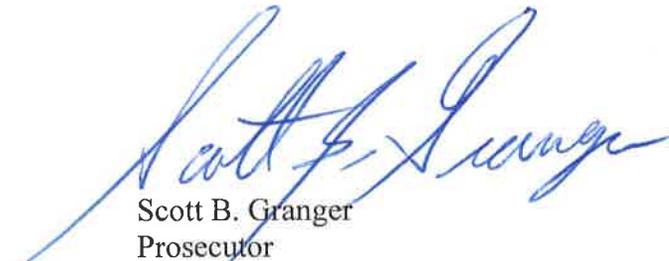
Served via First Class and Electronic Mail

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Scott B. Granger
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No. 63641

Carrie B Wright
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #208185

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Suez Water Pennsylvania, Inc., :
pursuant to the Pennsylvania Public Utility Code, :
66 Pa C.S. §1102(a), and 66 Pa. C.S. §1329 for 1) :
approval of the transfer, by sale, of substantially all :
of the Township of Mahoning's assets, properties : A-2018-3003517
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. :

Application of Suez Water Pennsylvania, Inc., :
pursuant to the Pennsylvania Public Utility Code, :
66 Pa C.S. §1102(a), and 66 Pa. C.S. §1329 for 1) :
approval of the transfer, by sale, of substantially all :
of the Township of Mahoning's assets, properties : A-2018-3003519
and rights related to its **water distribution system** :
to SUEZ Water Pennsylvania Inc., and 2) the rights :
of SUEZ Water Pennsylvania Inc. to begin to offer :
or furnish water distribution service to the public in :
portions of the Townships of Mahoning, Cooper :
and Valley, Montour County, Pennsylvania. :

PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT

TO: ADMINISTRATIVE LAW JUDGE JOEL H. CHESKIS:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Prehearing Memorandum in the above-captioned consolidated proceedings.

The Bureau of Investigation and Enforcement Prosecutors in these proceedings will be Scott B. Granger and Carrie B. Wright. Contact information is as follows:

By mail: Scott B. Granger*
Carrie B. Wright
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

By e-mail: sgranger@pa.gov
carwright@pa.gov

By telephone: (717) 425-7593 (Granger direct dial)
(717) 783-6156 (Wright direct dial)

By fax: (717) 772-2677

* Scott B. Granger designated to accept service of behalf of I&E.

I. INTRODUCTION

On July 23, 2018 SUEZ Water Pennsylvania, Inc. (“SUEZ”) filed two separate applications with the Commission regarding the acquisition of the Township of Mahoning’s wastewater system and water system assets. The filings were made pursuant to Sections 507 (related to filing of contracts with municipal corporation); Section 1102 (related to certificates of public convenience); and Section 1329 (determination of fair market value for ratemaking purposes) of the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. §§ 101 et seq.

On July 27, 2018, the Commission's Technical Utility Services requested SUEZ provide additional information in the form of a Section 1329 Application Completeness Review. On August 2, 2018 SUEZ provided the Commission with responses to the Commission's Application Completeness Review. On August 3, 2018, SUEZ provided the Commission with a supplemental response to the Commission's Completeness Review.

On August 8, 2018, by Secretarial Letter, the Commission acknowledged receipt of both applications filed by SUEZ as captioned above. Both matters were assigned to the Commission's Office of Administrative Law Judge for further review.

The Office of Consumer Advocate ("OCA") filed a Protest and Public Statement at each docket captioned above on August 10, 2018.

On August 13, 2018, I&E filed a Notice of Appearance at each docket captioned above.

A prehearing conference is scheduled for Thursday, September 6, 2018 at 2:00 p.m. in Harrisburg, Hearing Room 4, before Administrative Law Judge Joel H. Cheskis.

II. ISSUES

The following list represents I&E's preliminary determination of the potential issues in these proceedings. The listing is as complete as can be made at this time. I&E specifically reserves the right to address other issues, as it deems appropriate if any such relevant issues arise. The issues are as follows:

- Section 1329 acquisition of municipal water system by regulated public utility with continued provision of services
- Section 1329 acquisition of municipal wastewater system by regulated public utility with continued provision of services

- Fair market valuation of acquired municipal utility for ratemaking purposes
- Applicable ratemaking rate base for the acquired Mahoning municipal water system
- Applicable ratemaking rate base for the acquired Mahoning municipal wastewater system
- Distribution system improvement charges (DSIC)
- Allowance for funds used during construction (AFUDC) for post-acquisition improvements
- Depreciation related to post-acquisition improvements
- Rate stabilization plan
- Filing of contracts between public utilities and municipalities
- Cost of Service for future base rate proceedings

III. WITNESSES

It is currently expected that I&E may call the following expert witnesses without being limited thereto:

Anthony Spadaccio, Fixed Utility Financial Analyst
Ethan Cline, Fixed Utility Valuation Engineer
Christine S. Wilson, Fixed Utility Financial Supervisor
Joseph Kubas, Fixed Utility Engineer Supervisor

The I&E witnesses may be contacted through the information listed above for Prosecutors Granger and Wright. The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name of the witnesses listed above.

IV. EVIDENCE

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Company's filing, supplemental testimony, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports.

V. DISCOVERY

Discovery in these proceedings will be conducted according to 52 Pa. Code §§5.321 et. seq. The parties have agreed to discovery rules modifications to assist the parties in meeting the condensed timeline for Section 1329 acquisition proceedings and have filed the executed stipulation regarding discovery rules modifications with ALJ Cheskis on August 20, 2018. Also, pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing.

VI. SCHEDULE

I&E understands that the parties have agreed to a proposed schedule as set forth below.

Filing Accepted w/ Company Direct	August 8, 2018
Other Parties Direct	September 17, 2018
Rebuttal Testimony	September 26, 2018
Surrebuttal Testimony	October 5, 2018
Oral Rejoinder Outlines	October 9, 2018

Hearings	October 11-12, 2018
Main Brief	October 24, 2018
Reply Brief	November 5, 2018

VII. PUBLIC INPUT HEARINGS

I&E is not aware of any requests or consumer interest with respect to public input hearings. I&E does not propose that any public input hearings be held absent substantial public interest in the Company filing. I&E, however, will not oppose holding public input hearings if proposed by another party. Should public input hearings be deemed necessary, I&E recommends the Commission consider the use of “smart hearings.”

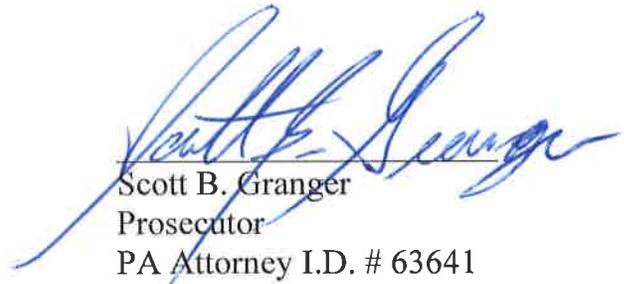
VIII. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first-class mail.

IX. SETTLEMENT

I&E is willing to make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Scott B. Granger
Prosecutor
PA Attorney I.D. # 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: September 4, 2018