



100 Pine Street • PO Box 1166 • Harrisburg, PA 17108-1166  
Tel: 717.232.8000 • Fax: 717.237.5300

Adeolu A. Bakare  
Direct Dial: 717.237.5290  
Direct Fax: 717.260.1744  
[abakare@mcneeslaw.com](mailto:abakare@mcneeslaw.com)

May 24, 2017

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17120

**VIA ELECTRONIC FILING**

**RE: Pennsylvania Public Utility Commission v. Pennsylvania-American Water  
Company; Docket No. R-2017-2595853; C-\_\_\_\_\_**

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission is the Prehearing Memorandum of the Pennsylvania-American Water Large Users Group ("PAWLUG"), in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to the proceeding are being served with a copy of this document. Thank you.

Sincerely,

McNEES WALLACE & NURICK LLC

By

A handwritten signature in black ink, appearing to read 'Adeolu A. Bakare', is written over a horizontal line.

Adeolu A. Bakare

Counsel to the Pennsylvania-American Water Large Users Group

Enclosures

c: Administrative Law Dennis J. Buckley (via E-Mail and First-Class Mail)  
Administrative Law Judge Benjamin J. Myers (via E-Mail and First-Class Mail)  
Certificate of Service

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## CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

### VIA E-MAIL AND FIRST-CLASS MAIL

Thomas P. Gadsden, Esq.  
Anthony C. DeCusatis, Esq.  
Catherin G. Vasudevan, Esq.  
Morgan, Lewis & Bockius, LLP  
1701 Market Street  
Philadelphia, PA 19103  
[thomas.gadsden@morganlewis.com](mailto:thomas.gadsden@morganlewis.com)  
[anthony.decusatis@morganlewis.com](mailto:anthony.decusatis@morganlewis.com)  
[catherine.vasudevan@morganlewis.com](mailto:catherine.vasudevan@morganlewis.com)

Susan Simms Marsh, Esq.  
Pennsylvania American Water Company  
800 West Hersheypark Drive  
Hershey, PA 17033  
[susan.marsh@amwater.com](mailto:susan.marsh@amwater.com)

David P. Zambito, Esq.  
Cozen O'Connor  
17 North Second Street, Suite 1410  
Harrisburg, PA 17101  
[dzambito@cozen.com](mailto:dzambito@cozen.com)

Christine M. Hoover, Esq.  
Erin L. Gannon, Esq.  
Christy M. Appleby, Esq.  
Lauren M. Burge, Esq.  
Office of Consumer Advocate  
5<sup>th</sup> Floor, Forum Place  
555 Walnut Street  
Harrisburg, PA 17101-1923  
[choover@paoca.org](mailto:choover@paoca.org)  
[egannon@paoca.org](mailto:egannon@paoca.org)  
[cappleby@paoca.org](mailto:cappleby@paoca.org)  
[lburge@paoca.org](mailto:lburge@paoca.org)

Gina L. Miller, Esq.  
Pennsylvania Public Utility Commission  
Bureau of Investigation & Enforcement  
P.O. Box 3265  
Harrisburg, PA 17105-3265  
[ginmiller@pa.gov](mailto:ginmiller@pa.gov)

Elizabeth Rose Triscari, Esq.  
Office of Small Business Advocate  
300 North 2<sup>nd</sup> Street, Suite 1102  
Harrisburg, PA 17101  
[etriscari@pa.gov](mailto:etriscari@pa.gov)



Adeolu Bakare

Counsel to the Pennsylvania-American Water Large  
Users Group

Dated this 24<sup>th</sup> day of May, 2017, at Harrisburg, Pennsylvania.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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**PREHEARING MEMORANDUM OF THE  
PENNSYLVANIA-AMERICAN WATER LARGE USERS GROUP**

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Pursuant to 52 Pa. Code § 5.224(c), the Pennsylvania-American Water Large Users Group ("PAWLUG") hereby submits this Prehearing Memorandum in the above-referenced proceeding.

**I. HISTORY OF THE PROCEEDING**

On April 28, 2017, Pennsylvania-American Water ("PAWC") filed with the Commission Original Tariff Water-Pa. P.U.C. No. 5 ("Water Tariff") and Original Tariff Wastewater-Pa. P.U.C. No. 16 ("Wastewater Tariff"). By this filing, PAWC requested an overall increase in water rates of approximately \$107.9 million per year, or 16.4% above existing revenues effective June 27, 2017. On May 18, 2017, the Commission suspended the Water Tariff and the Wastewater Tariff for seven months from the proposed effective date of June 27, 2017, until January 27, 2018.

A Prehearing Conference has been scheduled in this proceeding for May 25, 2017. On May 24, 2017, PAWLUG filed a Petition to Intervene establishing its significant interest in this proceeding.

## **II. ANTICIPATED ISSUES AND SUB-ISSUES**

PAWLUG submits that the information and data filed in support of the proposed rates and tariff provisions are insufficient to establish that the proposed rates are just, reasonable and nondiscriminatory, as required by Sections 1301 and 1304 of the Public Utility Code. 66 Pa.C.S. §§ 1301 and 1304.

- a) the size of the requested rate increase, especially in light of the relief provided by the PUC in PAWC's 2013, 2011, 2009, 2007, 2003, 2001 base rate proceedings;
- b) the accuracy and legitimacy of the Cost of Service Study allocation methodology;
- c) the proposed distribution of the increase among customer classes;
- d) rate structure and rate design;
- e) issues relating to ongoing recovery from ratepayers for infrastructure improvements under the Distribution System Improvement Charge ("DSIC");
- f) the nexus between PAWC's revenue claims in this proceeding and the benefits that the Company has received, and will continue to receive, through the DSIC; and
- g) the ability that PAWC has to avail itself of the substantial federal and state funds for infrastructure improvements.

PAWLUG anticipates pursuing these issues during this proceeding and PAWLUG also reserves the right to raise further issues and to respond to issues raised by other parties.

## **III. PROPOSED WITNESSES**

PAWLUG is still evaluating whether it will present any witnesses in this proceeding. If PAWLUG determines that it will present such witnesses, PAWLUG will inform the ALJ and the other parties as soon as possible. PAWLUG also intends to participate in this proceeding through the submission of discovery, cross-examination of other parties' witnesses and the submission of briefs, exceptions and reply exceptions, if necessary.

**IV. PROPOSED SCHEDULE AND DISCOVERY RULES**

PAWLUG will cooperate with the ALJ and the parties at the Prehearing Conference to develop an appropriate procedural schedule and discovery rules in accordance with the Commission's regulations and any directives issued by the ALJ.

**V. POSSIBILITY OF SETTLEMENT**

PAWLUG is willing to participate in discussions with the other parties to amicably resolve the issues in this proceeding.

Respectfully submitted,

McNEES WALLACE & NURICK LLC



By \_\_\_\_\_

Charis Mincavage (I.D. No. 82039)  
Adeolu A. Bakare (I.D. No. 208541)  
Matthew L. Garber (I.D. No. 322855)  
100 Pine Street  
P. O. Box 1166  
Harrisburg, PA 17108-1166  
Phone: (717) 232-8000  
Fax: (717) 260-1744  
[cmincavage@mcneeslaw.com](mailto:cmincavage@mcneeslaw.com)  
[abakare@mcneeslaw.com](mailto:abakare@mcneeslaw.com)  
[mgarber@mcneeslaw.com](mailto:mgarber@mcneeslaw.com)

Counsel to the Pennsylvania-American  
Water Large Users Group

Dated: May 24, 2017