



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

IN REPLY PLEASE  
REFER TO OUR FILE

December 28, 2017

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

Re: Pennsylvania Public Utility Commission v.  
Reynolds Water Company  
Docket No. R-2017-2631441

Dear Secretary Chiavetta:

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

Copies are being served on all parties as evidenced in the attached Certificate of Service. If you have any questions, please feel free to contact me at (717) 783-6156.

Sincerely,

Carrie B. Wright  
Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney I.D. #208185

John M. Coogan  
Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney I.D. #313920

CBW/JMC/wsf  
Enclosure

cc: Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2017-2631441
	:	
Reynolds Water Company	:	

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

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**TO ADMINISTRATIVE LAW JUDGE KATRINA L. DUNDERDALE:**

In accordance with the Prehearing Conference Order dated December 22, 2017, the Bureau of Investigation and Enforcement (“I&E”) hereby submits this Prehearing Memorandum. The I&E prosecutors assigned to this proceeding are Carrie B. Wright and John M. Coogan. Ms. Wright and Mr. Coogan may be contacted as follows:

By mail: Carrie B. Wright  
John M. Coogan  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

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

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## I. BACKGROUND

On October 30, 2017, Reynolds Water Company ("Reynolds" or "Company") filed Supplement No. 5 To Tariff – Water Pa. P.U.C. No. 4 to become effective January 1, 2018. It proposed to increase Reynolds Water Company's total annual operating revenues by approximately \$236,640 or 45.4% above the level of pro forma revenues for the future test year ending June 31, 2018.

On December 21, 2017, the Pennsylvania Public Utility Commission ("PUC" or "Commission") entered an order suspending the implementation of Supplement No. 5 by operation of law until August 1, 2018, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Supplement No. 5. Further, the matter was assigned to the Office of Administrative Law Judge ("OALJ") to schedule such hearings as necessary to develop a record in this proceeding.

A telephonic Prehearing Conference is now scheduled for Friday, December 29, 2017, at 10:00 a.m., before Administrative Law Judge Katrina L. Dunderdale ("ALJ Dunderdale"). Formal Complaints have been filed in this matter by the Office of Consumer Advocate ("OCA"), James J. Vessella, Bea DeCiancio and John D'Urso. The Bureau of Investigation and Enforcement, in accordance with the Prehearing Conference Order issued by ALJ Dunderdale on December 22, 2017, now respectfully submits this Prehearing Memorandum.

## II. ISSUES

The following list represents I&E's preliminary determination of the potential issues in these proceedings. 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:

- Rate Base
  - Plant in Service
  - Plant Additions
  - Retirements of Plant
  - Contributions in Aid of Construction
  - Accumulated Depreciation
  - Annual Depreciation Expense
  - Allocation of Shared Plant
- Revenue
  - Number of Customers
  - Sales Volumes
  - Lost and Unaccounted-for Water
- Rate Structure
  - Allowance in Proposed Rates
  - Proposed Rates
- Rate of Return
  - Overall Rate of Return
  - Cost of Debt
  - Cost of Common Equity
  - Capital Structure
- Operating and Maintenance
  - Rate Case Expense
  - Payroll Expense
  - Purification Maintenance Material & Supplies
  - Customer Premises Services Material & Supplies
  - Administrative and General Expense
  - Cash Working Capital

Most of the issues raised by I&E will be supported by the Direct Testimony of I&E witnesses. If there are issues of Commission policy or legal interpretation that are not properly the subject of testimony or factual issues that are clear on the record and need not be supported

by testimony, I&E reserves the right to dispense with testimony when, in its opinion, an issue can be adequately addressed in Brief.

### III. WITNESSES

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

Joseph Kubas	Fixed Utility Valuation Engineer Supervisor
D.C. Patel	Fixed Utility Financial Analyst
Christopher Keller	Fixed Utility Financial Analyst

The I&E witnesses may be contacted through the contact information listed above for Ms. Wright and Mr. Coogan. I&E reserves the right to substitute witnesses or call additional witnesses if warranted.<sup>1</sup> All active parties will be notified of any amendments to the I&E witness list.

### IV. SCHEDULE

The parties have not yet agreed to a mutually acceptable schedule. I&E will work with the Parties to develop a mutually agreeable procedural schedule in this proceeding.

### V. DISCOVERY

Due to the time limitations in the proceedings, I&E requests that the Commission's Rules of Practice and Procedure for the conduct of discovery be modified as follows:

1. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service.

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<sup>1</sup> The above listing is provided without analysis of the positions of all parties to this proceeding and without the benefit of completed discovery.

2. Objections to interrogatories shall be communicated orally within three (3) days of service; unresolved objections be served to the ALJ in writing within seven (7) days of service of interrogatories.
3. Motion to dismiss objections and/or direct the answering of interrogatories shall be filed within five (5) days of service of written objections.
4. Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within five (5) days of service of such motions.
5. Discovery served after 12:00 noon on a Friday or after 12:00 p.m. on any business day preceding a state holiday will be deemed to be served on the next business day.

## **VI. 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.

## **VII. SERVICE OF DOCUMENTS**

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.

## VIII. SETTLEMENT

I&E intends to participate in any settlement discussions and is willing to work with the parties to reach a resolution of any or all issues.

Respectfully submitted,

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line that tapers to the right.

Carrie B. Wright  
Prosecutor  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission

John M. Coogan  
Prosecutor  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission

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Post Office Box 3265  
Harrisburg, Pennsylvania 17105-3265

December 28, 2017

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :  
 :  
 v. : Docket No. R-2017-2631441  
 :  
 Reynolds Water Company :

**CERTIFICATE OF SERVICE**

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated December 28, 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 First Class or Electronic Mail**

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