



December 8, 2020

**VIA E-FILING**

**David P. Zambito**

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

**Re: Application of Pennsylvania-American Water Company-Wastewater Division under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1329, for the Acquisition of Royersford Borough's Wastewater System Assets; Docket No. A-2020-3019634, 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 ("PAWC") in the above-referenced matter. A copy is being served in accordance with the attached Certificate of Service.

Thank you for your attention to this filing. Please contact me if you have any question or concern.

Sincerely,

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

DPZ

Enclosure

cc: Administrative Law Judge Marta Guhl  
Per Certificate of Service  
Elizabeth Rose Triscari, Esq.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Pennsylvania-American Water :  
Company-Wastewater Division under Section 1329 of :  
the Pennsylvania Public Utility Code, 66 Pa. C.S. : Docket No. A-2020-3019634  
§ 1329, for the Acquisition of Royersford Borough's :  
Wastewater System Assets :

**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).

**DUE TO THE COVID-19 EMERGENCY, THESE PARTIES ARE  
BEING SERVED BY E-MAIL ONLY**

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Respectfully submitted,



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Counsel for *Pennsylvania-American Water Company*

Date: December 8, 2020

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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**ADMINISTRATIVE LAW JUDGE  
MARTA GUHL**

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Application of Pennsylvania-American Water Company- :  
Wastewater Division under Section 1329 of the :  
Pennsylvania Public Utility Code, 66 Pa. C.S. § 1329, for : Docket No. A-2020-3019634,  
the Acquisition of Royersford Borough’s Wastewater : *et al.*  
System Assets :

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

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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 Administrative Law Judge Marta Guhl (the “Administrative Law Judge” or “ALJ”), dated November 4, 2020, to file this Prehearing Conference Memorandum in the above-captioned matter. In support thereof, PAWC states as follows:

**I. INTRODUCTION AND PROCEDURAL HISTORY**

PAWC and Royersford Borough (“Royersford”) entered into an Asset Purchase Agreement (“APA”) dated as of December 10, 2019, by which PAWC will purchase the wastewater system (the “System”) presently owned by Royersford (the “Transaction”). On April 1, 2020, Royersford filed a Petition with the Pennsylvania Public Utility Commission (“Commission”) at Docket No. P-2020-3019398 seeking a declaratory order that Royersford’s provision of wastewater treatment service to 16 residents of Upper Providence Township (the “Upper Providence”) does not

constitute public utility service under Section 102 of the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. § 102 (“Definitions”), and therefore is not subject to the Commission’s jurisdiction. The Commission granted the Petition on July 23, 2020.

On July 14, 2020, PAWC filed the instant Application asking the Commission to approve the Transaction pursuant to 66 Pa. C.S. §§ 1102 and 1329 (the “Section 1329 Application Proceeding”). On July 21, 2020, Erika L. McLain entered her appearance on behalf of the Bureau of Investigation and Enforcement (“I&E”). John Coogan entered his appearance on behalf of I&E on August 12, 2020.

On July 29, 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 July 28, 2020, the Office of Small Business Advocate (“OSBA”) filed the Notice of Appearance of Sharon E. Webb, Esq.

On August 6, 2020, 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 within ten business days (*i.e.*, by August 20, 2020). On August 20, 2020, PAWC filed the information requested by TUS following its completeness review.

On September 11, 2020, 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 October 9, 2020, PAWC filed proof of publication in local newspapers. On October 13, 2020, PAWC filed proof of service of the Application on required municipal entities, public utilities, and other offices. On October 30, 2020, PAWC notified the Commission that it

had completed providing individualized notice of the Application to customers of PAWC and Royersford, and PAWC filed a verification stating that it had complied with all requirements of the Secretarial Letter of September 11, 2020. Also on October 30, 2020, PAWC filed the First Amendment to the APA, together with supporting documents.

By Secretarial Letter dated November 9, 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 December 7, 2020. The notice was published on Saturday, November 21, 2020. 50 Pa. B. 6761. A review of the PUC's website on the morning of December 8, 2020 identified one "official protest" (filed by Robert Redinger, Jr.).

On November 3, 2020, the Commission notified the parties that a prehearing conference would be held on December 10, 2020. The ALJ issued her Prehearing Conference Order on November 5, 2020. On November 12, 2020, Royersford filed a Petition to Intervene.

## **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. The Parties have agreed to service by e-mail, and have agreed to the mutual waiver of service of hard copies of documents due to the COVID-19 Pandemic. PAWC requests that all listed counsel for PAWC receive electronic service via email. Additionally, PAWC has established a virtual data room for the proceeding to which the other parties have access.

### **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 Royersford System. Indeed, PAWC is the largest investor-owned water and wastewater service provider in the Commonwealth and provides water service to the public in Royersford and Upper Providence. 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 \$13,000,000 and the average of the appraisals

of the buyer's UVE and the seller's UVE is \$13,494,401 (\$13,769,801 AUS + \$13,219,000 Gannett Fleming Valuation and Rate Consultants, LLC (rounded) = \$26,988,801/2 = \$13,494,401). Accordingly, the negotiated purchase price of \$13,000,000 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 a Certificate of Filing or approval of the APA and the First Amendment thereto.

## **V. WITNESSES**

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

### **Mr. Michael Salvo**

Mr. Salvo is Senior Manager of Business Development for PAWC. His business address is 852 Wesley Road, Mechanicsburg, Pennsylvania 17055 and his business phone number is (717)



550-1589. Mr. Salvo 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 American Water Works Service Company ("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**

Considering the six-month deadline for a Commission decision on a Section 1329 Application, the Parties have agreed to the following modifications to the Commission's discovery rules. This proposal is similar to the modifications of the discovery rules in PAWC's past Section 1329 applications.

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 (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.
8. The parties are directed to make every reasonable effort to comply with these discovery response times. In those instances when compliance is not possible, despite a party's best efforts, the responding party shall so advise and the parties shall work together to address the requests and responses on a timely basis.

9. These discovery rule modifications are for the limited purposes of this proceeding and should not be viewed as binding, or otherwise limiting, upon positions taken by the parties in any other proceeding.

## **VII. PROTECTIVE ORDER**

The Parties have agreed to a Petition for Protective Order, which is being filed contemporaneously with this Prehearing Memorandum.

## **VIII. PROCEDURAL SCHEDULE**

The parties have agreed to the following procedural schedule:

Non-Company Direct Testimony	December 22, 2020
Rebuttal Testimony	January 6, 2021
Surrebuttal Testimony	January 13, 2021
Outline of Oral Rejoinder	January 14, 2021
Hearings (With Oral Rejoinder Testimony)	January 15 and, if necessary, January 19, 2021
Main Briefs	January 29, 2021
Reply Briefs	February 10, 2021
Recommended Decision	March 12, 2021
Exceptions	March 19, 2021
Reply Exceptions	March 26, 2021
Last Public Meeting prior to expiration of six month period	May 6, 2021

## **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.

[Signatures appear on next page.]

Respectfully submitted,



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Date: December 8, 2020

Counsel for *Pennsylvania-American Water  
Company*