



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

December 8, 2020

Via Electronic Filing

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

Re: Application of Pennsylvania-American Water Company Pursuant to Sections 1102, 1329 and 507 of the Public Utility Code for Approval of its Acquisition of the Wastewater System Assets of Royersford Borough
Docket No.: A-2020-3019634
I&E Prehearing Memorandum

Dear Secretary Chiavetta:

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

Copies are being served on parties of record per the attached Certificate of Service. *Due to the temporary closing of the PUC's offices, I&E is only providing electronic service.* Should you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

Erika L. McLain
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Bureau of Investigation and Enforcement
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John M. Coogan
Prosecutor
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ELM/JMC/ac
Enclosures

cc: Honorable Marta Guhl, ALJ, PUC Philadelphia (*via email only*)
Pamela McNeal, Legal Assistant, PUC Philadelphia (*via email only*)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Pennsylvania-American Water :
Company Pursuant to Sections 1102, 1329 :
and 507 of the Public Utility Code for : Docket No. A-2020-3019634
Approval of its Acquisition of the Wastewater :
System Assets of Royersford Borough :

**PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT**

TO ADMINISTRATIVE LAW JUDGE MARTA GUHL:

In accordance with the Prehearing Conference Order dated November 4, 2020, the Bureau of Investigation and Enforcement (“I&E”) hereby submits this Prehearing Memorandum. The I&E prosecutors assigned to this proceeding are Erika L. McLain and John M. Coogan. Ms. McLain and Mr. Coogan may be contacted as follows:

By Mail¹: Erika L. McLain
John M. Coogan
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
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Harrisburg, PA 17120

By E-mail: ermclain@pa.gov
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Telephone¹: (717) 783-6170 (ELM)
(717) 783-6151 (JMC)

¹ As a result of the COVID-19 pandemic, Commission physical offices are currently closed. While Commission offices are closed, Ms. McLain and Mr. Coogan should be contacted by e-mail first.

I. BACKGROUND

On July 14, 2020, Pennsylvania-American Water Company (“PAWC” or “Company”) filed with the Pennsylvania Public Utility Commission (“Commission”) its Application pursuant to Sections 1102, 1329, and 507 of the Public Utility Code (“Code”), for (1) approval of the acquisition by PAWC of the wastewater system assets of Royersford Borough (“Royersford”) situated within Montgomery County, Pennsylvania; (2) approval of the right of PAWC to begin to offer, render, furnish and supply wastewater service to the public in the areas served by the Royersford wastewater system, including Royersford and in a portion of Upper Providence Township, Montgomery County, Pennsylvania; (3) an order approving the acquisition that includes the ratemaking rate base of the Royersford wastewater system assets pursuant to Section 1329(c)(2) of the Code and request for Approval of Contracts; and (4) approval of the Asset Purchase Agreement, between PAWC and Royersford, pursuant to Section 507 of the Code.

By Secretarial Letter dated September 11, 2020, the Commission indicated that the Application would be accepted for filing only on a conditional basis. The Secretarial Letter, among other things, directed PAWC to ensure notice be provided to all current Royersford Borough wastewater customers.

On July 21, 2020, I&E filed its Notice of Appearance in this case. On July 29, 2020, the Office of Consumer Advocate (“OCA”) filed a Protest and Public Statement and the Office of the Small Business Advocate (“OSBA”) filed a Notice of Intervention and Public Statement. On October 30, 2020, PAWC served the Commission’s Secretary

with notice certifying that it fulfilled the conditions outlined in the Secretarial Letter of September 11, 2020; therefore, PAWC requested that its Application be accepted for filing. By way of a Secretarial Letter of November 9, 2020, the Commission informed PAWC that its Application was accepted for filing. On November 12, 2020, Royersford Borough filed a Petition to Intervene. On November 21, 2020, the Commission published notice of PAWC's Application in the Pennsylvania Bulletin, and it established a protest deadline of December 7, 2020. Thereafter, PAWC's Application was assigned to the Office of Administrative Law Judge for establishment of an evidentiary record culminating in a Recommended Decision for the Commission's consideration.

A telephonic Prehearing Conference is now scheduled for Thursday, December 10, 2020, at 10:00 a.m., before ALJ Marta Guhl ("ALJ Guhl"). In accordance with the Prehearing Conference Order issued by ALJ Guhl on November 4, 2020, I&E now respectfully submits this prehearing memorandum.

II. ISSUES

Based upon a preliminary review of the filing, I&E has identified the following areas of inquiry, representing a listing of potential issues at this time. However, I&E reserves the right to address such other issues when those issues arise:

1. Errors and omissions in the Fair Market Appraisal done by Gannett Fleming Valuation and Rate Consultants;
2. Errors and omissions in the Fair Market Appraisal done by AUS Consultants, Inc.;
3. Cost of Service Study;

4. Comparison of Rate Base per Customer;
5. Benefits and detriments of the acquisition;
6. Whether the transaction is in the public interest under 66 Pa. C.S. § 1102 of the Public Utility Code; and
7. Evaluation of PAWC's claimed rate base.

I&E notes that this listing of issues is provided without analysis of the positions of all parties to this proceeding and while the discovery process is still underway.

Accordingly, I&E necessarily reserves the right to supplement its issue list, to remove issues from this list, and to reassign issues between witnesses as necessary to facilitate the development of a full record in this case. Additionally, most of the issues raised by I&E will be supported by the Direct Testimony of I&E witnesses. If there are issues of Commission policy or legal interpretation that are not properly the subject of testimony or factual issues that are clear on the record and need not be supported by testimony, I&E reserves the right to dispense with testimony when, in its opinion, an issue can be adequately addressed in Brief.

III. WITNESSES

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

- DC Patel, Fixed Utility Financial Analyst
- Ethan H. Cline, Fixed Utility Valuation Engineer

The I&E witnesses may be contacted through the contact information listed above for Ms. McLain and Mr. Coogan. I&E notes that this listing of witnesses is provided

without analysis of the positions of all parties to this proceeding and while the discovery process is still underway. Accordingly, I&E necessarily reserves the right to supplement its witness list, and to remove witnesses from this list, as necessary to facilitate the development of a full record in this case. The ALJ and all active parties will be notified of any amendments to the I&E witness list.

IV. SCHEDULE

It is I&E’s understanding that all parties have agreed to the following litigation schedule:

Other Parties' Direct Testimony	Tuesday, December 22, 2020
Rebuttal	Wednesday, January 6, 2021
Surrebuttal	Wednesday, January 13, 2021
Rejoinder outline	Thursday, January 14, 2021
Hearings in Harrisburg	Friday, January 15, 2021 Tuesday, January 19, 2021
Main Briefs Due	Friday, January 29, 2021
Reply Briefs Due	Wednesday, February 10, 2021

V. DISCOVERY

I&E proposes the following discovery modifications:

1. Answers to written interrogatories shall be served in-hand within five (5) calendar days of service.

2. Objections to interrogatories shall be communicated orally within two (2) calendar days and in writing within three (3) calendar days of service of the interrogatories.
3. Motions to dismiss objections and/or direct the answering of interrogatories shall be filed within two (2) calendar days of service of the written objections.
4. Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within two (2) calendar days of service of such motions.
5. Responses to requests for document production, entry for inspection, or other purposes must be served in-hand within five (5) calendar days.
6. Requests for admissions will be deemed admitted unless answered within three (3) calendar days of service.
7. Discovery and all discovery-related pleadings, such as objections, motions, or answers, served after 12:00 noon on a Friday or after 12:00 noon the day before a holiday recognized by the Commission will be deemed to have been served on the following business day for purposes of tracking due dates.

VI. SETTLEMENT

I&E intends to participate in any settlement discussions and is willing to work with the parties to reach a resolution of any or all issues.

Respectfully submitted,

A handwritten signature in cursive script that reads "Erika L. McLain".

Erika L. McLain
Prosecutor
PA Attorney ID No. 320526
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission

John M. Coogan
Prosecutor
PA Attorney ID No. 313920
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission

Dated: December 8, 2020

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PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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System Assets of Royersford Borough :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated December 8, 2020, in the manner and upon the persons listed below.

Served via Electronic Mail Only

Honorable Marta Guhl
Pamela McNeal, Legal Assistant
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