

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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December 28, 2017

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
Commonwealth Keystone Bldg.  
400 North Street  
Harrisburg, PA 17120

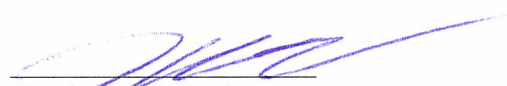
Re: Pa. Public Utility Commission  
v.  
Reynolds Water Company  
Docket No. R-2017-2631441

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

  
Harrison W. Breitman  
Assistant Consumer Advocate  
PA Attorney I.D. # 320580  
E-Mail: HBreitman@paoca.org

Attachment

cc: Honorable Katrina L. Dunderdale, ALJ  
Certificate of Service

242790

CERTIFICATE OF SERVICE

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

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 28<sup>th</sup> day of December 2017.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

Allison Kaster, Esquire  
Carrie B. Wright, Esquire  
John M. Coogan, Esquire  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

SERVICE BY E-MAIL & FIRST CLASS MAIL, POSTAGE PREPAID

John Evans  
Small Business Advocate  
Office of Small Business Advocate  
300 North Second Street  
Harrisburg, PA 17101

Thomas T. Niesen, Esquire  
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212 Locust Street, Suite 302  
Harrisburg, PA 17101

Dennis M. Kalbarczyk  
Utility Rate Resources  
910 Piketown Road  
Harrisburg, PA 17112

/s/ Harrison W. Breitman  
Harrison W Breitman  
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Date: December 28, 2017

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  
OFFICE OF CONSUMER ADVOCATE

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Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. §333 and in response to the Prehearing Conference Order issued by Administrative Law Judge (ALJ) Dunderdale in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

**I. HISTORY OF THE PROCEEDING**

On October 30, 2017, Reynolds Water Company (Company) filed Supplement No. 5 to Tariff Water - Pa. P.U.C. No. 4, to become effective January 1, 2018. The Company, by filing this tariff supplement, seeks Commission approval to make rate changes that would increase the level of rates that it charges for providing service to its customers.

The proposed tariff contained changes in rates calculated to recover an estimated annual increase in base rate revenues of \$236,830. This represents an approximate 45.1% increase in the Company's annual revenues. Under the Company's proposal, the proposed base rates for an average customer using 9,000 gallons per quarter would increase from \$92.76 to \$134.87, or by 45.4%. The Company serves approximately 722 customers (551 residential) in

the Townships of Pymatuning, Hempfield, and Delaware, Mercer County.

On December 1, 2017, the OCA filed a Formal Complaint (C-207-2636654) against the proposed increase in rates and a Notice of Appearance. The Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on December 5, 2017. Moreover, three Reynolds customers filed formal complaints and one Reynolds customer filed an informal complaint. On December 21, 2017, the Commission issued an Order initiating an investigation into the lawfulness, justness and reasonableness of the proposed rates in Supplement No. 5 to Tariff Water - Pa. P.U.C. No. 4, and suspended the effective date until August 1, 2018 by operation of law.

The Commission assigned the case to Administrative Law Judge Dunderdale. The Company has agreed to participate in the Commission's mediation process and will extend the effective date by sixty days, or until October 1, 2018.

## **II. ISSUES**

After completing discovery and any follow up discovery, and after receiving the Company's direct testimony, the OCA will file direct testimony that will set forth the specific issues to be addressed in this proceeding. At that time, the OCA will also be able to make and to quantify its specific recommendations. Generally, the OCA is reviewing issues related to rate base, revenues, and expense claims, rate of return, including capital structure, cost of debt, and cost of equity, rate design, tariff rules and regulations, and quality of service.

## **III. WITNESSES**

The OCA intends to present the direct, rebuttal and surrebuttal testimony, as may be necessary, of the following witnesses in this proceeding. Each witness will present testimony in written form and will attach various exhibits, documents, and explanatory information, which will assist in the presentation of the OCA's case. In order to expedite the resolution of this

proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be mailed directly to the expert witness responsible for that area of the case, as well as mailing a copy to counsel for the OCA:

**Accounting/Regulatory Policy/Rate of Return:**

Ashley Everette, Regulatory Analyst  
Office of Consumer Advocate  
Forum Place, 5th Floor  
555 Walnut Street  
Harrisburg, PA 17101  
AEverette@paoca.org

The OCA specifically reserves the right to call additional witnesses, as necessary. As soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the ALJ and all parties of record will be notified.

**IV. SETTLEMENT**

The OCA is willing to participate in settlement discussions and the mediation process.

**V. DISCOVERY**

To date, the OCA has served two sets of interrogatories on the Company. The OCA is reviewing the responses that have been provided. As soon as the OCA determines whether additional discovery, including informal discovery, is needed, the OCA will issue the discovery.

Because the time-period for discovery and preparation of testimony is limited, the OCA

supports a shortened discovery response time in this proceeding. The OCA, therefore, requests the following modifications to the discovery regulations:

A. Answers to written interrogatories be served in-hand within ten (10) calendar days of service. Discovery propounded after 12:00 noon on a Friday will be deemed served on the next business day for purposes of determining the due date of the responses.

B. Objections to interrogatories be communicated orally within three (3) days of service; unresolved objections be served to the ALJ in writing within five (5) days of service of interrogatories. Objections to interrogatories served on a Friday shall be communicated orally within four (4) calendar days, and unresolved objections shall be served to the ALJ in writing within six (6) days of service of the interrogatories.

C. Motions to dismiss objections and/or direct the answering of interrogatories be filed within three (3) days of service of written objections.

D. Answers to motions to dismiss objections and/or direct the answering of interrogatories be filed within three (3) days of service of such motions.

## **VI. PUBLIC INPUT HEARING**

The OCA is not requesting a public input hearing at this time, however, if public requests arise such that a public input hearing may be necessary, the OCA will notify the ALJ and the parties and make the request.

## **VII. SERVICE ON THE OCA**

Senior Assistant Consumer Advocate Christine Maloni Hoover and Assistant Consumer Advocate Harrison William Breitman will represent the OCA in this case. Two copies of all documents should be served on the OCA as follows:

Christine Maloni Hoover  
Senior Assistant Consumer Advocate  
Email: [CHoover@paoca.org](mailto:CHoover@paoca.org)

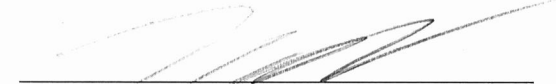
Harrison William Breitman  
Assistant Consumer Advocate  
Email: [Hbreitman@paoca.org](mailto:Hbreitman@paoca.org)

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Telephone: (717) 783-5048  
Fax: (717) 783-7152

## VIII. PROPOSED LITIGATION SCHEDULE

The parties have not yet agreed to a mutually acceptable schedule. The OCA is willing to work with the parties and the ALJ to arrive at a schedule for litigation if mediation does not resolve all of the issues in the case.

Respectfully Submitted,



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Counsel for:  
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Acting Consumer Advocate

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December 28, 2017  
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