



September 4, 2018

**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

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

Dear Secretary Chiavetta:

Enclosed please find the Partial Response #3 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

**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 related to its wastewater collection and : Docket No. A-2018-3003517  
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 #3 to 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**

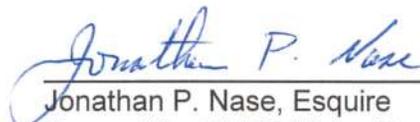
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\_\_\_\_\_  
Jonathan P. Nase, Esquire  
Counsel for *SUEZ Water Pennsylvania Inc.*

Date: September 4, 2018

Bureau of Technical Utility Services  
Water/Wastewater Division  
Data Request Set I

Section 1329 Application of Suez Water Pennsylvania, Inc. – Wastewater Division for the  
Acquisition of Mahoning Township’s Wastewater System Assets at Docket No. A-2018-3003517

- A-1. The following questions reference the appraisal of ScottMadden, Inc. (ScottMadden), included in the Application as Appendix A-5-a:
- a. The cover letter of the ScottMadden appraisal references a September 15, 2017, valuation report. Please provide a copy of this valuation report.
  - b. As referenced in the cover letter, please identify any assets identified in the Mahoning Township Assessment of Tangible Assets (Engineer’s Assessment), included in the Application as Appendix A-15-a, that were not dedicated to Mahoning Township as of April 30, 2018.
  - c. Page 6 identifies Mahoning Township’s (Mahoning’s) wastewater assets include two pumping stations while page 1 of the Engineer’s Assessment, identifies three pumping stations. Please address this discrepancy and quantify any impact to ScottMadden’s appraisal.
  - d. Please state why the 2015 and 2016 actual revenues and expenses, identified in Schedule 2, do not match the 2015 and 2016 total operating revenues and expenses identified in the Mahoning Township Authority Financial Statements, September 30, 2015, and the Mahoning Township Authority Financial Statements, September 30, 2016, provided in the supplemental response to Checklist Item No. 5.
  - e. Schedule 2 appears to reflect that ScottMadden did not include any expenses associated with depreciation, property/PURTA taxes or regulatory assessments. Please explain why ScottMadden excluded these expenses.
  - f. Schedule 2 reflects that ScottMadden assumes 15% rate increases will occur approximately every three years until 2047. Please explain why this assumption is reasonable.
  - g. Schedule 2 reflects that ScottMadden included revenues for tapping fees. Please explain why tapping fee revenue is included.

Answer:

- a. Please see Attachment A-1 a, attached to SWPA’s response to BTUS’s Data Request A-1 of SWPA’s acquisition of Mahoning Township’s water system.
- b. Mr. D’Ascendis does not know.

Bureau of Technical Utility Services  
Water/Wastewater Division  
Data Request Set I

Section 1329 Application of Suez Water Pennsylvania, Inc. – Wastewater Division for the  
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- c. The third pump station (Red Lane) did not have a comparable description of the station as Route 11 and Meadows station, so it was omitted from the written portion on page 6 of the Report. Mr. D’Ascendis used the Engineer’s asset list for his valuation, so to the extent that the Red Lane pumping station was included in the list, it was included in Mr. D’Ascendis’s valuation, hence, there would be no impact to his ultimate recommendation.
- d. Schedule 2 does match the audited 2015 and 2016 revenues and expenses. For revenues, Mr. D’Ascendis included charges for service, miscellaneous revenues, and tapping fees, and for expenses, Mr. D’Ascendis eliminated depreciation and amortization expenses, since they are non-cash expenses and miscellaneous expenses, as it was non-recurring over the historical period.
- e. Since Mr. D’Ascendis used a discounted cash flow method and depreciation expense is a non-cash expense, it was not considered in the income approach. Mr. D’Ascendis does however adjust the state and federal income tax by the tax shield created by its depreciation expense. Mr. D’Ascendis did not consider expected property / PURTA taxes and regulatory assessments for Mahoning because it does not currently apply to Mahoning and it cannot be easily estimated (as is the case for state and federal income taxes).
- f. Mr. D’Ascendis assumes 15% rate increases every three years, or 5% per annum based on Mahoning’s cost to serve its customers and providing a fair rate of return to its investors.
- g. Mahoning’s historical audited financials included tapping fees in each and every year. Even though these are non-operating revenues, it is reasonable to assume such fees would continue after the acquisition. Mr. D’Ascendis assumes \$40,000 in tapping fees, increased by 15% every three years in conjunction with overall rate increases.

Answer provided by: Dylan D’Ascendis

Date: September 4, 2018

**VERIFICATION**

I, Dylan D'Ascendis 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: September 4, 2018

A handwritten signature in blue ink is written over a horizontal line. The signature is stylized and appears to be the initials 'DD' followed by a surname.