



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

IN REPLY PLEASE
REFER TO OUR FILE

May 30, 2018

David P. Zambito, Esquire
Cozen & O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101

Re: Pennsylvania Public Utility Commission v.
Suez Water Pennsylvania, Inc.
Docket No. R-2018-3000834

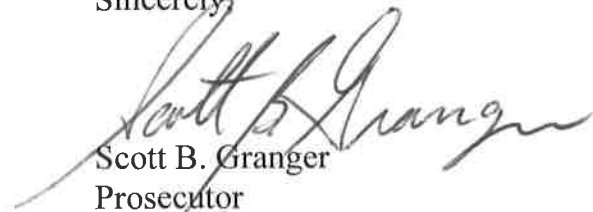
Dear Mr. Zambito:

Enclosed please find two (2) copies of the Bureau of Investigation and Enforcement's (I&E) Interrogatories, **I&E-RE-1 through I&E-RE-64**. Please restate each Interrogatory before responding and start each Interrogatory and response on a separate page. The responses should identify the responding person(s).

The responses to these Interrogatories are due within ten (10) calendar days pursuant to 52 Pa. Code Section 5.342(d). Please provide two (2) copies of your responses and forward them to me at Post Office Box 3265, Harrisburg, PA 17105-3265.

If you have any questions, please contact me at (717) 425-7593.

Sincerely,



Scott B. Granger
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No. 63641

SBG/sea
Enclosure

cc: Certificate of Service
Secretary Chiavetta (Cover Letter and COS only)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2018-3000834
 :
 Suez Water Pennsylvania, Inc. :

CERTIFICATE OF SERVICE

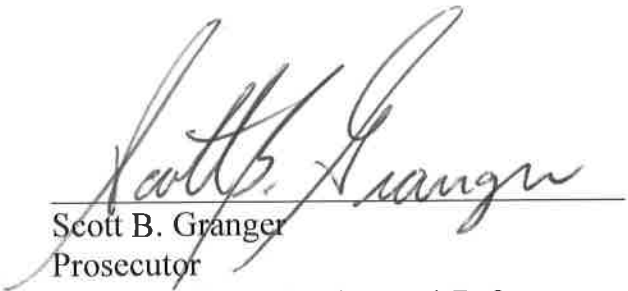
I hereby certify that I am serving the foregoing **Interrogatories** dated May 30, 2018, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served via Electronic and First Class Mail

David P. Zambito, Esquire
Jonathan P. Nase, Esquire
Cozen & O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101

Sharon Webb, Esquire
Office of Small Business Advocate
300 North Second Street
Commerce Building, Suite 202
Harrisburg, PA 17101-1303

Erin L. Gannon, Esquire
Christy M. Appleby, Esquire
Barrett C. Sheridan, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923



Scott B. Granger
Prosecutor

Bureau of Investigation and Enforcement
PA Attorney I.D. No. 63641

**Instructions For Answers To Bureau of Investigation and Enforcement
Interrogatories**

1. These Bureau of Investigation and Enforcement (I&E) Interrogatories shall be deemed to be continuing. The Respondent is obliged to change, supplement and correct all answers to these interrogatories to conform to reasonably available information, including such information as becomes available to the Respondent after answers are filed.

2. Each answer should first restate the question asked and should also identify the person(s) supplying the information that constitutes any and all portions of the subject answer. If more than one person is listed, the primary sponsoring witness, for purposes of potential cross-examination at hearing, should be specifically identified.

3. All requested information within the knowledge, possession, control or custody of Respondent or that which may be reasonably ascertained by Respondent is to be provided. Specific references to the company or corporate name(s) or "the Company," or "you," as used herein includes agents, employees or other representatives.

4. As used herein, the word "document" or "workpaper" includes, but is not limited to, the original and/or all copies of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, e-mail messages, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence and enclosures, circulars, opinions, studies, investigations, questionnaires and surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium including electronic hard disks, floppy disks, CD, internet resources and/or magnetic media.

BUREAU OF INVESTIGATION AND ENFORCEMENT INTERROGATORIES

SUEZ WATER PENNSYLVANIA INC.

Docket No. R-2018-3000834

Analyst: Brenton Grab

I&E-RE-1 Provide the following Suez Water Pennsylvania, Inc. (SWPA) schedules in working Excel format with all formulas intact:

- A. SWPA Exhibit No. CEH-1, Schedule-1
- B. SWPA Exhibit No. CEH-1, Schedule-1.1;
- C. SWPA Exhibit No. CEH-2, Schedule-1 through Schedule-34;
- D. SWPA Exhibit No. CEH-2, Workpaper CEH-2.1;
- E. SWPA Exhibit No. CEH-2, Workpaper CEH-2.2;
- F. SWPA Exhibit No. HW-1, Schedule-1 through Schedule-27;
- G. SWPA Exhibit No. D III-06, Attachment A;
- H. SWPA Exhibit No. D III-11, Attachment;
- I. Exhibit JCC-1.

I&E-RE-2 Reference SWPA Statement No. 1, pp. 15, 16, and 26; and SWPA Statement No. 2, p. 8, concerning labor expense. Explain why SWPA Statement No. 1 indicates that three of the Company's new employees will be hired in 2020 and one will be hired in 2019 after the end of Mahoning Township acquisition, while SWPA Statement No. 2 claims that all five new employees will be hired in 2018.

I&E-RE-3 Reference SWPA Statement No. 2, p. 8 and SWPA Exhibit No. CEH-2, CEH Workpaper 2.1, concerning labor expense. Explain why Statement No. 2 indicates that the Company will hire five new employees in 2018

while Exhibit No. CEH-2, CEH Workpaper 2.1 indicates that all five employees will start on 01/01/2019.

I&E-RE-4 Reference SWPA Statement No. 1, pp. 15, 16, and 26; and SWPA Exhibit No. CEH-2, Workpaper CEH-2.1, concerning new hires.

- A. Explain why the three new full-time positions are included in 2018 and 2019 on SWPA Exhibit No. CEH-2, Workpaper-CEH-2.1 when according to SWPA Statement No. 1, they will not begin working until 2020;
- B. Explain why the Mahoning Township Employee is included in the 2018 SWPA Exhibit No. CEH-2, Workpaper-CEH-2.1 when according to SWPA Statement No. 1 the employee will not be hired until after the Mahoning Township acquisition is completed in 2019.

I&E-RE-5 Reference SWPA Statement No. 1, pp. 15-16, concerning new hires. For each of the five new employees, provide the expected/actual date that each will be hired.

I&E-RE-6 Provide a copy of the Company's most current audited financial statements and annual report.

I&E-RE-7 Reference SWPA Exhibit No. CEH-2, Schedule-1 concerning operation and maintenance expenses. Provide similar schedules in Excel with formulas intact for each year ended 12/31/2015 and 12/31/2016.

I&E-RE-8 Reference SWPA Exhibit No. CEH-2, Schedule-2, concerning labor expense:

- A. Provide a summary of all types of pay included in labor expense, e.g., regular salaries/wages, overtime, bonuses, incentive compensation, standby pay, shift pay, substitution, labor capitalized, labor transferred out, labor transferred in, etc., similar to SWPA Exhibit No. CEH-2, pp. 35-38, Workpaper CEH-2.1 in Excel format for:

1. The year ended 12/31/2015;
 2. The year ended 12/31/2016; and
 3. The historic test year ended 12/31/2017 (HTY);
- B. Provide the calculation involved with the \$731,517 adjustment from the HTY to the FTY:
1. Include in the calculation the five new employees' job titles, and their annual salaries, any inflation adjustments, any increases to regular salaries/wages, overtime, bonuses, incentive compensation, standby pay, shift pay, substitution pay, labor capitalized, labor transferred out, labor transferred in, etc.;
 2. Show where the \$731,517 is being claimed on SWPA Exhibit No. CEH-2, pp. 35 and 36, Workpaper CEH-2.1;
- C. Provide the calculation involved with the \$147,488 adjustment from the FTY to the FPFTY;
1. Include in the calculation any new employees' job titles, and their annual salaries, any inflation adjustments, any increases to regular salaries/wages, overtime, bonuses, incentive compensation, standby pay, shift pay, substitution pay, labor capitalized, labor transferred out, labor transferred in, etc.;
 2. Show where the \$147,488 is being claimed on SWPA Exhibit No. CEH-2, pp. 37 to 38, Workpaper CEH-2.1.

I&E-RE-9 Reference SWPA Exhibit No. CEH-2, Schedule-2, concerning labor expense. Provide the actual number of employees by month from January 2015 through April 2018.

I&E-RE-10 Reference SWPA Exhibit No. CEH-2, Workpaper CEH-2.1, concerning labor expense:

A. Provide supporting documentation for the 2.75% salary increase for bargaining employees and the 3% salary increase for non-exempt/exempt employees for the FTY and FPFTY. Explain why the salary increases differ;

- B. Explain why the overtime hours for 2015 (9,701 hours) and 2016 (9,298 hours) were well above the overtime hours in 2017 (7,897 hours);
- C. Explain why the standby hours in 2017 of 3,007 are much greater than the standby hours in 2015 of 2,450 and 2016 of 2,502.

I&E-RE-11 Reference SWPA Exhibit No. CEH-2, pp. 35-38, Workpaper CEH-2.1, concerning labor expense:

- A. Explain why the projected new hires are included in the calculation of the labor expense for the FTY when they are projected to start work on 01/01/2019;
- B. Explain why the projected new hires are receiving a 3% salary increase, and incentive/STIP bonuses for the FTY when they are projected to start work on the first day of the FPFTY;
- C. Provide an explanation with supporting documentation for how the Company determined incentive/STIP bonus percentages for the projected new hires for the FTY and the FPFTY without any historic information for the new hires to base its assessment;
- D. Explain why the Company is increasing the projected new hires' salaries for the FPFTY before the employees have worked for an entire year;
- E. Provide the Company's policy on when new hires receive their first pay increase;
- F. Explain how the Company determined the overtime, standby pay, shift pay, and substitution pay for the newly hired Utility B Person for the FPFTY and show how each of these amounts was calculated;
- G. Explain how the Company determined the overtime and shift pay for the newly hired Electrician/SCADA for the FPFTY and show how each of these amounts is being calculated;
- H. Explain how the Company determined overtime for the newly hired Admin Assistant Bloom (Part Time) for the FPFTY and show how this amount was calculated.

- I&E-RE-12** Reference SWPA Exhibit D III-05, concerning operating expenses:
- A. Provide detailed computations of the fringe benefit increases (union and nonunion merit, progression, promotion and general) for the HTY, the FTY, and the FPFTY;
 - B. State where the fringe benefits referenced in Part A above are being claimed on SWPA Exhibit No. CEH-2, Workpaper CEH-2.2;
 - C. Provide the date of each general payroll increase by location (Harrisburg, Mechanicsburg, Dallas, and Bloomsburg);
 - D. Provide annual amounts of merit increases or management salary adjustments for the HTY, the FTY, and the FPFTY;
 - E. Part F of SWPA Exhibit D III-05 references Exhibit No. CEH-2, Workpaper CEH 2.2 which provides the payroll tax calculation for the FTY and the FPFTY but does not provide the information requested in Part F of SWPA Exhibit D III-05. For the HTY, the FTY, and the FPFTY provide a detailed list of employee benefits and cost thereof for union and nonunion personnel. Specific benefits for executives and officers should be included, and costs thereof.

- I&E-RE-13** Reference SWPA Exhibit D III-08 concerning storm damage expense:
- A. Indicate the amount of the amortized storm damage expense being claimed in the filing;
 - B. State the expense account number/name on SWPA Exhibit No. CEH-2; Sch. 1 where this expense is claimed; and
 - C. Provide a full breakdown of the expense account.

- I&E-RE-14** Reference SWPA Exhibit D III-10, concerning social and services organizations. State specifically which social and service organization memberships or fees are claimed above the line for ratemaking and the corresponding expense line(s) on SWPA Exhibit No. CEH-2, Sch. 1.

- I&E-RE-15** Reference SWPA Exhibit D III-13, concerning charitable and civic contributions. Provide a breakdown of the above-the-line FPFTY claim for charitable and civic contributions and the expense line where such contributions are reflected on SWPA Exhibit No. CEH-2, Sch. 1.
- I&E-RE-16** Reference SWPA Statement No. 1 p. 15 lines 14 to 17 and SWPA Exhibit D III-27, concerning labor expense:
- A. Explain why SWPA Statement No. 1 states that no positions were reduced or eliminated since the last rate filing, yet SWPA Exhibit D III-27 states a part-time administrative position was eliminated on 06/29/2017;
 - B. Provide the salary/wages and any other expense involved with the part-time administrative assistant position;
 - C. Indicate if this position is still being included in the labor expense of the FTY and the FPFTY and if so indicate where it is being claimed for the FTY and the FPFTY on SWPA Exhibit No. CEH-2, pp. 35-38, Workpaper CEH 2.1;
 - D. Provide the effective date of the eliminated position.
- I&E-RE-17** Provide a complete organizational chart of corporations, including holding and/or parent companies and all subsidiaries, of which the Company is a part. Indicate whether each identified company is a regulated or a non-regulated entity.
- I&E-RE-18** Reference SWPA Exhibit No. CEH-2, Schedule-3, concerning employee group health and life:
- A. Provide a similar worksheet with separate rows for medical, dental, and group life insurance for 2015 and 2016;
 - B. Provide an explanation for any fluctuation in insurance from 2015 to 2016 and 2016 to the HTY;
 - C. Provide a breakdown by medical, dental, and group life insurance of the HTY employee group health and life insurance of \$1,323,689;

- D. Provide the calculation for \$1,272,585 in FTY medical insurance. In the calculation separate out the medical insurance attributed to the expense for each of the five new employees;
- E. Provide the calculation for \$76,429 in FTY dental insurance. In the calculation separate out by employee the dental insurance attributed to the expense for each of the five new employees;
- F. Provide the calculation for \$58,142 in FTY group life insurance. In the calculation separate out by employee the group life insurance attributed to the expense for each of the five new employees;
- G. Explain why the five new employees' medical, dental, and life insurance amounts are being included in the FTY when according to SWPA Exhibit No. CEH 2, p. 35 and 36, Workpaper CEH-2.1 these employees will not start work until 01/01/2019.

I&E-RE-19

Reference SWPA Exhibit No. CEH-2, Schedule-3, concerning employee group health and life. Explain whether the Company requires employees to pay a portion of their medical, dental, and group life insurance premiums. If not, explain why not. If yes:

- A. Identify the percentage paid by employees by year from 2015 through 2018;
- B. Identify any planned changes in the percentages paid by employees for the FPFTY;
- C. Explain how the employee payments have been reflected in the calculation of the FPFTY medical, dental, and group life insurance;
- D. Explain whether the wording of "Total Employee Pension & Benefits" identified on line 1 and line 14 was in error and whether the wording should be "Total Employee Group Health and Life Insurance";

I&E-RE-20

Reference SWPA Exhibit No. CEH-2 Schedule-4, and SWPA Exhibit D III-15, concerning employee pension benefits:

- A. Explain why the Company is claiming the employee pension benefit of \$1,442,010 on Exhibit No. CEH-2, Schedule-4 for the FPFTY instead

of using the portion charged to FPFTY O&M expense of \$1,254,503 on SWPA Exhibit D III-15;

- B. Explain why the Company is reporting the employee pension benefit of \$1,409,589 on Exhibit No. CEH-2, Schedule-4 for the FTY instead of using the portion charged to FTY O&M expense of \$946,657 on SWPA Exhibit D III-15;
- C. Explain why the Company is reporting the employee pension benefits of \$1,425,022 on SWPA Exhibit No. CEH-2, Schedule-4 for the HTY instead of using the portion charged to HTY O&M expense of \$933,403 stated on SWPA Exhibit D III-15;
- D. Provide the projected cash contributions to the pension plan for each year for the FTY and the FPFTY;
- E. Provide a copy of the Company's pension funding policy;
- F. Provide a yearly breakdown for 2015, 2016, and 2017 of the Company's actual cash contributions to the Employee Pension Plan on behalf of the Company's employees, specifying the contribution date, the contribution amount, and the credited plan year;
- G. Explain why there is no claim for life insurance or dental insurance on the Company's 2017 Annual Report filed with the PUC.

I&E-RE-21

Reference SWPA Exhibit No. CEH-2 Schedule-4, concerning employee pension benefits:

- A. Provide the docket number of the rate case in which the Company started using estimated ASC 715-30 net periodic pension cost to calculate its pension claim;
- B. For each of the prior three base rate cases (list by docket number), provide the method used (cash contribution, FASB accrual, etc.) to determine the pension claims; and
 - 1. Provide the claimed pension amounts in each case;
 - 2. If there were changes in the method from case to case, state the reason for each change in method and state the dollar impact to ratepayers for each change.

- I&E-RE-22** Reference SWPA Exhibit No. CEH-2 Schedule-4 and SWPA Exhibit D III-14 Attachment A, concerning employee pension benefits:
- A. Provide the number of employees eligible for the pension program for the HTY and the FTY, and the actual number of employees enrolled in it for the HTY and the FTY;
 - B. Provide specific references to the amounts being used in the 2017 Pension actuary study to equate the FTY pension expense of \$1,409,589 and show how the FTY pension expense is being calculated based on these figures;
 - C. Provide documentation supporting the FPFTY 2.3% inflationary factor taking into consideration that the Company reported a pension expense decrease from the HTY to the FTY within your support;
 - D. Provide the three most recent years' pension actuarial studies showing as much Company-specific detail as possible;

- I&E-RE-23** Reference SWPA Exhibit No. CEH-2, Schedule-4, concerning employee pension benefits:
- A. Provide a copy of all employer-sponsored employee pension plans, including the Pension Plan documents for each, and each plan's criteria for participant eligibility;
 - B. Provide the Company's funding policy;
 - C. Provide a copy of most recently filed Internal Revenue Service (IRS) Annual Return/Report of Employee Benefit Plan (IRS Form 5500) and the accompanying related schedules (IRS Form 5500-series) for the Company's pension plans.

- I&E-RE-24** Reference SWPA Exhibit JCC-1, concerning accumulated deferred income tax and excess deferred income tax regulatory liability.
- A. Provide similar exhibits for the FTY and the FPFTY in Excel format with formulas intact;
 - B. In reference to Part A clearly specify a breakdown between ADIT and excess ADIT by year for the FTY and the FPFTY;

- C. Show how the \$265,189 claimed on line 29 is being calculated;
- D. Provide justification with supporting documentation for using a 40-year amortization period for the excess deferred income tax regulatory liability.

I&E-RE-25 Reference SWPA Exhibit No. CEH-2, Schedule-5 and SWPA Exhibit D IV-14 concerning employee post-retirement benefits other than pension (EPEBOP) expense:

- A. Provide specific references to the amounts being used in the 2017 Opeb actuary study to equate the FTY EPEBOP of (\$530,724) and show how the FTY EPEBOP expense is being calculated based on these figures;
- B. Provide a breakdown of the EPEBOP expense for:
 - 1. The HTY;
 - 2. The FTY; and
 - 3. The FPFTY.

I&E-RE-26 Reference SWPA Exhibit No. CEH-2, Schedule-6, concerning 401K matching and other benefits expense:

- A. Provide annual 401K matching expense amounts by year for 2015 and 2016. Indicate the amount expensed and the amount capitalized for each year;
- B. Show the calculation involved with the FTY amount of \$245,526. The Company's accompanying testimony (SWPA Statement No. 2, p. 8, lines 20-22) states the FTY 401K expense is equal to the gross salary for FTY of \$7,908,847 multiplied by 3.10% but that calculation equals \$245,174 ($\$7,908,847 \times 3.10\%$). Please explain;
- C. Show the calculation involved with the FPFTY amount of \$252,344. The Company's accompanying testimony (SWPA Statement No. 2, p. 8, lines 20-22) states the FTY 401K expense is equal to the gross salary for FPFTY of \$8,128,460 multiplied by 3.10% but that calculation equals \$251,982 ($\$8,128,460 \times 3.10\%$). Please explain;

- D. Provide documentation to support the 401K contribution percentage of 3.10%;
- E. Provide a breakdown of other benefits and indicate the amount of these other benefits that are being capitalized and that are being expensed for the following:
 - 1. The HTY;
 - 2. The FTY;
 - 3. The FPFTY;
- F. Provide other benefits amounts by year for 2015 and 2016. Provide a breakdown of these amounts. Indicate if these other benefits are being capitalized and if so provide the portion being expensed and the portion being capitalized for each year.

I&E-RE-27

Reference SWPA Exhibit No. CEH-2, Schedule-7, concerning purchased water expense:

- A. Provide a copy of the current Purchase Water Agreements for the Company;
- B. Provide an explanation with supporting documentation for the FTY inflationary increase of 2.125% and the FPFTY inflationary increase of 2.3% when according to the Company's history the purchased water expense has been decreasing;
- C. Provide justification and supporting documentation for purchasing an extra \$105,000 in water from the SARAA for the FPFTY. Indicate if the \$105,000 water purchase will be an annually recurring expense and provide justification;
- D. Indicate if the FPFTY water purchase of \$105,000 from the SARAA will cause the amount of water purchased from other companies or municipalities to decrease;
 - 1. If so indicate the companies or municipalities that will experience this decrease and the amount of purchased water decrease from each of these companies or municipalities;

2. Also show how these decreases are included in the Company's calculation of FPFTY claim of \$182,928.

I&E-RE-28 Reference SWPA Exhibit No. CEH-2, Schedule-8, concerning purchased power expense:

- A. Provide a yearly breakdown of purchased power expense by metered site for 2015, 2016, the HTY, the FTY, and the FPFTY;
- B. Provide copies of the invoices/bills from January 2017 through the current date;
- C. Provide an explanation for the 5% increase in cost of purchased power from 2015 of \$1,516,207 to 2016 of \$1,589,719;
- D. Provide an explanation for the 12% decrease in the cost of purchased power from 2016 of \$1,589,719 to the HTY of \$1,404,353;
- E. Provide an explanation for the FTY inflationary increase of 2.125% and the FPFTY inflationary increase of 2.3% when according to the Company's history the purchased power expense decreased between 2016 and 2017.

I&E-RE-29 Reference SWPA Exhibit No. CEH-2, Schedule-9, concerning fuel for power production expense:

- A. Provide the actual fuel for power production expense minus any amount that should have been included in the purchased power account by year for 2015, 2016, and the HTY;
- B. Provide a breakdown of the fuel for power production expense minus the amount that should have been included in the purchased account by year for 2015, 2016, and the HTY by supplier.

I&E-RE-30 Reference SWPA Exhibit No. CEH-2, Schedule-10, concerning chemical expense:

- A. Provide an explanation with supporting documentation for the FTY inflationary increase of 2.125% and the FPFTY inflationary increase

of 2.3% when according to the Company's history the chemical expense has been decreasing;

- B. List each individual chemical used in operations that is accounted for as chemical expense. For each listed chemical, provide the annual volume and the cost per unit used in the following:
 - 1. 2015;
 - 2. 2016;
 - 3. HTY;
 - 4. FTY; and
 - 5. FPFTY;
- C. Provide the most recent invoice detailing the price per unit for each listed chemical;
- D. Identify the Company's accounting practice for chemical expense recognition stating whether its reported as an expense when the chemicals are purchased or reported as an expense when they are consumed.

I&E-RE-31 Reference SWPA Exhibit No. D III-06, Attachment A, concerning management and services fees expense:

- A. Provide pp. 2 to 4 of Attachment A in Excel format with formulas intact;
- B. Provide a workpaper in Excel format with formulas intact similar to Attachment A for the 2015 year. Explain any increase or decrease between 2015 and 2016 and provide supporting documentation with the explanation;
- C. Provide an explanation with supporting documentation for the increase of \$478,406 or 12% between 2016 (expense reported of \$4,031,403) and the HTY (expense reported of \$4,509,809);
- D. Provide a breakdown and an explanation with supporting documentation for the inclusion of common asset allocation of

\$897,647 reported as part of the management and services fees expense for the FTY;

- E. Provide a breakdown and an explanation with supporting documentation for the inclusion of common asset allocation of \$867,014 reported as part of the management and services fees expense for the FPFTY;
- F. Explain why the common asset allocation was not included in management and services fees expense for 2016 or the HTY;
- G. Provide an explanation with supporting documentation for the increase of \$148,175 or 3.3% between the HTY's management and services fees of \$4,509,809 and the FTY's management and service fees expense of \$4,361,634 (management and service fees expense excluding common asset allocation);
- H. Provide an explanation with supporting documentation for why common asset allocation is not included in the 2016 year's management and service fees expense of \$4,031,403 or the HTY's management and service fees expense of \$4,509,809;
- I. Provide an explanation with supporting documentation for the increase of \$130,849 or 3% between the FTY's management and services fees of \$4,361,634 (excluding common asset allocation) and the FPFTY's management and service fees expense of \$4,492,483 (excluding common asset allocation).

I&E-RE-32 Reference SWPA Exhibit No. CEH-2, Schedule-12 and SWPA Exhibit No. D III-06, Attachment A, concerning management and service fees. Reconcile the FTY management and service fees expense reported on SWPA Exhibit No. CEH-2, Schedule-12 of \$5,289,281 to the FTY management and service fees of \$5,259,281 reported on SWPA Exhibit No. D III-06, Attachment A.

I&E-RE-33 Reference SWPA Exhibit No. CEH-2, Schedule-12, concerning management and service fees:

- A. Provide a breakdown of the non-recoverable management fees of \$411,947. Indicate why this is included in the HTY management and

service fees expense if the fees are non-recoverable, and provide supporting documentation with the explanation;

- B. Provide an explanation for Reference Note (c), which is missing from the Reference Notes at line 11 of the schedule;
- C. Provide breakdowns of the FTY management and service fees expense of \$5,289,281 and FPFTY management and services fees expense of \$5,359,497 and clearly separate out the non-recoverable management fees in each of the breakdowns if non-recoverable management fees are being included in each the FTY and the FPFTY management and services fees expenses.

I&E-RE-34 Reference SWPA Exhibit No. CEH-2, Schedule-13, concerning lab testing fees expense:

- A. Provide detailed workpapers for the \$10,000 in UCMR4 testing fee;
- B. Explain where this fee came from, when the Company first incurred it, and why a three-year normalization (per SWPA t. No. 2, p. 10) is appropriate;
- C. Explain why the lab testing fees expense is being adjusted by an FTY inflationary increase of 2.125% and a FPFTY inflationary increase of 2.3% when according to the Company's lab testing fees expense history, the expense is highly variable from year to year.

I&E-RE-35 Reference SWPA Exhibit No. CEH-2, Schedule-14, concerning outside contractors expense:

- A. Provide a detailed breakdown including the individual contractors and the types of service performed along with supporting documentation such as invoices, workpapers, worksheets, contractor estimates, contractor agreements, etc. for the following:
 - 1. The HTY's outside contracting expense of \$748,644;
 - 2. 2016 outside contracting expense of \$729,456;
 - 3. The total NRW study expense of \$300,000;

4. The total inventory process study expense of \$150,000;
- B. Indicate if the NRW study expense and inventory process study expense will continue past the FPFTY and if the expenses will recur annually or at what frequency;
- C. Provide a detailed breakdown and supporting documentation such as workpapers, bank statements, credit statements, etc. for the FPFTY additional convenience fees of \$150,000;
- D. Provide the credit card transaction convenience fees for 2015, 2016, the HTY, and the FTY along with supporting documentation even if the ratepayer was paying these fees;
- E. Provide justification for the Company's need for an NRW study;
- F. Provide justification for the Company's need for an inventory process study;
- G. Provide the begin and end date of the NRW study and the inventory process study;
- H. Provide justification for the Company's normalization period of two years for the NRW study and the inventory process study;
- I. Indicate if the Company did an NRW study in the past and if so provide the following details on the most recent study done:
 1. The cost of the study;
 2. The begin and end date of the study;
 3. The normalization period used to recover the cost of the study;
- J. Indicate if the Company did an inventory process study in the past and if so provide the following details on the most recent study done:
 1. The cost of the study;
 2. The begin and end date of the study;
 3. The normalization period used to recover the cost of the study;

K. Provide a detailed breakdown of outside contractors expense by year for 2013, 2014, and 2015.

I&E-RE-36 Reference SWPA Exhibit No. CEH-2, Schedule-15, concerning outside professional services:

A. Explain why the 2015 outside professional service expense of \$81,018 is so much larger than the outside professional service expenses for 2016 of \$51,134, and the HTY of \$63,667;

B. Provide detailed breakdowns and supporting documentation for the following outside professional service expenses:

1. 2015 - \$81,018;

2. 2016 - \$51,134;

3. HTY - \$63,273.

I&E-RE-37 Reference SWPA Exhibit No. CEH-2, Schedule-16, concerning rent expense:

A. Provide the total rent expense for 2015 and 2016 and indicate the amount of rent capitalized for 2015 and 2016;

B. Provide the most recent rental agreement(s);

C. Explain in detail why 50% of rents for building and real property are capitalized.

I&E-RE-38 Reference SWPA Exhibit No. CEH-2, Schedule-17, concerning office equipment rental expense:

A. Provide rental lease agreements for current office equipment rentals that reflect the lease ending date, number of years remaining for each lease, and the monthly and/or yearly payment amounts;

B. Provide justification for applying the FTY inflation factor of 2.125% and FPFY inflation 2.3%.

I&E-RE-39

Reference SWPA Exhibit No. CEH-2, Schedule-18, concerning transportation expense - leases:

- A. Up to the current date provide a list of leased vehicles with a description for each, including the year, make, model, and type/use of vehicle. For each vehicle listed include, the lease start date, lease end date, and annual payment amount;
- B. Provide a list of replacement vehicles for leases coming to an end in the FTY and FPFTY broken down by projected vehicle year, make, model, type/use, projected lease cost per year, lease inception, and lease end date;
- C. Provide a list of new vehicle leases that are not replacing old vehicle leases for FTY and FPFTY broken down by projected vehicle year, make, model, type/use, projected lease cost per year, lease inception, and lease end date. Provide justification for leasing these vehicles;
- D. Provide an explanation with supporting documentation for the large increase in leases expense of \$92,317, or 32%, from the FTY (expense of \$285,266) to the FPFTY (expense of \$377,583);

I&E-RE-40

Reference SWPA Exhibit No. CEH-2, Schedule-18, concerning transportation expense – car allowance:

- A. Provide an explanation with supporting documentation for the large increase in car allowance expense from \$0 in 2015 to \$15,800 in 2016.
- B. Provide a breakdown with supporting documentation such as car payments, invoices, working papers, etc. for the car allowance expense for the HTY of \$15,800.

I&E-RE-41

Reference SWPA Exhibit No. CEH-2, Schedule-18, concerning transportation expense – fuel:

- A. Provide the average fuel usage in gallons and average fuel cost per gallon each year for 2015, 2016, and the HTY;
- B. Provide an explanation with supporting documentation for the large increase in fuel expense of \$77,905 or 182% from 2015 (expense of \$42,744) to 2016 (expense of \$120,649);

- C. Provide an explanation with supporting documentation for the large increase in fuel expense of \$18,349 or 15% from 2016 (expense of \$120,649) to 2017 (expense of \$138,998).

I&E-RE-42

Reference SWPA Exhibit No. CEH-2, Schedule-18, concerning transportation expense – maintenance and repair:

- A. Provide a breakdown with supporting documentation such as bills, worksheets, workpapers, etc. for the maintenance and repair expense of \$139,311 reported for the HTY;
- B. Provide an explanation with supporting documentation for the large increase in maintenance and repair expense of \$103,755 or 233% from 2015 (expense of \$44,547) to 2016 (expense of \$148,302).

I&E-RE-43

Reference SWPA Exhibit No. CEH-2, Schedule-18, concerning transportation expense – insurance:

- A. Provide an explanation with supporting documentation such as bills, insurance statements, insurance estimates, workpapers, etc. for the insurance expense of \$24,060 for the HTY;
- B. Provide an explanation with supporting documentation for the increase in insurance expense of \$16,272 or 63% from 2015 (expense of \$25,527) to 2016 (expense of \$41,799);
- C. Provide an explanation with supporting documentation for the decrease in insurance expense of \$17,739 or 42% from 2016 (expense of \$41,799) to 2017 (expense of \$24,060).

I&E-RE-44

Reference SWPA Exhibit No. CEH-2, Schedule-18, concerning transportation expense – other:

- A. Provide an explanation with supporting documentation for the large decrease in other expense of 6,870% from the 2015 (expense of \$302,486) to 2016 (expense of \$4,340);
- B. Provide justification with supporting documentation for why the Company is using a three-year average in its basis for calculating the

FTY expense when the 2015 other expense included in the three-year average is so much greater than the 2016 and 2017 other expense;

C. Provide justification for why the Company is using an inflation factor in the FTY and the FPFTY to determine its claim for other expense when there is such a significant decrease between the 2015 expense and the 2016 expense;

D. Provide a breakdown of other expense for the following:

1. 2015 - \$302,486;

2. 2016 - \$4,340;

3. HTY - \$5,998.

I&E-RE-45 Reference SWPA Exhibit No. CEH-2, Schedule-18, concerning transportation expense – disposal of vehicle. Indicate why there is no disposal of vehicle expense for 2015 and 2016 and explain why the Company is using a three-year historic average to determine the basis for the FTY when there is no history for those years.

I&E-RE-46 Reference SWPA Exhibit No. CEH-2, Schedule-20, concerning worker compensation expense. Provide documentation such as workpapers, and insurance statements to support the HTY's workers compensation expense of \$102,384.

I&E-RE-47 Reference SWPA Exhibit No. CEH-2, Sch. 20 and SWPA Exhibit D III-23, concerning worker compensation expense. Indicate how the \$108,228 in workers compensation expense was calculated and provide documentation such as workpapers and insurance statements to support the \$108,228 in workers compensation expense for the FTY.

I&E-RE-48 Reference SWPA Exhibit No. CEH-2, Schedule-22, concerning regulatory commission expense. Provide the following details for the last three base rate proceedings filed with the Commission:

A. The docket number and date of filing;

- B. Indicate whether it was fully litigated or settled;
- C. Rate case expense claim;
- D. Justification for the Company's proposed three-year "amortization" period for the current rate case;
- E. Explain why it is deemed appropriate to amortize rather than normalize rate case expense in this proceeding and why terms are used interchangeably on SWPA Statement No. 2, p. 11.

I&E-RE-49 Reference SWPA Exhibit No.CEH-2, Schedule-22, concerning regulatory commission expense:

- A. Provide the workpapers and the consulting firms', attorneys', or companies' bills, invoices, and estimates sent to SWPA to support the following:
 - 1. Legal services of \$300,000;
 - 2. Consulting services: rate of return of \$30,000;
 - 3. Consulting services: cost of service of \$52,000;
 - 4. Consulting services: depreciation study/revenue requirement of \$170,000;
- B. Provide a detailed breakdown of customer notification, transcripts, and miscellaneous expense. Clearly identify what makes up the miscellaneous expense in the breakdown.

I&E-RE-50 Reference SWPA Exhibit No.CEH-2, Schedule-23, concerning regulatory commission expense:

- A. Provide the most recent PUC Assessment;
- B. Provide documentation to support the PUC assessment claim of \$270,077;
- C. Show the calculation of the PUC assessment claim of \$270,077 and indicate the assessment factors used in the calculation.

- I&E-RE-51** Reference SWPA Exhibit No.CEH-2, Schedule-25, concerning fringe benefits transferred:
- A. Specify whether the FPFTY capitalized labor amount is included in the Company's rate base claim;
 - B. Provide historic capitalization percentages for 2015, 2016, and 2017;
 - C. Identify the amounts of labor cost (relative to SWPA Exhibit No. CEH-2, Schedule-2, labor cost of \$5,458,942) that were capitalized or transferred to other business units for the FPFTY;
 - D. Provide the calculation and supporting documentation for the three-year average of the net transferred in/out percentage of -32.84%;

- I&E-RE-52** Reference SWPA Exhibit No. CEH-2, Schedule-26, concerning office expense and utilities;
- A. Provide a detailed breakdown with supporting documentation of the following office expense and utilities amounts:
 - 1. 2015 - \$445,512;
 - 2. 2016 – \$340,584;
 - 3. HTY - \$446,337;
 - 4. FTY - \$419,541;
 - 5. FPFTY - \$429,190
 - B. Provide documentation to support the Pennsylvania Department of Environmental Protection (PADEP) annual fee increase of \$111,704:
 - 1. Include documentation such as correspondence from the PA DEP indicating this increase;
 - 2. Provide the calculation of the \$111,704 based on the Company's service area population;
 - 3. Provide what this fee would have been if imposed in 2015, 2016, and 2017;

4. Provide what the Company's service area population was in 2015, 2016, and 2017;
- C. Provide a breakdown of all PA DEP annual fees included in the FPFTY's office expense and utilities claim;
- D. Provide an explanation for the large increase of \$105,753 or 31% in office expense and utilities amount from 2016 of \$340,584 to 2017 of \$446,337.

I&E-RE-53 Reference SWPA Exhibit No. CEH-2, Schedule-27, concerning postage and air freight expense. Provide a detailed breakdown with supporting documentation of the following postage and air freight expenses:

- A. 2015 - \$352,593;
- B. 2016 - \$345,903;
- C. HTY - \$354,308;
- D. Explain in detail why the Company's postage and air freight expenses are not decreasing from 2016 to the HTY, the HTY to the FTY, and the FTY to the FPFTY due to electronic billing and online bill paying.

I&E-RE-54 Reference SWPA Exhibit No. CEH-2, Schedule-28, concerning other O&M expenses:

- A. Provide a detailed breakdown with supporting documentation of the following other O&M expense:
 1. 2016 - \$246,603;
 2. HTY - \$143,806;
- B. Explain why the Company is using a two-year average to compute the FTY other O&M expenses instead of using a three-year average;
- C. Provide a detailed breakdown by year, with yearly totals, of other O&M expenses for 2013, 2014, and 2015;
- D. Provide justification for using an FTY inflation factor of 2.13% and an FPFTY of 2.3% to adjust other O&M expenses when according to the

history of the other O&M expenses there was a decrease of \$102,797 or 42% from 2016 (expense of \$246,603) to 2017 (expense of \$143,806).

I&E-RE-55 Reference SWPA Exhibit No. CEH-2, Schedule-31, concerning real estate taxes:

- A. Provide a copy of the Company's three most recent PURTA Notification of Determination statements in their entirety and indicate payment status for the most recent payment due;
- B. If the PURTA tax HTY claim of \$245,256 does not match the most recent PURTA Notification, explain why and state the method used to determine the claim, along with supporting calculations and detailed explanations for any allocations;
- C. Explain why the Company received a PURTA refund of \$34,000 in the HTY;
- D. Provide an explanation with supporting documentation for why the Company is excluding the \$34,000 HTY PURTA refund from the FTY and FPFTY real estate tax calculation, since the HTY PURTA is being used as the basis for calculating the FTY PURTA and FPFTY PURTA;
- E. Provide documentation such as property tax payment reports, bills, or invoices to support the \$59,297 in property tax reported for the HTY;
- F. Provide the property tax by year for 2015 and 2016;
- G. Provide justification for increasing the property tax and PURTA by the FTY and the FPFTY inflation factors when property tax and PURTA rates and amounts are determined by government agencies.

I&E-RE-56 Reference SWPA Exhibit No. CEH-2, Workpaper CEH 2.2, concerning payroll tax.

- A. Provide similar schedules in Excel format with formulas intact for the following:
 - 1. The year ended 12/31/2015;

2. The year ended 12/31/2016;

3. The HTY;

B. Provide an explanation for why new employees are included in the FTY workpaper when it states the new employees will not start work until 01/01/2019.

I&E-RE-57 Reference SWPA Exhibit No. CEH-2, Schedule-33, and SWPA Exhibit JCC-,1 concerning TCJA regulatory liability:

A. Provide the 12/31/2017 balance for the regulatory liability due to the TCJA;

B. Provide the source documents for proposed amortization by year from 12/31/2017 until the regulatory liability is fully expired.

I&E-RE-58 Reference Exhibit No. CEH-2, Schedule-34, concerning income taxes:

A. Provide a detailed calculation and supporting documentation for the tax savings associated with the reduction of the federal income tax rate for the period January 1, 2018 through the date that rates are expected to become effective in this proceeding;

B. State the amount of excess 2018 income taxes proposed to be returned to ratepayers and what mechanism the Company proposes, and over what time period;

C. If the Company is not proposing to return any amount to ratepayers for excess collection of 2018 income taxes, explain why in detail.

I&E-RE-59 Reference SWPA Exhibit No. CEH-2, Schedule-34 concerning income taxes, provide the following:

A. Copies of 2014, 2015, and 2017 Pennsylvania Corporate Income Tax Returns (RCT-101) with all supporting schedules;

- B. Identify the amount of bonus depreciation addition/deduction included in the calculation of income subject to PA corporate net income tax for the:
1. HTY;
 2. FTY;
 3. FPFTY;
- C. If bonus depreciation deduction/addition was not included, please explain the rationale behind the exclusion;
- D. Identify the amount of net operating loss included in the calculation of income subject to PA corporate net income tax in:
1. HTY;
 2. FTY; and
 3. FPFTY.

I&E-RE-60 Reference SWPA Exhibit No. CEH-2, Schedule-34 concerning income taxes, provide the following:

- A. A workpaper detailing the calculation of each statutory addition and deduction used in arriving at taxable income in each of the following periods:
1. HTY;
 2. FTY; and
 3. FPFTY;
- B. Provide a narrative explanation of the effect of each statutory addition and deduction on tax and/or book income, and the Internal Revenue Code Section or Treasury Regulation calling for the adjustment.

I&E-RE-61 Reference SWPA Exhibit No. CEH-2, Schedule-34, provide detailed worksheets showing the derivation of "Excess of Tax Depreciation Over Book" for the following years:

- A. 2015;
- B. 2016;
- C. HTY 2017;
- D. FTY 2018; and
- E. FPFTY 2019.

I&E-RE-62 Reference SWPA Exhibit No. CEH-2, Schedule-34, provide detailed calculations and explanations of "Amortization of Flow through Taxes" for state and federal income taxes for:

	<u>State</u>	<u>Federal</u>
A. FTY	\$31,170	\$38,123;
B. FPFTY	\$31,170	\$38,123;
C. FPFTY at proposed rates	\$31,170	\$38,123.

I&E-RE-63 Reference SWPA Exhibit D IV-14. Provide the consolidated tax saving adjustment (CTA) for the FPFTY for SWPA along with documentation to support it.

I&E-RE-64 Reference PA Act 40 which added Section 1301.1 to the Public Utility Code, concerning the computation of income tax expense for ratemaking purposes:

- A. Indicate how the Company is applying the requirements of this Act in its current rate case;
- B. Refer to subsection (b) of Section 1301.1 and indicate if a differential accrues for the Company when applying ratemaking methods employed by the Commission prior to the effective date of subsection (a) of Section 1301.1:

1. If a differential accrues provide the amount of the differential and show how it is calculated;
2. Indicate if the Company is applying fifty percent of this differential to support reliability or infrastructure related to the rate-base eligible capital investment and if so show where in the Company's filing it is being applied.