



June 2, 2025

VIA E-FILING

David P. Zambito

Direct Phone 717-703-5892

Direct Fax 215-989-4216

dzambito@cozen.com

Matthew Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania-American Water Company – Wastewater Division Section 1329 Application for the Acquisition of the Elizabeth Borough Municipal Authority Wastewater System; Docket No. A-2025-3052983

Pennsylvania-American Water Company's Prehearing Conference Memorandum

Dear Secretary Homsher:

Enclosed for filing with the Pennsylvania Public Utility Commission is the Prehearing Conference Memorandum of Pennsylvania-American Water Company in the above-referenced matter. Copies have been served as shown on the attached Certificate of Service.

Please contact me if you have any question about the enclosed filing.

Sincerely,

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

DPZ
Enclosures

cc: Administrative Law Judges Erin L. Gannon and Steven K. Haas
Per Certificate of Service
Teresa K. Harrold, Esq.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania-American Water Company –	:	
Wastewater Division Section 1329	:	Docket No. A-2025-3052983
Application for the Acquisition of the	:	
Elizabeth Borough Municipal Authority	:	
Wastewater System	:	

CERTIFICATE OF SERVICE

I hereby certify that I have this 2nd day of June, 2025, served a true copy of the foregoing **Pennsylvania-American Water Company’s Prehearing Conference Memorandum** 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

Michael A. Podskoch, Jr., Esq.
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
400 North Street
Commonwealth Keystone Building
Harrisburg, PA 17120
mpodskoch@pa.gov

Joseph R. Dalfonso, Esq.
Gary J. Matta, Esq.
Dodaro, Dalfonso, Matta & Cambest, P.C.
1900 Main Street, Suite 207
Canonsburg, PA 15317
jdalfonso@ddmclaw.com
gmatta@ddmclaw.com

Christy M. Appleby, Esq.
Katie M. Kennedy, Esq.
Pennsylvania Office of Consumer Advocate
Forum Place
555 Walnut Street, 5th Floor
Harrisburg, PA 17101
cappleby@paoca.org
kkennedy@paoca.org

Maurice A. Nernberg, Esq.
David M. Nernberg, Esq.
Maurice A. Nernberg & Associates
301 Smithfield Street
Pittsburgh, PA 15222
man@nernberg.com
dmn@nernberg.com

Steven Gray, Esq.
Rebecca Lyttle, Esq.
Office of Small Business Advocate
Forum Place
555 Walnut Street, 1st Floor
Harrisburg, PA 17101
sgray@pa.gov
relyttle@pa.gov

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "David P. Zambito". The signature is fluid and cursive, with a large initial "D" and "Z".

David P. Zambito, Esq.
Counsel for *Pennsylvania-American Water
Company*

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**ADMINISTRATIVE LAW JUDGES
ERIN L. GANNON AND STEVEN K. HAAS**

Pennsylvania-American Water Company – :
Wastewater Division Section 1329 Application : Docket Nos. A-2025-3052983, *et al*
for the Acquisition of the Elizabeth Borough :
Municipal Authority Wastewater System :

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

AND NOW COMES Pennsylvania-American Water Company (“PAWC”), pursuant to 52 Pa. Code § 5.222(d) and in compliance with the Prehearing Conference Order issued by Administrative Law Judges Erin L. Gannon and Steven K. Haas (the “ALJs”) on May 12, 2025, to file this Prehearing Conference Memorandum in the above-referenced matter. In support thereof, PAWC states as follows:

I. INTRODUCTION AND PROCEDURAL HISTORY

PAWC and the Elizabeth Borough Municipal Authority (the “EBMA”) entered into an Asset Purchase Agreement (the “APA”) dated as of January 24, 2023, by which PAWC will purchase the wastewater system (the “System”) presently owned by the EBMA. PAWC and the EBMA entered into the First Amendment to the APA on July 5, 2023.

On January 28, 2025, PAWC filed an application (the “Application”) at Docket Nos. A-2025-3052983 *et al.*, asking the Pennsylvania Public Utility Commission (the “Commission”) to

approve its acquisition of the System pursuant to 66 Pa. C.S. §§ 507, 1102 and 1329. On February 21, 2025, in response to a deficiency letter from the Commission’s Bureau of Technical Utility Services, PAWC submitted several amended appendices to the Application.

On February 6, 2025, Steven C. Gray, Esq. and Rebecca Lyttle, Esq., filed their Notices of Appearance on behalf of the Office of Small Business Advocate (“OSBA”). On February 18, 2025, Christy M. Appleby, Esq. and Katie Kennedy, Esq., filed their Notices of Appearance on behalf of the Office of Consumer Advocate (“OCA”). The OCA filed its Protest on February 18, 2025 and the OSBA filed its Notice of Intervention on February 20, 2025. On February 21, 2025, Michael A. Podskoch, Jr., Esq., filed his Notice of Appearance on behalf of the Commission’s Bureau of Investigation and Enforcement (“I&E”).

By correspondence dated March 6, 2025, the Commission notified PAWC that the Application was conditionally accepted. According to that Secretarial Letter, the Commission would finally accept the Application after PAWC complied with certain service and notice requirements. The Secretarial Letter did not set a due date for protests and notices of intervention. On March 21, 2025, PAWC filed a copy of the notice that it intended to distribute to customers, which established a due date of June 3, 2025 for protests and notices of intervention.

On April 17, 2025, PAWC notified the Commission that it had complied with the service and notice requirements in the March 6, 2025 Secretarial Letter. On April 21, 2025, Forward Township (“Forward”) filed a Petition to Intervene. On April 23, 2025, Forward filed a Protest.

On April 28, 2025, the Commission finally accepted the Application for filing. On May 5, 2025, EBMA filed its Petition to Intervene. On May 10, 2025, notice of the Application’s filing was published in the *Pennsylvania Bulletin*. 55 Pa. B. 3329.

On May 12, 2025, the Commission issued the Notice of Prehearing Conference and the ALJs issued their Prehearing Conference Order.

II. COUNSEL

Counsel for PAWC are:

David P. Zambito, Esq. (PA ID #80017)
Jonathan P. Nase, Esq. (PA ID #44003)
Cozen O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101
Phone: (717) 703-5892
Facsimile: (215) 989-4216
E-mail: dzambito@cozen.com
E-mail: jnase@cozen.com

Teresa K. Harrod, Esq. (PA ID #311082)
Pennsylvania-American Water Company
852 Wesley Drive
Mechanicsburg, PA 17055
Phone: (717) 550-1574
E-mail: teresa.harrold@amwater.com

III. SERVICE OF DOCUMENTS

PAWC's attorneys are authorized to accept service on behalf of PAWC in this proceeding.

PAWC agrees to service by e-mail.

IV. ISSUES

A. Satisfaction of Section 1102 Standards

As an existing public utility, PAWC is presumed to possess the legal, financial and technical fitness to own and operate the System. Nevertheless, PAWC introduced testimony as

part of the Application demonstrating that PAWC possesses the legal, financial and technical fitness to own and operate the System.

PAWC submits that the acquisition of the System (the “Transaction”) is necessary or proper for the service, accommodation, convenience or safety of the public. PAWC submits that the Transaction provides affirmative public benefits of a substantial nature. Among other things, 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”).

B. Satisfaction of Section 1329 Standards

PAWC submits that it has complied with all the requirements of Section 1329. The negotiated purchase price for the acquired assets is \$28,000,000, which is lower than the average of the appraisals of the buyer’s UVE and the seller’s UVE (\$28,438,604.50).¹ Accordingly, the negotiated purchase price of \$28,000,000 should be the ratemaking rate base of the selling utility pursuant to 66 Pa. C.S. § 1329(c)(2).² The Application does not include 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 prior to the first base rate case in which the System’s plant-in-service is incorporated into rate base. PAWC has also, in accordance with

¹ $\$28,741,014$ (the appraisal conclusion of the buyer’s UVE) + $\$28,136,195$ (the appraisal conclusion of the seller’s UVE) = $\$56,877,209 / 2 = \$28,438,604.50$.

² In her Direct Testimony, PAWC witness Gress noted that the negotiated purchase price of the System is slightly higher than the depreciated original cost (“DOC”) of the System ($\$16,649,511$, as determined by the average of the UVEs’ calculated DOC), multiplied by the Reasonableness Review Ratio, which is currently 1.68 ($\$16,649,511 \times 1.68 = \$27,971,178$). Ms. Gress stated that PAWC would not object if the Commission were to approve PAWC only including $\$27,971,178$ in its ratemaking rate base as a result of the Transaction.

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, 66 Pa. C.S. § 507, generally requires a utility to file with the Commission any agreement between it and a municipal corporation. PAWC seeks either a Certificate of Filing or approval of the APA, the First Amendment to the APA, and six agreements (including a *pro forma* agreement between PAWC and EBMA).

V. WITNESSES

PAWC has already submitted direct testimony and exhibits sponsored by the following witnesses in written question and answer form:

- Mr. Marcus Kohl -- Mr. Kohl is Director of Business Development for PAWC. His business address is 852 Wesley Drive, Mechanicsburg, PA 17055 and his business telephone number is (717) 265-6902. Mr. Kohl provided an overview of the Transaction. He explained why the Transaction is in the public interest and provides affirmative public benefits of a substantial nature. In addition, he explained why the Application should be promptly approved by the Commission. Finally, he explained that PAWC is legally, financially, and technically fit to acquire and operate the System.
- Mr. Daniel J. Hufton, P.E. -- Mr. Hufton is Engineering Manager, Business Development with PAWC. His business address is 60 Elrama Avenue, Elrama, PA 15038 and his business phone number is (412) 398-5492. He described the System and explained how it will be integrated into PAWC's existing operations. He also

described PAWC's technical fitness to run the System, together with the benefits of the Transaction.

- Ms. Stacey Gress -- Ms. Gress is the Director of Rates and Regulatory for American Water Works Service Company ("AWWSC"). Ms. Gress's business address is 1 Water Street, Camden, NJ 08102 and her business phone number is (856) 955-4479. She testified to PAWC's financial fitness to acquire and operate the System. She also identified the ratemaking rate base, estimated the transaction and closing costs incurred by PAWC, summarized the rate provisions in the APA, described the customer notices associated with the Transaction and provided a statement regarding PAWC's intentions regarding accrual of certain post-acquisition improvement costs and deferral of related depreciation.
- Mr. Jerome Weinert, ASA, PE, CDP -- Mr. Weinert is a Principal and Owner of Weinert Appraisal and Depreciation Services, LLC. Mr. Weinert has a business address of 8555 West Forest Home Avenue, Suite 201, Greenfield, WI 53228. He described the fair market value appraisal of the System that he and his staff performed on behalf of PAWC.

If necessary, PAWC will submit rebuttal and rejoinder testimony of these witnesses. PAWC also reserves the right to call additional witnesses and to present testimony on additional issues that may arise during the course of the proceeding.

VI. DISCOVERY

PAWC and EBMA have already responded to several sets of discovery requests.

The ALJs' Prehearing Conference Order modified the Commission's standard rules of administrative procedure. PAWC does not believe any further discovery rule modifications are necessary.

VII. PROTECTIVE ORDER

PAWC is working with the other parties to prepare a consensus Petition for Protective Order.

VIII. PROPOSED PROCEDURAL SCHEDULE

The Parties have agreed to the following procedural schedule:

Event	Date (in the year 2025)
Application finally accepted	Monday, April 28
Pa. Bulletin Publication	Saturday, May 10
Petitions to Intervene/Protests due	Friday, May 30
Prehearing Memos due	Monday, June 2 by noon
Telephonic Prehearing Conference	Tuesday, June 3
Direct Testimony of other parties	Tuesday, June 3
Telephonic Public Input Hearing	Thursday, June 5 @ 6:00 pm
Rebuttal	Monday, June 9 ³
Surrebuttal	Thursday, June 12
Outline of Oral Rejoinder	Friday, June 13
Hearing	Monday, June 16 and Tuesday, June 17
Receipt of Transcript	Wednesday, June 18
Brief	Thursday, July 3
Reply Brief	Wednesday July 16
RD	Friday, August 22
Exceptions	Tuesday, September 2
Replies	Thursday, September 11
Public Meeting	Thursday, October 9

³ OCA will submit either Supplemental Direct Testimony or Rebuttal Testimony addressing comments made at the Public Input Hearing, depending on when the Transcript of the Public Input Hearing is available. Similarly, PAWC will submit either Rebuttal Testimony or Surrebuttal Testimony addressing comments made at the Public Input Hearing, depending on when the Transcript of the Public Input Hearing is available.

IX. SETTLEMENT

PAWC is open to reaching a reasonable settlement.

Respectfully submitted,



Teresa K. Harrod, Esq. (PA ID #311082)
Pennsylvania-American Water Company
852 Wesley Drive
Mechanicsburg, PA 17055
Phone: (717) 550-1574
E-mail: teresa.harrold@amwater.com

David P. Zambito, Esq. (PA ID #80017)
Jonathan P. Nase, Esq. (PA ID #44003)
Cozen O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101
Phone: (717) 703-5892
Facsimile: (215) 989-4216
E-mail: dzambito@cozen.com
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