



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

IN REPLY PLEASE  
REFER TO OUR FILE

May 24, 2017

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

Re: Pennsylvania Public Utility Commission v.  
Pennsylvania-American Water Company –Base Rate  
Docket No. R-2017-2595853

Dear Secretary Chiavetta:

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

Copies are being served as evidenced in the attached Certificate of Service. If you  
have any questions, please contact me at (717) 787-8754.

Sincerely,

Gina L. Miller

Prosecutor

Bureau of Investigation and Enforcement  
PA Attorney I.D. #313863

GLM/sea  
Enclosure

cc: Administrative Law Judge Dennis J. Buckley  
Administrative Law Judge Benjamin J. Myers  
Certificate of Service

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2017-2595853
	:	
Pennsylvania-American Water Company	:	
-Base Rate	:	

**CERTIFICATE OF SERVICE**

I hereby certify that I am serving the foregoing **Prehearing Conference Memorandum** dated May 24, 2017, 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**

Susan Simms Marsh, Esquire  
Pennsylvania-America Water Company  
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A handwritten signature in black ink, appearing to read 'Gina L. Miller', written over a horizontal line.

Gina L. Miller  
Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney I.D. #313863

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2017-2595853
	:	
Pennsylvania American Water Company	:	

**PREHEARING MEMORANDUM  
OF THE  
BUREAU OF INVESTIGATION AND ENFORCEMENT**

**TO ADMINISTRATIVE LAW JUDGES DENNIS J. BUCKLEY  
AND BENJAMIN J. MYERS:**

**I. INTRODUCTION**

In accordance with 66 Pa. C.S. § 333 and pursuant to the Prehearing Conference Order issued on May 22, 2017, the Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (Commission) respectfully submits the following Prehearing Memorandum.

The I&E Prosecutor in this proceeding is Gina L. Miller. Ms. Miller's contact information is as follows:

By mail: Gina L. Miller  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

By e-mail: [ginmiller@pa.gov](mailto:ginmiller@pa.gov)

By telephone: (717) 787-8754

## **II. BACKGROUND**

On April 28, 2017, Pennsylvania American Water Company filed Original Tariff Water-Pa. P.U.C. No. 5 and Original Tariff Wastewater-Pa. P.U.C. No. 16 to become effective on June 27, 2017. This filing contained proposed changes in rates, rules, and regulations calculated to produce \$107.9 million (16.4%) in additional annual revenues. Pursuant to 66 Pa. C.S. § 1308(d), the filing was suspended by operation of law on until January 27, 2018, unless permitted by Commission Order to become effective at an earlier date. The Commission directed that the case be assigned to the Office of Administrative Law Judge for the scheduling of hearings as may be necessary for the Administrative Law Judges to render a Recommended Decision. A Prehearing Conference has been scheduled on May 25, 2017 at 1:00 p.m., with Administrative Law Judges Dennis J. Buckley and Benjamin J. Myers presiding.

## **III. ISSUES**

The following list is a preliminary determination of issues that I&E seeks to address in this case. The list is as complete as can be made at this time; however, I&E reserves the right to address other issues, as it deems appropriate, if any such issues arise.

The current list of potential issues is as follows:

### Rate of Return

1. Overall Rate of Return
2. Cost of Long-term Debt
3. Cost of Common Equity
4. Capital Structure
5. Use of Fully Projected Future Test Year
6. Use of the DSIC
7. Economic Conditions & Risks

### Operating Expenses

8. Payroll & Benefits
9. Payroll taxes
10. Performance Pay/Compensation
11. Pension & OPEB expense
12. Rate Case expense
13. Chemicals
14. Materials & Supplies
15. Contract Services
16. Miscellaneous expenses
17. Insurance
18. Cash Working Capital
19. Incomes taxes
20. Taxes other than income

### Rate Base

21. Test years;
22. Plant in Service including plant additions and retirements;
23. Accumulated Depreciation;
24. Contributions in Aid of Construction;
25. Materials and Supplies;
26. Extension Deposits in suspense;
27. Excluded Properties;
28. Customer Advances for Construction;
29. Depreciation and Amortization Expense
30. Acquisition Adjustments

### Revenue/Allocation

31. Present Rate Revenue
32. Usage Decline
33. Customer counts
34. Wastewater-Water Allocation
35. Customer costs
36. Cost of Service Study
37. Use of Fully Projected Future Test Year

### Rate Structure

38. Proposed Rates
39. Structure of Rate Zones
40. Scale Back of Rates.
41. Rate Freezes
42. Scranton Rate Zone

Miscellaneous

43. Right of Ways

44. Tariff Issues

**IV. WITNESSES**

It is currently expected that I&E may call the following witnesses to assist in the presentation of its case:

1. Anthony Spadaccio, Fixed Utility Financial Analyst: Mr. Spadaccio anticipates addressing issues identified as one through seven in the above listing.
2. Dusyant Patel, Fixed Utility Financial Analyst: Mr. Patel anticipates addressing issues identified as eight through 18 in the above listing.
3. Brenton Grab, Fixed Utility Financial Analyst: Mr. Grab anticipates addressing issues identified as 19 and 20 in the above listing.
4. Kokou Apetoh, Fixed Utility Valuation Engineer: Mr. Apetoh anticipates addressing issues identified as 21 through 29 in the above listing.
5. Jeremy Hubert, Fixed Utility Valuation Engineer: Mr. Hubert anticipates addressing the issue identified as 30 in the above listing.
6. Ethan Cline, Fixed Utility Valuation Engineer: Mr. Cline anticipates addressing issues identified as 31 through 40 in the above listing.
7. Joseph Kubas, Fixed Utility Valuation Engineer: Mr. Kubas anticipates addressing issues identified as 41 through 44 in the above listing.

The I&E witnesses may be reached at the contact information provided above.

Because the witness list was provided without the benefit of complete discovery, I&E reserves the right to call additional witness, substitute witnesses, or withdraw the names of witnesses listed above.

## **V. EVIDENCE**

I&E expects to present all 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. Finally, I&E will also rely upon the materials obtained during any evidentiary hearings, including but not limited to information obtained through cross-examination and related exhibits.

## **VI. DISCOVERY**

Pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing. I&E does not request that the Commission's Rules of Practice and Procedure for the conduct of discovery be modified at this time. However, in the event that another party proposes modifications to the discovery rules that abbreviate the time-frames established in the Commission's regulations relating to discovery, I&E respectfully requests that the following additional modification be adopted:

Discovery related pleadings, i.e., objections, motions, answers, served on a Friday or on any business day preceding a state holiday shall be deemed to have been served the next business day.

## **VII. PROPOSED SCHEDULE**

I&E has been working with and will continue to work with the parties to develop a mutually agreeable litigation schedule.



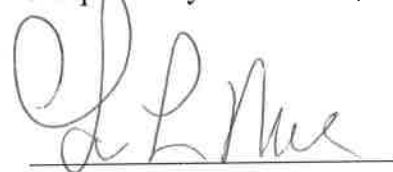
## VIII. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for prepared testimony and briefs, I&E requests that electronic transmittal of materials by 4:30 p.m. satisfy the service requirement with a follow-up hard copy provided by first class mail.

## IX. CONCLUSION

I&E is willing to make all 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,

A handwritten signature in cursive script, appearing to read "Gina L. Miller", written over a horizontal line.

Gina L. Miller

Prosecutor

Attorney I.D. No. 313863

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

Dated: May 24, 2017