



March 10, 2020

VIA E-FILING

David P. Zambito

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

Re: Application of Pennsylvania-American Water Company 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 Borough of Kane Authority's assets, properties and rights related to its wastewater collection and treatment system to Pennsylvania-American Water Company, and (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the Borough of Kane, and in a portion of Wetmore Township, McKean County, Pennsylvania; Docket Nos. A-2019-3014248 et al.

Prehearing Conference Memorandum of Pennsylvania-American Water Company

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission ("Commission") is the Prehearing Conference Memorandum of Pennsylvania-American Water Company. Copies have been served as indicated on the enclosed certificate of service.

Please contact me if you have any questions or concerns.

Sincerely,

COZEN O'CONNOR

By: David P. Zambito
Counsel for *Pennsylvania-American Water Company*

DPZ
Enclosures

cc: Hon. Joel H. Cheskis
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Pennsylvania-American Water :
Company 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 Borough of Kane Authority's assets, properties :
and rights related to its wastewater collection and : Docket No. A-2019-3014248, *et al.*
treatment system to Pennsylvania-American Water :
Company, and (2) the rights of Pennsylvania- :
American Water Company to begin to offer or furnish :
wastewater service to the public in the Borough of :
Kane, and in a portion of Wetmore Township, McKean :
County, Pennsylvania :

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing **Prehearing Conference Memorandum of Pennsylvania-American Water Company**, 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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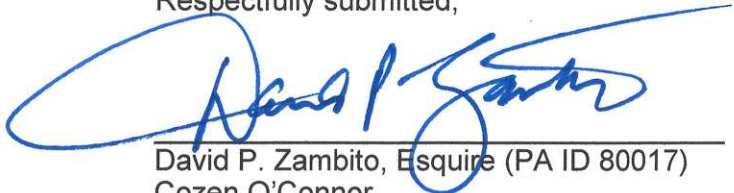
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Respectfully submitted,



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Date: March 10, 2020

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE
JOEL H. CHESKIS**

Application of Pennsylvania-American Water Company, :
pursuant to the Pennsylvania Public Utility Code, 66 Pa. :
C.S. §§ 1102(a) and 1329, for approval of 1) the transfer, :
by sale, of substantially all of the Borough of Kane :
Authority’s assets, properties and rights related to its :
wastewater collection and treatment system to :
Pennsylvania-American Water Company; 2) the rights of : Docket No. A-2019-3014248
Pennsylvania-American Water Company to begin to offer :
or furnish wastewater service to the public in the Borough :
of Kane, and in a portion of Wetmore Township, :
McKean, County, Pennsylvania; and 3) for approval of :
the use for ratemaking purposes of the lesser fair market :
value or the negotiated purchase price of the Borough of :
Kane Authority’s Assets related to its wastewater :
collection and treatment system :

**PREHEARING CONFERENCE MEMORANDUM
OF PENNSYLVANIA-AMERICAN WATER COMPANY**

AND NOW COMES Pennsylvania-American Water Company (“PAWC”), by and through its counsel, pursuant to 52 Pa. Code § 5.222(d) and in compliance with the Prehearing Conference Order of the Honorable Deputy Chief Administrative Law Judge Joel H. Cheskis (the “Administrative Law Judge” or “ALJ”), dated February 7, 2020, to file this Prehearing Conference Memorandum in the above-captioned matter. In support thereof, PAWC states as follows:

I. INTRODUCTION AND PROCEDURAL HISTORY

In November, 2019, PAWC, the Borough of Kane Authority (the “Authority”), the Borough of Kane (the “Borough”), and Wetmore Township (the “Township”), entered into an Asset Purchase Agreement (“APA”) by which PAWC will purchase the wastewater system (the “System”) presently owned by the Authority (the “Transaction”). On December 2, 2019, PAWC filed the instant application asking the Pennsylvania Public Utility Commission (“Commission”) to approve the Transaction pursuant to 66 Pa. C.S. §§ 1102 and 1329 (the “Section 1329 Application Proceeding”).

On December 4, 2019, staff from the Commission’s Bureau of Technical Utility Services (“TUS”) notified PAWC that they had performed a completeness review of the Application and determined that certain information was missing. TUS staff requested that the information be provided by December 11, 2019.

On December 6, 2019, PAWC filed an Amendment to the Application (the application, as amended, is referred to herein as the “Application”). Additionally, on December 10, 2019, PAWC filed the information requested by TUS following its completeness review.

On December 11, 2019, the Commission notified PAWC that the Application had been conditionally accepted for filing. According to that Secretarial Letter, the Commission would not finally accept the Section 1329 Application until PAWC complied with certain service and notice requirements. On December 20, 2019, PAWC filed proof of service of the Application on required municipal entities, public utilities, and other offices. On January 22, 2020, PAWC filed proof of publication in local newspapers. Also on January 22, 2020, PAWC notified the Commission that it had completed providing individualized notice of the Application to customers of PAWC and Kane, and PAWC filed a verification stating that it had complied with all requirements of the Secretarial Letter of December 11, 2019.

By Secretarial Letter dated February 6, 2020, the Commission notified PAWC that it had finally accepted the Application for filing. The Commission further notified PAWC that notice of the Application would be published in the *Pennsylvania Bulletin* with a protest deadline of March 9, 2020.

On December 27, 2019, the Office of Small Business Advocate (“OSBA”) filed a Notice of Intervention, together with the Notice of Appearance of Sharon E. Webb, Esq. On January 31, 2020, Daniel Asmus, Esq. also entered an appearance on behalf of OSBA. On February 6, 2020, the Office of Consumer Advocate (“OCA”) filed a Protest and Public Statement, together with the Notices of Appearance of Christine Maloni Hoover, Erin L. Gannon, Santo G. Spataro and Harrison W. Breitman. On February 10, 2020, Carrie B. Wright and Erika L. McLain entered their appearance on behalf of the Bureau of Investigation and Enforcement (“I&E”).

On February 7, 2020, the Commission notified the parties that a prehearing conference would be held on March 11, 2020, and the ALJ issued his Prehearing Conference Order. On February 18, 2020, The Borough of Kane Authority filed a Petition to Intervene in this proceeding. To date, no party has filed an answer or objection to this Petition.

II. COUNSEL

Counsel for PAWC are:

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III. SERVICE OF DOCUMENTS

PAWC's attorneys are authorized to accept service on behalf of PAWC in this proceeding. PAWC requests that hard copies of documents be served on Attorney Zambito at the address listed above. PAWC agrees to receive service of documents electronically in this proceeding and requests that all listed counsel for PAWC receive electronic service.

IV. ISSUES

This case involves 66 Pa. C.S. §§ 1102, 1329 and 507.

A. Satisfaction of Section 1102 Standards

PAWC submits that the Transaction is necessary or proper for the service, accommodation, convenience or safety of the public. PAWC submits that the Transaction provides substantial affirmative public benefits and that PAWC, as an existing public utility, is presumed to possess the legal, financial, and technical fitness to own and operate the Kane System. Indeed, PAWC is the largest investor-owned water and wastewater service provider in the Commonwealth and provides water service to the public in the Borough and the Township. The Transaction will promote the Commission's goal of regionalization and consolidation, and the purchase price is reasonable in light of the appraisals that have been performed by the Utility Valuation Experts (singularly, "UVE" or, collectively, "UVEs"). Commission approval of the Transaction will open the possibility of further consolidation and regionalization of wastewater services in northern Pennsylvania.

B. Satisfaction of Section 1329 Standards

PAWC submits that it has complied with all of the requirements of Section 1329. The negotiated purchase price for the acquired assets is \$17,560,000 and the average of the appraisals of the buyer's UVE and the seller's UVE is \$23,688,372 ($\$24,491,405 \text{ AUS} + \$22,885,339 \text{ Gannett Fleming Valuation and Rate Consultants, LLC} = \$47,376,744/2 = \$23,688,372$). Accordingly, the negotiated purchase price of \$17,560,000 is the fair market value for ratemaking purposes under Section 1329 (*i.e.*, the lower of the negotiated purchase price and the average of the UVEs' appraisals).

The APA does not contain a "rate stabilization plan" as defined by Section 1329. As permitted by Section 1329, PAWC has petitioned -- as part of the instant filing -- for approval to implement a Distribution System Improvement Charge with respect to customers in the applied-for service territory. PAWC has also, in accordance with Section 1329, petitioned for approval to accrue and defer certain post-acquisition improvement costs associated with the provision of service in the applied-for territory.

C. Certificates of Filing or Approvals for Section 507 Agreements

Section 507 of the Pennsylvania Public Utility Code ("Code"), 66 Pa. C.S. § 507, generally requires PAWC to file with the Commission any agreement between PAWC and a municipal corporation. PAWC seeks either Certificates of Filing or approvals of the APA and one agreement with municipal corporations that it will be assuming as a result of the Transaction.

V. WITNESSES

PAWC expects to call the following witnesses and provide their testimony in written question and answer form:

Mr. Daniel P. Bickerton

Mr. Bickerton is Director of Business Development for American Water Works Service Company, Inc. (“AWWSC”). His business address is 300 Galley Road, McMurray, Pennsylvania 15317 and his business phone number is 866-583-2247. Mr. Bickerton will provide an overview of the Transaction. He will also explain why the Transaction is in the public interest and provides affirmative public benefits of a substantial nature. In addition, he will explain why the Application should be promptly approved by the Commission. Finally, he will explain that PAWC is legally, financially, and technically fit to acquire and operate the System.

Mr. Michael J. Guntrum, P.E.

Mr. Guntrum is a Senior Project Engineer with PAWC. His business address is 852 Wesley Drive, Mechanicsburg, PA 17055 and his business phone number is (717) 550-1615. He will describe the System and explain how it will be integrated into PAWC’s existing operations. He will also describe PAWC’s technical fitness to run the system and the benefits of the Transaction.

Mr. Rod P. Nevirauskas

Mr. Nevirauskas is the Senior Director of Rates and Regulations for the Mid-Atlantic Division of AWWSC. Mr. Nevirauskas’s business address is 852 Wesley Drive, Mechanicsburg, PA 17011 and his business phone number is (717) 550-1580. He will testify to PAWC’s financial fitness to acquire and operate the System. He will also identify the ratemaking rate base, estimate the transaction and closing costs incurred by PAWC, summarize the rate provisions in the APA, and describe the benefits of the Transaction. In addition, he will explain PAWC’s intentions with respect to the accrual of certain post-acquisition improvement costs and deferral of related depreciation.

Mr. Jerome Weinert, ASA, PE, DCP

Mr. Weinert is a Principal and Director in the consulting operation of Associated Utility Services, Inc. Mr. Weinert has a business address of 8555 West Forest Home Avenue, Suite 201, Greenfield, WI 53228. He will describe the fair market value appraisal of the System that he and his staff performed on behalf of PAWC.

PAWC reserves the right to call additional witnesses and present testimony on additional issues that may arise during the course of the proceeding.

VI. DISCOVERY

PAWC, I&E, the OCA, the OSBA and the Authority have agreed to a Stipulation Regarding Discovery Rule Modifications. It was filed with the Commission on March 2, 2020. PAWC does not believe any further modifications to the rules regarding discovery are necessary at this time.

VII. PROTECTIVE ORDER

PAWC has entered into Stipulated Protective Agreements with the OCA, the OSBA, and I&E, separately. It does not anticipate requesting a Protective Order.

VIII. PROCEDURAL SCHEDULE

The parties have agreed to the following procedural schedule:

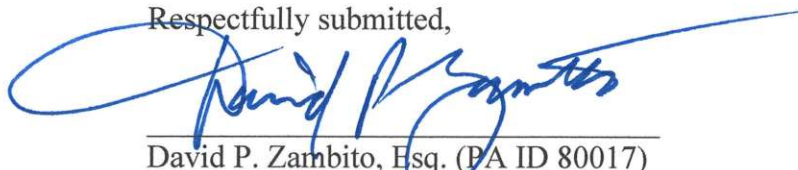
Non-Company Direct Testimony	March 27
Rebuttal Testimony	April 9
Surrebuttal Testimony	April 16
Outline of Oral Rejoinder	April 17

Hearings (With Oral Rejoinder Testimony)	April 20-21
Main Briefs	May 8
Reply Briefs	May 8
Recommended Decision	June 8
Exceptions	June 17
Replies to Exceptions	July 22
Last Public Meeting prior to Expiration of six month period	August 6

IX. SETTLEMENT DISCUSSIONS

PAWC believes that there is a reasonable possibility of settlement. PAWC is open to and available for settlement discussions with the other parties and will take the initiative to schedule settlement conferences as soon as reasonably possible.

Respectfully submitted,



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Date: March 10, 2020

Counsel for *Pennsylvania-American Water Company*