COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

June 25, 2013

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

Re: Pennsylvania Public Utility Commission v.
Columbia Water Company
Docket No. R-2013-2360798

Dear Secretary Chiavetta:

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

Copies are being served on all active parties of record, either by first class mail or distributed personally in the hearing room. If you have any questions, please contact me at (717) 783-6151.

Sincerely,

Charles Daniel Shields
Senior Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No. 29363

CDS/snc
Enclosure

cc: Parties of Record
Hon. Dennis J. Buckley

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2013-2360798
	:	
The Columbia Water Company	:	

CERTIFICATE OF SERVICE

I hereby certify that I am or will serve the foregoing **Prehearing Memorandum** dated June 25, 2013, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served via electronic and first class mail or hand delivery

Thomas J. Sniscak, Esquire
William E. Lehman, Esquire
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Harrisburg, PA 17105

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Harrisburg, PA 17101-192

Charles Daniel Shields
Senior Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No.29363

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2013-2360798
	:	
The Columbia Water Company	:	

PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION
AND ENFORCEMENT

TO ADMINISTRATIVE LAW JUDGE DENNIS J. BUCKLEY:

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission") respectfully submits the following Prehearing Memorandum in the above-captioned proceeding in response to the Notice of the Office of Administrative Law Judge ("OALJ") dated June 24, 2013.

All correspondence directed to I&E regarding this instant base rate proceeding should be addressed as follows:

Charles Daniel Shields, Senior Prosecutor
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265

The I&E fax number is (717) 772-2677. Senior Prosecutor Shields can be contacted directly by telephone at (717) 783-6151 and by electronic mail at *chshields@pa.gov*.

Per the OALJ Notice, the Prehearing Conference is scheduled for 10:00 a.m. on Friday, June 28, 2013, with Your Honor presiding in Hearing Room 2 in the Keystone Building.

I. INTRODUCTION

On April 25, 2013, The Columbia Water Company ("Columbia" or "Company") filed Supplement No. 60 to Tariff Water-Pa. P.U.C. No. 7 to become effective June 24, 2013, containing proposed changes in rates, rules, and regulations calculated to produce $773,210 (19.2%) in additional annual revenues. On May 20, 2013, I&E filed its Notice of Appearance at this docket. The Office of Small Business Advocate ("OSBA") and the Office of Consumer Advocate ("OCA") have each filed a Formal Complaint against the rate hike request.

By Order entered June 13, 2013, the Commission suspended the filing and instituted an investigation to determine the lawfulness, justness and reasonableness of the proposed rates, rules and regulations. Pursuant to 66 Pa. C.S. §1308(d), the filing will be suspended by operation of law until January 24, 2014, unless permitted by Commission Order to become effective at an earlier date.

Said Order provided that the case be assigned to the Office of Administrative Law Judge for Alternative Dispute Resolution, if possible, or the prompt scheduling of such hearings as may be necessary culminating in the issuance of a Recommended Decision. I&E will fully participate in the Prehearing Conference and any settlement discussions and

has already submitted several sets of discovery to Columbia seeking additional information regarding the many issues involved in a base rate case filing.

II. ISSUES

The following list represents I&E's preliminary determination of the potential major issues in this case. The listing is as complete as can be produced at this time. I&E specifically reserves the right to address other issues, as it deems appropriate when any such relevant issues arise. The present list of potential issues is as follows:

Rate of Return

Overall Rate of Return
Capital Structure
Cost of Common Equity
Cost of Debt

Expenses

Annual Depreciation Expense
Income Taxes
Taxes Other Than Income
Salaries & Wages
Employee Pensions & Benefits
Management Fees
Testing
Insurance
Bad Debt Expense
Membership Dues
Office Expenses & Utilities
Director Fees & Expenses
Charitable Contributions

Rate Base

Plant in Service;
Materials and Supplies
Accrued Depreciation

Contribution in Aid of Construction
PennVest Funded Property
Future Test Year Plant Additions
Cash Working Capital (to be addressed by I&E Analyst)

Revenues

Present Rate Revenue
Miscellaneous Revenue
Rate Structure/Cost of Service
Proposed Rates
Customer Charge
Scale Back of Rates

Other Issues

Quality of Service
Lost and Unaccounted for Water

III. WITNESSES

It is currently expected that I&E may call any or all of the following expert witnesses, without being limited thereto:

- **Ethan Cline, Fixed Utility Valuation Engineer**
- **Christine S. Wilson, Fixed Utility Financial Analyst**
- **Rachel A, Maurer, Fixed Utility Financial Analyst**
- **Kokou Apetoh, Fixed Utility Valuation Engineer Trainee**

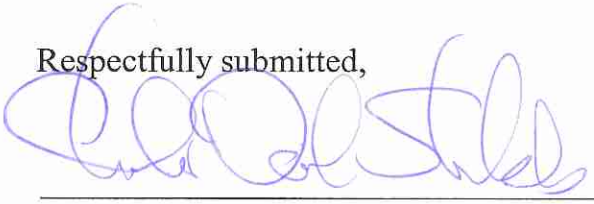
I&E reserves the right to call additional witnesses or delete the names of the technical staff expert witnesses listed above. The above listing is provided without the benefit of complete discovery or analysis of the positions of any other party who may be active in this proceeding. Prepared testimony and brief additional live direct testimony may be submitted by any or all of the I&E witnesses in her or his area(s) of responsibility. In addition to the

testimony and exhibits presented by I&E witnesses and the evidence adduced through cross-examination of witnesses for the Company, I&E intends to rely upon the Company's filing, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, and other relevant documents and reports.

IV. CONCLUSION

I&E represents that we will make a good faith effort to successfully resolve this matter through settlement discussions. I&E has not presently received notice from the Company regarding whether they intend to avail themselves of the OALJ mediation services. In the event any such mediation/settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully litigate all relevant and outstanding base rate issues. Additionally, we have to date not had discussions with counsel for the other parties regarding a proposed litigation schedule to present to Your Honor at the Prehearing Conference.

Respectfully submitted,



Charles Daniel Shields
Senior Prosecutor
PA Attorney I.D. No. 29363

Dated: June 24, 2013