



November 1, 2018

VIA E-FILE

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

Re: Joint Application of SUEZ Water Pennsylvania, Inc. and SUEZ Water Pennsylvania, Inc. – wastewater (collectively, SWPA), and SUEZ Water Bethel, Inc. (SWB) for approval of a transfer of control of SWPA and SWB through an internal corporate restructuring; Docket Nos. A-2018-3004505; A-2018-3004506; and A-2018-3004508

SUEZ WATER PENNSYLVANIA INC. RESPONSES TO DATA REQUESTS ATTACHMENT 1, (Nos. 1-7) OF BUREAU OF TECHNICAL UTILITY SERVICES

Dear Secretary Chiavetta:

Enclosed please find SUEZ Water Pennsylvania Inc.'s Responses to the Data Requests Attachment 1, Nos. 1-7 of the Commission's Bureau of Technical Utility Services in the above-referenced matter. If you have any question regarding these responses, please do not hesitate to contact me. Thank you for your attention to this matter.

Sincerely,

COZEN O'CONNOR

By: David P. Zambito
Counsel for SUEZ Water Pennsylvania Inc.

DPZ:kmg
Enclosure

cc: Andrew Herster (aherster@pa.gov), Bureau of Technical Utility Services

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(Cagle)

1. Identify all utility holding company affiliates of Stitching Depository PGGM Infrastructure Funds (PGGM).

Response:

PGGM is a leading Dutch pension fund services provider working for nine Dutch pension funds with more than 2 million participants. As background, PGGM N.V. is a cooperative Dutch pension fund service provider. Institutional clients are offered asset management, pension fund management, policy advice and management support. Around 750,000 workers in the Dutch healthcare sector are connected to PGGM&CO, our members organization. Either alone or together with strategic partners, PGGM develops future solutions by linking together pension, care, housing and work.

PGGM Vermogensbeheer B.V. (the “PGGM Fund Manager”) is a wholly-owned subsidiary of PGGM N.V. and provides investment management services to clients across a wide range of asset classes and is active in both the public and private markets. The PGGM Fund Manager will be the entity that manages the indirect investment in SWR by the PGGM Infrastructure Fund if the transaction is approved. The PGGM Fund Manager is a private company that, as of June 30, 2018, managed approximately US \$250 billion of assets on behalf of its clients.

The PGGM Infrastructure Fund is a fund arranged under Dutch law and which consists of investments in the broader infrastructure space, currently worth more than US \$ 8 billion in investments and commitments, including regulated utilities. The PGGM Fund Manager manages investments for the PGGM Infrastructure Fund, including exercising any voting rights associated with those assets, but the economic beneficiary of those investments are the participants in the PGGM Infrastructure Fund. The legal title to those investments is held by Stichting Depository PGGM Infrastructure Funds (“PGGM Title Holder”). PGGM Title Holder is a foundation (stichting) organized under the laws of the Netherlands.

From a regulated utility standpoint, currently PGGM has equity investments in Peoples Natural Gas (2013), and Duquesne Light Company (2016). In addition to the proposed investment in SUEZ, regulatory approval of an investment in Puget Sound Energy is currently being sought.

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2. List Pennsylvania specific uses of PGGM's capital contribution to NEWCO, Inc.

Response:

On July 25th, 2018, SUEZ Water N.A. Inc. entered into an agreement to sell 20% of its interest in SWR which holds all of its regulated utility operations in North America. In doing so, there are certain organizational steps which must be taken to effectuate the Transaction. First, an intermediary holding Company will be created ("NewCo") which will be the direct subsidiary of SUEZ Water. One hundred percent (100%) of SUEZ Water's interest in SWR will be transferred to NewCo. SWR will then be converted from a "C Corp" to an "LLC". Finally 20% of SUEZ Water's interest in NEWCO will be transferred to PGGM.

The proposed Transaction will result in an increase in the committed level of available financial resources to fund utility infrastructure investments and will provide SWR with a new shareholder also supporting continued investments in the utility's infrastructure that will benefit ratepayers. The proposed Transaction will generate additional financial resources that will be used to increase capital investment in the SWR utilities, including SWPA. Increased capital spending is a benefit to customers in the form of improved and/or more reliable service.

The Transaction will help SWR finance capital expenditures in the regulated water and sewer sectors, which are planned to increase from a five year historic annual average of approximately \$190M to an average from 2019 through 2022 of about \$305 million per year. As a subsidiary of SWR, SWPA will see an increase from a five year historic annual average of approximately \$21.3 million to an average from 2019 through 2022 of approximately \$34.3 million. This increase will enable SWPA to accelerate the pace of investment including increasing pipe renewal rates as well as to invest more quickly in other beneficial infrastructure projects.

Please also see the response to item 7.

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3. With respect to SWPA and SWB, describe financial benefits of PGGM's capital contribution.

Response:

As also noted in response to item 2, the proposed Transaction will result in an increase in the committed level of available financial resources to fund utility infrastructure investments and will provide SWR with a new shareholder also supporting continued investments in the utility's infrastructure that will benefit ratepayers. The proposed Transaction will generate additional financial resources that will be used to increase capital investment in the SWR utilities, including SWPA. Increased capital spending is a benefit to customers in the form of improved and/or more reliable service.

The Transaction will help SWR finance capital expenditures in the regulated water and sewer sectors, which are planned to increase from a five year historic annual average of approximately \$190M to an average from 2019 through 2022 of about \$305 million per year. As a subsidiary of SWR, SWPA will see an increase from a five year historic annual average of approximately \$21.3 million to an average from 2019 through 2022 of approximately \$34.3 million. This increase will enable SWPA to accelerate the pace of investment including increasing pipe renewal rates as well as to invest more quickly in other beneficial infrastructure projects.

In addition, the Transaction will have no adverse impact on employees, rates, competition or utility service. The transaction is "upstream" of Utility Operations. There are no changes in utility management or utility workers as a result. As to any impact on rates, the SWR capital structure will continue to be utilized for ratemaking and will not be impacted as the Transaction is "upstream" of SWR. Additionally, the SWR credit rating will remain unchanged at an A- Stable Outlook per S&P.

Transaction costs will not be included in the utilities' revenue requirement calculations, and there will be no impact on income taxes utilized for ratemaking. With the Transaction there will be no name change, no change in customer services or outreach and no changes to asset management or water quality programs. Utility services will not be negatively impacted and the Transaction will be transparent to customers. The Company believes that its customers will see only positive benefits as noted above. Pursuant to the Shareholders' Agreement, PGGM Infrastructure's interest in NewCo will be operationally passive. PGGM will not have day-to-day input or control over NewCo, SWR, or any of the SUEZ Water Operating Companies, including SWPA and SWB, and

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will not seek to control any decision-making with respect to the SUEZ Water Operating Companies. Following completion of the minority investment, SWPA and SWB will continue to be managed and operated in the same manner as it is today and as a result the Commission's access to, and accountability of, SUEZ management will remain unchanged.

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4. Show the effect on capital structure of SWPA and SWB.

Response:

The transaction will have no effect on the capital structures of SWPA, SWB or their immediate parent company SUEZ Water Resources Inc.

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5. Show capital expenditures of previous three years, current year, and future three years for SWPA and SWB.

Response:

Year		SWPA (in '000)	SWB (in '000)
2015	Actual*	\$30,488	\$0
2016	Actual*	24,036	7
2017	Actual*	25,550	10
2018	YTD and projected	24,152	60
2019	Projected	37,281	96
2020	Projected	33,353	62
2021	Projected	32,403	84

Please note the above represents planned capital expenditures. Plant in-service additions will vary.

*includes specific major expenditures for the new Bloomsburg WTP of \$6.9M in 2015, \$8.8M in 2016, and \$0.6M in 2017.

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6. Provide three-year history, current, and three-year projections for SWPA and SWB dividend payments.

Response:

Year		SWPA	SWB
2015	Actual	\$0	\$0.3M
2016	Actual	\$0	\$0
2017	Actual	\$0	\$0.4M
2018	YTD and projected	N/A	N/A
2019	Projected	N/A	N/A
2020	Projected	N/A	N/A
2021	Projected	N/A	N/A

The Company does not project dividend payments at the SWPA and SWB level.

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7. Identify repairs, improvement, and/or new facilities with respect to PGGM's capital contribution. List the estimated costs and estimated date of completion.

Response:

The transaction represents the sale of 20% of SWR. As a result of the transaction, the SUEZ parent is committing to higher levels of capital expenditures than previously allowed. The sale does not represent a capital contribution. Please see the response to item 5.

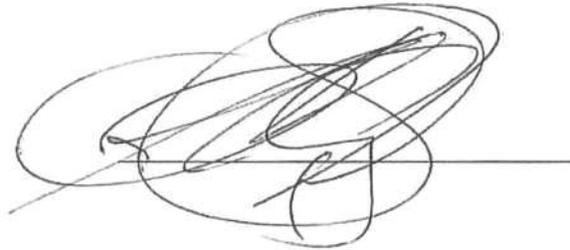
Incrementally, there is a substantial increase in projected capital expenditure levels. The current projected capital expenditure plan includes sustaining the increased investment levels for Infrastructure at an incremental \$5M to \$10M annually (as compared to 2015-2016 levels) and in line with the LTIP. This expedites investment in pipelines, valves, hydrants and service lines to improve service reliability and water quality. In addition, the transaction allows the flexibility to address emerging compliance needs that are under evaluation through preliminary engineering studies. These emerging needs may include maintaining and expanding sources of supply in the Mechanicsburg area in response to growing customer demands, and treatment process upgrades at 6th Street Plant in Harrisburg area to maintain LT2 compliance with deteriorating source water quality.

Please note the capital expenditure plan is not set in stone but is constantly revised to respond to the overall needs of customers as well as the operational, compliance, and regulatory needs of SWPA. The most significant benefit of the transaction is that it provides a committed capital envelope enabling the company to plan for and to respond to capital needs more readily. For example, changes in regulation surrounding PFOS or other more stringent standards due to changes in regulation, water supply needs, system upgrades as well as the Company's commitments surrounding LTIP will more easily be provided for.

VERIFICATION

I, James C. Cagle, 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: 10/31/18

A handwritten signature in black ink, appearing to be "James C. Cagle", written over a horizontal line. The signature is highly stylized and somewhat illegible due to overlapping loops and flourishes.