

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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June 21, 2021

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

Re: Application of Pennsylvania-American
Water Company Pursuant to Sections
507, 1102, and 1329 of the Public Utility
Code for Approval of its Acquisition of
the Valley Township Water Treatment
and Distribution System
Docket No. A-2020-3019859 (Water)

Application of Pennsylvania-American
Water Company Pursuant to Sections
507, 1102, and 1329 of the Public Utility
Code for Approval of its Acquisition of
the Valley Township Wastewater Treatment
and Distribution System
Docket No. A-2020-3020178 (Wastewater)

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceedings.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Harrison W. Breitman
Harrison W. Breitman
Assistant Consumer Advocate
PA Attorney I.D. # 320580
E-Mail: HBreitman@paoca.org

Enclosures:

cc: The Honorable Conrad A. Johnson (**email only**)
The Honorable Emily I. DeVoe (**email only**)
Certificate of Service

*311561

CERTIFICATE OF SERVICE

Re: Application of Pennsylvania-American Water :
Company Pursuant to Sections 507, 1102 and :
1329 of the Public Utility Code for Approval of : A-2020-3019859 (Water)
its Acquisition of the Water System Assets of :
Valley Township :
:
Application of Pennsylvania-American Water :
Company Pursuant to Sections 507, 1102 and :
1329 of the Public Utility Code for Approval of : A-2020-3020178 (Wastewater)
its Acquisition of the Wastewater System Assets :
of Valley Township :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 21st day of June 2021.

SERVICE BY E-MAIL ONLY

Erika L. McLain, Esquire
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Erin K. Fure, Esquire
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David P. Zambito, Esquire
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17 North Second Street, Suite 1410
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Susan Simms Marsh, Esquire
Pennsylvania-American Water Company
852 Wesley Drive
Mechanicsburg, PA 17055

Thomas Wyatt, Esquire
Matthew S. Olesh, Esquire
Obermayer Rebmann Maxwell & Hippel LLP
Centre Square West
1500 Market Street, Suite 3400
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/s/ Harrison W. Breitman
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Dated: June 21, 2021
*311560

Erin L. Gannon
Senior Assistant Consumer Advocate
PA Attorney I.D. # 83487
E-Mail: EGannon@paoca.org

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Application of Pennsylvania-American	:	
Water Company Pursuant to Sections 507,	:	
1102 and 1329 of the Public Utility Code for	:	Docket No. A-2020-3019859
Approval of its Acquisition of the Water	:	
System Assets of Valley Township	:	
	:	
Re: Application of Pennsylvania-American	:	
Water Company Pursuant to Sections 507,	:	
1102 and 1329 of the Public Utility Code for	:	Docket No. A-2020-3020178
Approval of its Acquisition of the Wastewater	:	
System Assets of Valley Township	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333, and the Prehearing Conference Order issued by Administrative Law Judges Conrad A. Johnson and Emily DeVoe on May 18, 2021, the Office of Consumer Advocate (OCA) provides the following:

I. INTRODUCTION

On October 9, 2020, Pennsylvania-American Water Company (PAWC or Company) filed an Application under Sections 507, 1102, and 1329 of the Public Utility Code seeking Public Utility Commission (Commission) approval of the acquisition of Valley (Valley or Township) water treatment and distribution system, the right of PAWC to provide water service in the areas served by the Township, and approval of the ratemaking rate base of the assets as determined under

Section 1329(c)(2) of the Public Utility Code. The Commission conditionally accepted the Application on March 19, 2021. On May 18, 2021, the Commission accepted the Application.

Also on October 9, 2020, PAWC filed an Application under Sections 507, 1102, and 1329 of the Public Utility Code seeking Commission approval of the acquisition of Valley's wastewater collection and conveyance system, the right of PAWC to provide wastewater service in the areas served by the Township, and approval of the ratemaking rate base of the assets as determined under Section 1329(c)(2) of the Public Utility Code. The Commission conditionally accepted the Application on March 19, 2021. On May 18, 2021, the Commission accepted the Application.

On November 5, 2020, the Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance. The OCA filed a Notice of Appearance, Protest, and Public Statement on December 23, 2020. On January 5, 2021, the Office of Small Business Advocate (OSBA) filed a Notice of Appearance, Notice of Intervention and Public Statement.

On May 18, 2021, a prehearing conference order was issued scheduling a telephonic prehearing conference on Wednesday, June 23, 2021 at 10:00 A.M. and directing the parties to submit a prehearing conference memorandum by 4:00 p.m., on Monday, June 21, 2021. On May 19, 2021, PAWC filed a motion to consolidate the water and wastewater application proceedings.

II. SERVICE ON THE OCA

The OCA will be represented in this proceeding by Senior Assistant Consumer Advocate Erin L. Gannon and Assistant Consumer Advocate Harrison W. Breitman. Two copies of all documents should be served on the OCA as follows:

Erin L. Gannon
Senior Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street, Forum Place 5th Floor
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048

Fax: (717) 783-7152
Email: EGannon@paoca.org

III. DISCOVERY

In order to effectively investigate and adequately develop a record in this matter, the OCA requests modification of the Commission's procedural rules regarding discovery on a going-forward basis, as set forth below:

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. 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.

IV. WITNESSES

The OCA's witnesses in this matter are David J. Garrett (Financial, Ratemaking, Appraisal and Policy Issues) and Morgan N. DeAngelo (Appraisal and Policy Issues). Their contact information is as follows:

David J. Garrett
Resolve Utility Consulting, PLLC
101 Park Avenue, Suite 1125
Oklahoma City, OK 73102
E-mail: dgarrett@resolveuc.com

Morgan N. DeAngelo
Regulatory Analyst
Office of Consumer Advocate
555 Walnut Street, 5th Floor
Harrisburg, PA, 17101
E-mail: MDeAngelo@paoca.org

To the extent necessary, the OCA's witnesses will present testimony regarding the impact of the proposed transaction on PAWC's existing customers and the acquired customers, and other financial, technical and ratemaking issues presented in this proceeding.

The OCA specifically reserves the right to call additional witnesses and to expand the issues addressed in testimony, as necessary. If the OCA determines that an additional witness is necessary for any portion of its case, it will notify Your Honors and all parties of record immediately.

V. ISSUES

The OCA is participating in this proceeding to ensure the interests of PAWC's existing customers and acquired customers are protected. Based upon its investigation and review of the applications, the OCA has compiled a list of issues to be addressed. These issues will be presented as appropriate by the OCA with the assistance of its expert witnesses:

(1) Provision of Safe, Adequate and Reasonable Service at Just and Reasonable Rates:

The asset purchase agreements provide that PAWC will pay \$13,950,000 for the Township's water system assets and \$7,325,000 for the Township's wastewater system assets. PAWC seeks to have the purchase prices approved for inclusion in rate base under Section 1329, as part of this proceeding. The OCA is examining each appraisal and the requested rate base determination.

(2) Substantial Affirmative Benefits: The OCA is reviewing the information provided by PAWC through formal and informal discovery to address the requirement that the transaction will substantially and affirmatively benefit PAWC's existing customers.

(3) Conditions: The OCA is considering what conditions should be imposed upon the proposed transfers to ensure that PAWC's customers are treated in a fair and just manner in accord with Pennsylvania law and Commission rules and regulations.

The OCA reserves the right to raise additional issues as the case proceeds.

VI. PUBLIC INPUT HEARINGS

In *McCloskey v. Pa. P.U.C.*, the Commonwealth Court concluded that, in an Application proceeding under Section 1329, individual customer notice of the proposed sale has to be given to all ratepayers as well as an opportunity for them to participate in the proceeding. 195 A.3d 1055 (Pa. Commw. 2018). As such, the OCA respectfully requests that the Commission conduct one evening telephonic public input hearing for the PAWC and Valley customers impacted by the acquisition. The other parties join in this request. Further, the OCA requests that the phone number and pin be placed on the hearing notice and all advertisements regarding the public input hearing.

The Presiding Officer has indicated that a date of July 19, 2021 for the public input hearing will be discussed at the Prehearing Conference. The OCA will cooperate with the Presiding

Officer and the parties in scheduling this hearing. The OCA specifically requests that the public input hearing be scheduled in the evening and suggests 6:00 p.m.

VII. SCHEDULE

The OCA will cooperate fully with the Presiding Officer and the other parties to arrive at a mutually agreeable procedural schedule.

VIII. SETTLEMENT

The OCA is engaging in settlement discussions with all parties.

Respectfully submitted,

/s/ Harrison W. Breitman

Harrison W. Breitman

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DATED: June 21, 2021
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