



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

IN REPLY PLEASE
REFER TO OUR FILE

June 7, 2016

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

Re: Pennsylvania Public Utility Commission v.
Community Utilities of Pennsylvania, Inc. - Water Division
Docket No. R-2016-2538660

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 parties as identified in the attached certificate of service. If you have any questions, please contact me a (717) 783-6151.

Sincerely,

Phillip C. Kirchner
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #313870

PCK/snc
Enclosure

cc: Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2016-2538660
	:	
Community Utilities of Pennsylvania, Inc.	:	
- Water Division	:	

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memo** dated June 7, 2016, 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

Thomas J. Sniscak, Esquire
Christopher M. Arfaa, Esquire
William E. Lehman, Esquire
Hawke McKeon & Sniscak LLP
100 N. Tenth Street
Harrisburg, PA 17101

John R. Evans
Office of Small Business Advocate
300 North Second Street
Suite 202
Harrisburg, PA 17101

Christine M. Hoover, Esquire
Kristine E. Marsilio, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor Forum Place
Harrisburg, PA 17101-1923

Terry L. Fought
780 Cardinal Drive
Harrisburg, PA 17111

Phillip C. Kirchner
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #313870

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
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- Water Division	:	

PREHEARING MEMORANDUM OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT

TO ADMINISTRATIVE LAW JUDGE ERANDA VERO:

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.

The Bureau of Investigation and Enforcement Prosecutor in this proceeding will be Phillip C. Kirchner. Contact information is as follows:

By mail: Phillip C. Kirchner, Esq.
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

By e-mail: phikirchne@pa.gov

By telephone: (717) 783-6151

By fax: (717) 772-2677

I. INTRODUCTION

On April 6, 2016, Community Utilities of Pennsylvania Inc. Water Division (Community Utilities or Respondent), filed Supplement No. 1 to Tariff Water - Pa. P.U.C. No. 1 containing proposed changes in rates, rules, and regulations calculated to produce \$427,817 in additional annual revenues from customers.

This matter was suspended on May 5, 2016 until January 5, 2017 by Commission Order pursuant to 66 Pa.C.S. §1308(d) to allow for an investigation into the lawfulness, justness and reasonableness of the proposed rate increase. A Prehearing Conference is now scheduled for June 8, 2016, with Administrative Law Judge Eranda Vero presiding.

II. ISSUES

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

- Plant in service
- Accumulated Depreciation
- Contributions in Aid of Construction
- Plant Acquisition Adjustment
- Customer Deposits
- Depreciation Expenses
- Company's claims of Number of Customers and Usage per Customer
- Forfeited Discounts
- Miscellaneous Service Revenues
- Purchased Services/Utilities
- Rate Structure – Customer Charges, Usage Rates, and General Structure
- Lost and Unaccounted For Water
- Overall Rate of Return
- Cost of Long-Term Debt

- Cost of Common Equity
- Capital Structure
- Insurance
- Taxes
- Cash Working Capital
- Salaries, Taxes and Benefits
- Chemicals
- Operations and Maintenance Expenses
- Contractual Services (Accounting/Engineering/Legal, etc.)
- Transportation Expense

Again, this determination has been made without the benefit of complete discovery or analysis of the positions of other parties to this proceeding, I&E respectfully reserves the right to address issues raised in direct, rebuttal, or surrebuttal testimony or any other issues that become apparent at a later point in time or to remove issues from this list as fitting.

III. WITNESSES

It is currently expected that I&E may call the following expert witness without being limited thereto:

- Kokou Apetoh, *Fixed Utility Valuation Engineer*
- Anthony Spadaccio, *Fixed Utility Financial Analyst*
- Brenton Grab, *Fixed Utility Financial Analyst*

The I&E witnesses may be contacted through the information listed above for undersigned prosecutor. The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding.

Accordingly, I&E reserves the right to call additional witnesses or withdraw the names of the witnesses listed above.

IV. EVIDENCE

I&E expects to present any written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Company's filing, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports.

V. SCHEDULE

I&E will work with the parties to develop a mutually agreeable schedule in this proceeding.

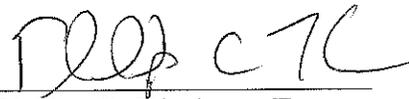
VI. SERVICE OF DOCUMENTS AND DISCOVERY MODIFICATIONS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first class mail.

VII. SETTLEMENT

I&E is willing to make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Phillip C. Kirchner, Esq.
Prosecutor
PA Attorney I.D. # 313870

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265

Dated: June 7, 2016