

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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June 15, 2018

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

Re: Pa. Public Utility Commission
v.
Hidden Valley Utility Services, L.P.
Water and Wastewater
Docket Nos. R-2018-3001306
R-2018-3001307

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.

Very truly yours,

A handwritten signature in blue ink that reads "Christ Maloni Hoover".

Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50026
E-Mail: CHoover@paoca.org

Enclosures

cc: Honorable Mark A. Hoyer, ALJ
Certificate of Service

*251988

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
v. : Docket Nos. R-2018-3001306
Hidden Valley Utility Services, L.P. : R-2018-3001307
Water and Wastewater

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 15th day of June 2018.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

Allison C. Kaster, Esquire
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
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SERVICE BY E-MAIL & FIRST CLASS MAIL, POSTAGE PREPAID

Jonathan P. Nase, Esquire
Cozen O'Connor
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John Evans
Office of Small Business Advocate
300 North Second Street
Commerce Building, Suite 202
Harrisburg, PA 17101-1303

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Gerry and Melissa Pindroh
1167 Gristmill Court
Hidden Valley, PA 15502

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Tom and Shelley Conroy
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Scenery Hill, PA 15360

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P.O. Box 4506
Hidden Valley, PA 15502

David W. Oster
2302 Sarah Street
Pittsburgh, PA 15103

Toni Gorenc
2802 Sarah Street
Pittsburgh, PA 15203

David G. Brodland
163 Browns Run
Hidden Valley, PA 15502

Robert and Katherine Bair
5119 Summit Drive
Hidden Valley, PA 15502

Jerome and Barbara Cypher
5304 Summit Drive
Hidden Valley, PA 15502

Jon and Nina Lewis
25 Waverly Drive
Greensburg, PA 15601



Christine Maloni Hoover
Senior Assistant Consumer Advocate
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Phone: (717) 783-5048
Fax: (717) 783-7152
Dated: June 15, 2018
*251991

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:		
Office of Consumer Advocate	:		
	:		
	:		
	:		
	:	Docket No.	R-2018-3001306
v.	:	Docket No.	R-2018-3001307
	:	Docket No.	C-2018-3001841
Hidden Valley Utility Services-Water	:		
	:		
Hidden Valley Utility Services-Wastewater	:		

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

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) Hoyer in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

I. HISTORY OF THE PROCEEDING

On April 27, 2018, Hidden Valley Utility Services-Water and Hidden Valley Utility Services-Wastewater (Company or HVUS) filed Supplement No. 1 to Tariff Water – Pa. P.U.C. No. 1 and Supplement No. 1 to Tariff Wastewater – Pa. P.U.C. No. 1, respectively, to become effective July 1, 2018. The Company, by filing these tariff supplements, seeks Commission approval to make rate changes that would increase the level of rates that it charges for providing water and wastewater service to its customers.

The proposed water tariff contained changes in rates calculated to recover an estimated

annual increase in base rate revenues of \$150,629. This represents an approximate 107.2% increase in the Company's annual revenues. Under the Company's proposal, the proposed water base rates for an average water customer using 9,000 gallons per quarter would increase from \$74.73 to \$145.80, or by 95.1%. The proposed wastewater tariff contained changes in rates calculated to recover an estimated annual increase in base rate revenues of \$185,432. This represents an approximate 63.1% increase in the Company's annual revenues. Under the Company's proposal, the proposed wastewater base rates for an average wastewater customer using 9,000 gallons of water per quarter would increase from \$167.40 to \$270.30, or by 61.5%. The Company serves approximately 1,224 water customers (1,126 residential) and approximately 1,154 wastewater customers (1,126 residential) in a portion of Jefferson Township, Somerset County, PA.

On May 14, 2018, the OCA filed a Formal Complaint (C-2018-3001841) 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 May 30, 2018. As of June 15, the OCA is aware of eighteen formal complaints in the water and wastewater dockets filed by HVUS customers and twenty-three informal complaints in the water and wastewater dockets filed by HVUS customers. On May 17, 2018, the Commission entered an Order initiating an investigation into the lawfulness, justness and reasonableness of the proposed rates in Supplement No. 1 to Tariff Water – Pa. P.U.C. No. 1 and Supplement No. 1 to Tariff Wastewater – Pa. P.U.C. No. 1 and suspended the effective date until February 1, 2019 by operation of law.

The Commission assigned the case to Administrative Law Judge Hoyer. The Company has agreed to participate in the Commission's mediation process and will extend the effective date by sixty days, or until April 1, 2019.

II. ISSUES

After completing discovery and any follow up discovery, 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.

Background

On May 3, 2018, the Commission entered an Order in Pa. P.U.C. v. Hidden Valley Util. Service, L.P., Docket Nos. C-2014-2447138 (water) and C-2014-2447169 (wastewater). In that Order, the Commission granted in part the OCA's formal complaints against HVUS. The Commission found that HVUS was not providing safe, adequate, and reliable service as required by Section 1501 of the Public Utility Code. Order at 7; 66 Pa. C.S. § 1501. The Commission ordered HVUS to comply with the unresolved issues from the 2005 Settlement Agreement and to obtain a report from a water and wastewater engineer regarding the adequacy of its water distribution system. Order at 26. The Commission also ordered HVUS to comply with all recommendations from the engineer within one year of the date of the engineer's report, to bring its billing practices into compliance with all Commission rules, and to file detailed status reports every sixty days regarding its compliance with the order. Order at 27-30. In the event that an evidentiary hearing is/was required as a result of failure to accomplish recommended repairs and maintenance procedures or the water and wastewater service is not adequate, the Commission also will initiate an investigation under Section 529 of the Public Utility Code. Order at 32; 66 Pa. C.S. § 529. Section 529 provides authority to the Commission to order the takeover of a small troubled system by a larger capable public utility. 66 Pa. C.S. § 529(a).

OCA's Issues

The OCA's preliminary examination indicates that HVUS has not resolved the service issues that resulted in the Commission's order in the above-referenced complaint dockets. If HVUS

is not providing safe, adequate, and reliable service to its customers, pursuant to Section 526 of the Public Utility Code, the OCA will argue that the rate increase requests should be denied due to inadequate service. 66 Pa. C.S. § 526; Clean Treatment Sewage Co., Docket No. R-2009-2121928, Order (Apr. 22, 2010); Pa. P.U.C. v. Pa. Gas and Water Co., 1986 Pa. PUC LEXIS 113 (April 25, 1986); Pa. P.U.C. v. Pa. Gas and Water Co., R-870853, 1988 Pa. PUC LEXIS 457 (Sept. 30, 1988).

The OCA will also present testimony regarding the Company's revenue requirement claims to develop a complete record. 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.

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: Stacy L. Sherwood
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
Telephone: (410) 992-7500
E-Mail: sherwood@exeterassociates.com

Rate of Return: Aaron Rothschild
Rothschild Financial Consulting
15 Lake Road
Ridgefield, CT 06877
Telephone: (203) 894-1028
E-Mail: aaron@rothschildfinancial.com

Rate Design: Jerome D. Mierzwa
Exeter Associates
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
Telephone: (410) 992-7500
E-Mail: jmierzwa@exeterassociates.com

Quality of Service: Terry L. Fought
780 Cardinal Drive
Harrisburg, PA 17111
Telephone: (717) 580-4235
E-Mail: tlfengr@aol.com

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 three sets of interrogatories on the Company. The OCA is awaiting responses that are due on June 15 and June 18. 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 HEARINGS

The OCA is requesting public input hearings in the service territory at a time and place that will permit the full and part time residents who are customers of HVUS to attend. As noted above, the OCA is aware of ten formal complaints in the water docket and thirteen informal complaints in the water docket and eight formal complaints in the wastewater docket and ten informal complaints in the wastewater docket. The OCA has received 11 requests for public input hearings regarding the proposed rate increase requests. The OCA submits that these requests and the number of informal and formal complaints shows sufficient interest to justify the scheduling of

public input hearings in the service territory.

The OCA suggests the public input hearings be held on a Friday evening and a Saturday, at the Hidden Valley Resort in Jefferson Township, Somerset County, PA. The public input hearings should be held as early in the process as possible, while providing sufficient time for the Commission to schedule the hearings and for the Company to provide notice to its customers. The OCA will work with the ALJ and the parties to find possible dates for the public input hearings.

VII. SERVICE ON THE OCA

Senior Assistant Consumer Advocate Christine Maloni Hoover 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

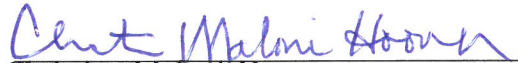
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Telephone: (717) 783-5048
Fax: (717) 783-7152

The OCA requests that the following additional email be included in all email correspondence in this proceeding: LCastor@paoca.org.

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,



Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50026
E-Mail: CHoover@paoca.org

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

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Dated: June 15, 2018
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