

MARK J. SHAW, ESQ.
ADMITTED IN PA AND OH
DIRECT DIAL 814-870-7607
E-MAIL: MSHAW@MIJB.COM

October 5, 2023

VIA ELECTRONIC SUBMISSION

Ms. Rosemary Chiavetta
Secretary of the Commission
Commonwealth of Pennsylvania
Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Conneaut Lake Park Water Corporation
Small Water Company Base Rate Filing
Docket Number R-2023-3041575

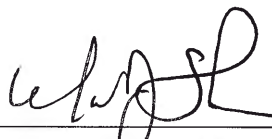
Dear Secretary Chiavetta:

Attached please find Responses to Bureau of Investigation and Enforcement's (I&E) Data Requests Set RR (Nos. 1-D through 11-D) - Spadaccio at Docket No. R-2023-3041575.

Very truly yours,

MacDONALD, ILLIG, JONES & BRITTON LLP

By _____



Mark J. Shaw

MJS/lmf/1827928.1
Attachment

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, by the manner indicated below, and in accordance with the requirements of 52

Pa. Code §1.54 (relating to service by a party):

SERVICE AS FOLLOWS:

Via Electronic Mail

Patrick Cicero
Christine Hoover
Harrison W. Breitman
Office of Consumer Advocate
555 Walnut Street, 5th Floor
Harrisburg, PA 17101-1923
PCicero@paoca.org
choover@paoca.org
hbreitman@paoca.org

Via Electronic Mail

Sharon E. Webb
Assistant Small Business Advocate
Office of Small Business
555 Walnut Street, 1st Floor
Harrisburg, PA 17101
swebb@pa.gov

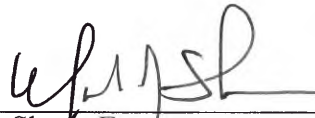
Via Electronic Mail

Allison C. Kaster, Deputy Chief Prosecutor
Michael A. Podskoch, Jr.
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
akaster@pa.gov
mpodskoch@pa.gov

Via Electronic Mail

Joshua D. Brown, Esq.
Dillon McCandless King Coulter & Graham LLP
128 West Cunningham Street
Butler, PA 16001
jbrown@dmkcg.com

Respectfully submitted,



Mark J. Shaw, Esq.
MacDONALD, ILLIG, JONES & BRITTON LLP
100 State Street, Suite 700
Erie, Pennsylvania 16507-1459
(814) 870-7607

Attorneys for:
Conneaut Lake Park Water Corporation

BUREAU OF INVESTIGATION AND ENFORCEMENT DATA REQUESTS

CONNEAUT LAKE PARK WATER CORPORATION

Docket No. R-2023-3041575

Analyst: Anthony Spadaccio

I&E-RR-1-D

Reference the filing, Schedule A. Please confirm whether Todd Joseph is the sole owner of the LLC that owns The Conneaut Lake Park Water Corporation.

Response:

Todd Joseph is the sole member of CLP Water Park LLC.

Responsible Witness: Todd Joseph

Date: October 5, 2023

BUREAU OF INVESTIGATION AND ENFORCEMENT DATA REQUESTS

CONNEAUT LAKE PARK WATER CORPORATION

Docket No. R-2023-3041575

Analyst: Anthony Spadaccio

I&E-RR-2-D

Reference the filing, Schedule A. Identify the purchase price Conneaut Lake Park Water Corp., Inc. paid to The Trustees of Conneaut Lake Park, Inc. for the water system on March 2, 2021.

Response:

The entire Conneaut Lake water park property and assets were acquired by Order of the United States Bankruptcy Court of the Western District of Pennsylvania in *In Re: Trustees Of Conneaut Lake Park, Inc.*, for the amount of \$1.2 million. The water system assets were not broken out separately in the purchase price.

Responsible Witness: Todd Joseph

Date: October 5, 2023

BUREAU OF INVESTIGATION AND ENFORCEMENT DATA REQUESTS

CONNEAUT LAKE PARK WATER CORPORATION

Docket No. R-2023-3041575

Analyst: Anthony Spadaccio

I&E-RR-3-D Reference the filing, Schedule A. Explain whether the purchase of the Conneaut Lake Park water system was an arm's length transaction.

Response:

Yes, the purchase was part of a bankruptcy sale of the assets of the Trustees Of Conneaut Lake Park, Inc. that was approved by the United States Bankruptcy Court of the Western District of Pennsylvania in In Re: Trustees Of Conneaut Lake Park, Inc.,

Responsible Witness: Todd Joseph

Date: October 5, 2023

BUREAU OF INVESTIGATION AND ENFORCEMENT DATA REQUESTS

CONNEAUT LAKE PARK WATER CORPORATION

Docket No. R-2023-3041575

Analyst: Anthony Spadaccio

I&E-RR-4-D

Reference the filing, Schedule A. Explain how the purchase price of the Conneaut Lake Park water system was determined. Provide any appraisals or other documentation from the buyer or seller used to assess the value of the water system.

Response:

The water system was sold as part of the business assets of the Trustees of Conneaut Lake, Inc. and was not valued separately. There were no appraisals or other documents used in valuing the water system.

Responsible Witness: Todd Joseph

Date: October 5, 2023

BUREAU OF INVESTIGATION AND ENFORCEMENT DATA REQUESTS

CONNEAUT LAKE PARK WATER CORPORATION

Docket No. R-2023-3041575

Analyst: Anthony Spadaccio

I&E-RR-5-D Reference the filing, Schedule A. Identify whether Todd Joseph had an interest (owner, officer, etc.) in The Trustees of Conneaut Lake Park, Inc. If so, explain the specifics of his interest in detail.

Response:

Todd Joseph had no interest in the Trustees of Conneaut Lake Park, Inc..

Responsible Witness: Todd Joseph

Date: October 5, 2023

BUREAU OF INVESTIGATION AND ENFORCEMENT DATA REQUESTS

CONNEAUT LAKE PARK WATER CORPORATION

Docket No. R-2023-3041575

Analyst: Anthony Spadaccio

I&E-RR-6-D Reference the filing, Schedule B regarding the \$1,547,485 in Account 232.0, Notes Payable. Identify the following:

- A. Purpose of the loan.
- B. Source of the funds.
- C. Original loan amount.
- D. Interest rate.
- E. Funds used to pay off the loan.

Response:

A-E. As the Company was not involved with this loan, it does not have any detail regarding the loan. As part of the acquisition, the Company did not assume any debts of The Trustees of Conneaut Lake Park, Inc.

Responsible Witness: Todd Joseph

Date: October 5, 2023

BUREAU OF INVESTIGATION AND ENFORCEMENT DATA REQUESTS

CONNEAUT LAKE PARK WATER CORPORATION

Docket No. R-2023-3041575

Analyst: Anthony Spadaccio

I&E-RR-7-D Reference the filing, Schedule F. Provide the actual capital structures for years ending 12/31/2020, 12/31/2021, and 12/31/2022.

Response:

The Company did not acquire the assets of the water system until 2021 and further did not obtain the Certificate of Public Convenience until 2023. Therefore, Company did not calculate the capital structure in the years requested.

Responsible Witness: Todd Joseph

Date: October 5, 2023

Awaiting comments from GF

BUREAU OF INVESTIGATION AND ENFORCEMENT DATA REQUESTS

CONNEAUT LAKE PARK WATER CORPORATION

Docket No. R-2023-3041575

Analyst: Anthony Spadaccio

I&E-RR-8-D Reference the filing, Schedule F. Explain the methodology for determining the 45% debt and 55% equity hypothetical capital structure as opposed to any other ratio.

Response:

Based on a review of the Conneaut Lake Park Water Corporation's 2022 capital structure ratios, we believe it is appropriate to evaluate the Conneaut Lake Park Water Corporation's current cost of capital using hypothetical capital structure ratios because their actual capital structure ratios on December 31, 2022, were 0% debt and 100% equity. These ratios are not similar to the current water industry practice of 45% debt and 55% equity when Conneaut small size is considered. Based upon this, we believe it is appropriate to evaluate the Conneaut Lake Park Water Corporation's current cost of capital using hypothetical capital structure ratios of 45% debt and 55% equity. It should be noted that a full-scale company specific cost of equity study has not been conducted at this time. If this rate filing is fully litigated, it may be necessary for one to be performed.

Responsible Witness: Harold Walker

Date: October 5, 2023

BUREAU OF INVESTIGATION AND ENFORCEMENT DATA REQUESTS

CONNEAUT LAKE PARK WATER CORPORATION

Docket No. R-2023-3041575

Analyst: Anthony Spadaccio

I&E-RR-9-D Reference the filing, Schedule F. Confirm whether the long-term debt amount of \$1,190,868 is purely hypothetical, or if the Company anticipates future debt similar to this amount to close by 12/31/2023.

Response:

Confirmed. The long-term debt amount of \$1,190,868 is purely hypothetical and the Company does not anticipate future debt similar to this amount to close by 12/31/2023.

Responsible Witness: Harold Walker

Date: October 5, 2023

BUREAU OF INVESTIGATION AND ENFORCEMENT DATA REQUESTS

CONNEAUT LAKE PARK WATER CORPORATION

Docket No. R-2023-3041575

Analyst: Anthony Spadaccio

I&E-RR-10-D

Reference the filing, Schedule F. Explain whether the Company anticipates the need for long-term debt in the next two years. If so, provide an estimate of the amount and what it would be used for.

Response: The Company anticipates needing to perform some significant capital improvements to the water system in the future that may need additional debt service, but the timing of those capital improvements has not been determined as of this Response. These capital improvements are expected to be in the \$2.5 - \$3 million range. The cost of these capital projects are not included in the current rate increase request. In addition, in conjunction with this Rate Increase request, the Company has sought a waiver of the need to install water meters on all of its customers,. In the company is not successful in obtaining that waiver, the Company will need to add the metering to its capital projects to be done, which also may result in the need for additional debt service. A metering project is estimated to cost at least several hundred thousand dollars. The cost of metering is not included in the current rate increase request.

Responsible Witness: Todd Joseph

Date: October 5, 2023

BUREAU OF INVESTIGATION AND ENFORCEMENT DATA REQUESTS

CONNEAUT LAKE PARK WATER CORPORATION

Docket No. R-2023-3041575

Analyst: Anthony Spadaccio

I&E-RR-11-D Reference the filing, Statement of Reasons, p. 4. Provide the Company's analysis and workpapers supporting the claim that the "Company's cost of equity is at least 9.65%..."

Response: A full-scale company specific cost of equity study has not been conducted at this time for the Company. If this rate filing is fully litigated, it may be necessary for one to be performed. We believe the Conneaut Lake Park Water Corporation's cost of equity is at least 9.65% based on the PA PUC's current allowable DSIC rate for water utility distribution system improvement charge purposes.

Responsible Witness: Harold Walker

Date: October 5, 2023

BUREAU OF INVESTIGATION AND ENFORCEMENT DATA REQUESTS

CONNEAUT LAKE PARK WATER CORPORATION

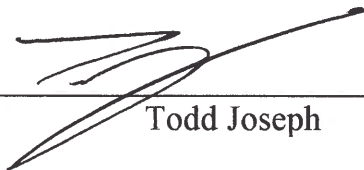
Docket No. R-2023-3041575

Analyst: Anthony Spadaccio

VERIFICATION

I, Todd Joseph, hereby state that the averments set forth in the foregoing Responses Nos. 1, 2, 3, 4, 5, 6, 7, and 10 to IE Data Request Set RR (Nos. 1-11), at Docket No. R-2023-3041575, are true and correct to the best of my knowledge, information, and belief. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: 10-3-23



Todd Joseph

BUREAU OF INVESTIGATION AND ENFORCEMENT DATA REQUESTS

CONNEAUT LAKE PARK WATER CORPORATION

Docket No. R-2023-3041575

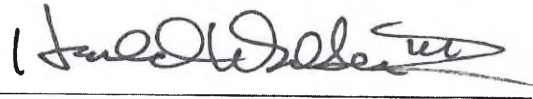
Analyst: Anthony Spadaccio

VERIFICATION

I, Harold Walker, hereby state that the averments set forth in the foregoing Responses Nos. 8, 9, and 11 to IE Data Request Set RR (Nos. 1-11), at Docket No. R-2023-3041575, are true and correct to the best of my knowledge, information, and belief. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Dated:

10/4/2023



Harold Walker