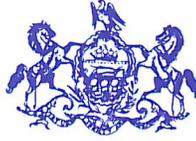


COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
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September 4, 2018

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

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

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully Submitted,

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

Attachment

cc: Honorable Joel H. Cheskis, ALJ
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 Prehearing Memorandum, 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 4th day of September 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
*257399

Counsel For:
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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. Pursuant to Sections 1102 and 1329 of the Public Utility Code for Approval of its Acquisition of the Water and Wastewater System Assets of Mahoning Township	:	:	:	:
			Docket No. A-2018-3003517	
			Docket No. A-2018-3003519	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333 and the Prehearing Order issued by Administrative Law Judge Cheskis (ALJ) on August 20, 2018, the Office of Consumer Advocate (OCA) provides the following:

I. INTRODUCTION

On July 20, 2018, Suez Water Pennsylvania (Suez or Company) filed an Application pursuant to Sections 1102 and 1329 of the Public Utility Code for Approval of its Acquisition of the Water and Wastewater System Assets of Mahoning Township. The Commission acknowledged receipt of the Applications by Secretarial Letter dated August 8 2018. On August 10, 2018, the Office of Consumer Advocate (OCA) filed a protest and public statement in each application. On August 13, 2018, the Company filed a Motion to Consolidate the wastewater Application with the water Application. The Company also filed a Motion for Protective Order, a stipulation for modification of discovery and a stipulation of parties' objections and preservation of issues. On August 31, 2018, Mahoning Township filed a Petition to Intervene.

II. SERVICE ON THE OCA

The OCA will be represented in this proceeding by Senior Assistant Consumer Advocate Christine Maloni Hoover. Two copies of all documents should be served in the OCA as follows:

Christine Maloni Hoover	Telephone: (717) 783-5048
Senior Assistant Consumer Advocate	Fax: (717) 783-7152
Office of Consumer Advocate	Email: CHoover@paoca.org
555 Walnut Street, Forum Place 5th Floor	
Harrisburg, PA 17101-1923	

The OCA requests that these additional addresses be included on the e-mail distribution list: dcaley@paoca.org, AEverette@paoca.org and watkinsg@tai-econ.com. The OCA will extend the same courtesy to any other parties requesting that additional persons be included on the e-mail distribution list.

III. DISCOVERY

The OCA has served two sets of discovery.

IV. WITNESSES

The OCA intends to present the testimony of Ashley E. Everette (Financial, Ratemaking, Appraisal and Policy Issues) and Glenn A. Watkins (Appraisal and Policy Issues). Their contact information is as follows:

Ashley E. Everette
Office of Consumer Advocate
555 Walnut Street, 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048
E-mail: aeverette@paoca.org

Glenn A. Watkins
Technical Associates, Inc.
1503 Santa Rosa Road, Suite 130
Richmond, VA 23229
E-mail: watkinsg@tai-econ.com

To the extent necessary, the OCA's witnesses will present testimony regarding the impact of the proposed transaction on Suez's existing customers and other financial, technical and ratemaking issues presented in this proceeding.

The OCA specifically reserves the right to call additional witnesses and to expand the issues addressed in testimony, as necessary. If the OCA determines that an additional witness is necessary for any portion of its case, it will notify the ALJ and all parties of record immediately.

V. ISSUES

The OCA is participating in this proceeding to ensure the interests of Suez's customers are protected. Based upon a preliminary analysis of the Application, the OCA has compiled a list of issues, which it anticipates will be included in its investigation. It is anticipated that other issues may arise and may be pursued once the answers to the OCA's interrogatories have been received and analyzed.

The issues set forth below will be analyzed and presented as appropriate by the OCA with the assistance of its expert witnesses:

1. Provision of Safe, Adequate and Reasonable Service at Just and Reasonable Rates: SWPA proposes to pay \$9,500,000 for the water and wastewater assets. SWPA St. 1 at 11. The original cost of the water assets is \$5,294,272 with a related depreciation reserve of \$1,787,134. Application at Appendix A-5-a. The original cost of the wastewater assets is \$4,931,649 with a related depreciation reserve of \$1,696,790. Application at Appendix A-5-a.

Suez seeks to have the purchase price approved for inclusion in rate base under Section 1329 as part of this proceeding as it is the lesser of the average of the fair market value appraisals of \$11,109,110, with the water system valued at \$5,536,440 and wastewater system valued at

\$5,572,770. Exh. A-14-a, SWPA St. 1 at 11-12. The allocated purchase price for the water system is \$4,734,800 and the wastewater system is \$4,765,200. Appendix A-14, SWPA St. 2 at 4-5.

The valuation experts were paid \$59,145 for the Fair Market Value Appraisal Reports for both the water and wastewater systems. Exh. A-8-a. SWPA also indicates that it will incur transaction and closing costs of approximately \$1,000,000 between the Water System and the Wastewater System, which will be included in rate base. Appendix A-14, SWPA St.1 at 5-6; Appendix A-12.

OCA will examine the ratemaking rate base claims to determine if the claims are reasonable and appropriate for ratemaking purposes.

2. Proposed Rates: SWPA proposes to charge customers of the Mahoning Township system the Mahoning Township water and wastewater rates in effect at closing. Application at 6, 11; Appendix A-13. Those rates will remain in effect until SWPA's next base rate case but SWPA may impose any fee or surcharge permitted by its Commission-approved tariff. Id.

The proposed rates do not appear to match the existing Mahoning Township rates. The OCA will investigate this apparent discrepancy. The OCA will investigate the impacts on the current customers as well as on Mahoning Township customers of the various assumptions and proposals.

3. The OCA submits that additional information is necessary to determine how the transaction will substantially and affirmatively benefit Suez's existing customers.

4. Conditions: Whether any conditions should be imposed upon the proposed transfer to ensure that Suez's customers are treated in a fair and just manner in accord with Pennsylvania law and Commission rules and regulations.

The OCA reserves the right to raise additional issues as the case proceeds and further information is obtained from the Applicant.

VI. PUBLIC INPUT HEARINGS

It is the OCA’s understanding that direct notice of the transaction has not been provided to SUEZ’s existing customers or to Mahoning Township’s customers. The OCA is unaware of any specific consumer requests for public input hearings in this matter to date. However, if the OCA becomes aware of substantial consumer interest, the OCA will promptly notify the Administrative Law Judges and parties to request a public input hearing.

VII. SCHEDULE

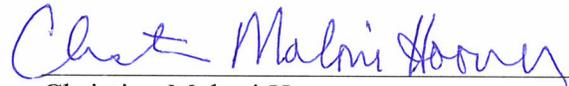
The schedule set forth below has been agreed to by the parties and proposed to the ALJ:

I&E/OCA Direct Testimony	September 17, 2018
Rebuttal Testimony	September 26, 2018
Surrebuttal Testimony	October 5, 2018
Rejoinder outline	October 9, 2018
Hearing (with Oral Rejoinder)	October 11-12, 2018
Main Briefs	October 24, 2018
Reply Briefs	November 5, 2018

VIII. SETTLEMENT

The OCA is willing to engage in settlement discussions with all parties.

Respectfully submitted,



Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA Attorney I.D. #50026
E-Mail: CHoover@paoca.org
Counsel for:

Tanya J. McCloskey
Acting Consumer Advocate

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DATED: September 4, 2018
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