



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

IN REPLY PLEASE
REFER TO OUR FILE

July 18, 2018

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

Re: Pennsylvania Public Utility Commission v.
Pittsburgh Water and Sewer Authority
Docket Nos. R-2018-3002645 (water), R-2018-3002647 (wastewater)

Dear Secretary Chiavetta:

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

Copies are being served on parties as identified in the attached certificate of
service. If you have any questions, please contact me at (717) 787-8754.

Sincerely,

Gina L. Miller
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #313863

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

GLM/JMC/sea
Enclosure

cc: Certificate of Service
ALJ Mark A. Hoyer
ALJ Conrad A. Johnson

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

Pittsburgh Water and Sewer Authority

Docket Nos. R-2018-3002645
R-2018-3002647

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated July 18, 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):

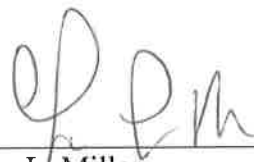
Served via First Class and Electronic Mail

Daniel Clearfield, Esquire
Carl Shultz, Esquire
Eckert Seamans Cherin & Mellott LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101

Elizabeth Triscari, Esquire
Office of Small Business Advocate
300 North Second Street, Suite 202
Commerce Building
Harrisburg, PA 17101

Christine Maloni Hoover, Esquire
Erin L. Gannon, Esquire
Lauren M. Burge, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Elizabeth R. Marx, Esquire
The Pennsylvania Utility Law Project
118 Locust St.
Harrisburg, PA 17101



Gina L. Miller
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #313863

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

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, et al.	:	Docket Nos. R-2018-3002645
	:	R-2018-3002647
v.	:	
	:	
Pittsburgh Water and Sewer Authority –	:	
Base Rates (Water and Wastewater)	:	

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

**TO DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE MARK A. HOYER AND
ADMINISTRATIVE LAW JUDGE CONRAD A. JOHNSON:**

In accordance with the Prehearing Conference Order dated July 12, 2018, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) hereby submits this Prehearing Memorandum in the above-captioned docket. The I&E prosecutors assigned to this proceeding are Gina L. Miller and John M. Coogan. Ms. Miller and Mr. Coogan may be contacted as follows:

By mail: Gina L. Miller
 John M. Coogan
 Pennsylvania Public Utility Commission
 P.O. Box 3265
 Harrisburg, PA 17105-3265

By e-mail: ginmiller@pa.gov
 jcoogan@pa.gov

Telephone: (717) 787-8754 (GLM)
 (717) 783-6151 (JMC)

FAX: (717) 772-2677

I. BACKGROUND

On July 2, 2018, the Pittsburgh Water and Sewer Authority (“PWSA” or “Authority”) filed Tariff Water – Pa. P.U.C. No. 1 and Tariff Wastewater – Pa. P.U.C. No. 1 to become effective August 31, 2018. Both tariffs are the first proposed PWSA water and wastewater tariffs submitted for Commission approval. Until the effective date of a Commission order approving a new tariff, PWSA is providing service to customers in accordance with its prior tariff.¹

The proposed tariff changes increase total annual operating revenues for water service by approximately \$21.38 million, or 22.01%, and for wastewater service by \$5.63 million, or 9.25%. Pursuant to 66 Pa. C.S. § 1308(d), the Commission ordered suspension of the proposed tariff changes until March 31, 2019, unless permitted by Commission Order to become effective at an earlier date. The Commission directed that the case be assigned to the Office of Administrative Law Judge for the scheduling of hearings as may be necessary for the Administrative Law Judge to render a Recommended Decision.

The Office of Consumer Advocate (“OCA”) filed a Formal Complaint on July 5, 2018. I&E entered its appearance on July 6, 2018. The Office of the Small Business Advocate filed a Notice of Appearance, Complaint, and Public Statement on July 13, 2018. Pittsburgh United filed a Petition to Intervene on July 13, 2018. A Prehearing Conference is scheduled for Thursday, July 19, 2018, at 2:00 p.m., before Deputy Chief Administrative Law Judge Mark A. Hoyer and Administrative Law Judge Conrad A. Johnson (“ALJ

¹ See 66 Pa. Code § 3203.

Hoyer” and “ALJ Johnson”). I&E submits this Memorandum in compliance with the Prehearing Conference Order issued by ALJs Hoyer and Johnson on July 12, 2018.

II. ISSUES

The following list represents I&E’s preliminary determination of the potential issues in this proceeding:

1. Cost of Service
2. Revenue Allocation
3. Rate Structure
4. Rate Design
5. Customer Charges / Customer Cost Analysis
6. Customer Count Projections
7. Usage per Customer Projections
8. Use of Fully Projected Future Test Year
9. Forfeited Discounts
10. Miscellaneous Service Revenue
11. Other Operating Revenue
12. Late Payment Revenue
13. Present Rate Revenue
14. Lost and Unaccounted for Water
15. Revenue sharing
16. Metering all customers
17. Free water to customers
18. Debt Service Coverage Ratio (DSCR)
19. Days Cash on Hand
20. Future Debt/Bond Issuances
21. Various Financial Metrics
22. Credit Rating
23. Labor and Benefits expenses
24. Pension cost
25. Budgeted increases in some of the O&M expenses
26. Annual payment of \$7.15mn. to City’s General Fund
27. Water cost subsidization to PAWC
28. Uncollectible, collection cost and bad debts
29. ALCOSAN pass through charges
30. PUC Regulatory cost recovery (including rate case expense)
31. Capital Lease cost
32. Office Lease charges
33. Establishment of Rate Stabilization Fund
34. Allocation for Cash Reserve
35. Debt coverage ratio projected for FPFTY

- 36. Safety Issues
- 37. Lead waterlines/replacement

The list is as complete as can be made at this time. I&E reserves the right to address other issues, as it deems appropriate if any such relevant issues arise.

III. WITNESSES

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

- Ethan Cline, Fixed Utility Valuation Engineer: Mr. Cline anticipates addressing issues identified as 1 through 17 in the above listing.
- Anthony Spadaccio, Fixed Utility Financial Analyst: Mr. Spadaccio anticipates addressing issues identified as 18 through 22 in the above listing.
- D.C. Patel, Fixed Utility Financial Analyst: Mr. Patel anticipates addressing issues identified as twenty-three through 35 in the above listing.
- Israel Gray, Pipeline Safety Inspector: Either in conjunction with or instead of Mr. Biggard, depending on availability and the scope of the issues, Mr. Gray anticipates addressing issues identified as 36 through 37 in the above listing.
- Robert Biggard, Pipeline Safety Inspector: Either in conjunction with or instead of Mr. Gray, depending on availability and the scope of the issues, Mr. Gray anticipates addressing issues identified as 36 through 37 in the above listing.

The I&E witnesses may be contacted through the contact information listed above for Ms. Miller and Mr. Coogan. I&E reserves the right to substitute witnesses or call additional witnesses if warranted.² All active parties will be notified of any amendments to the I&E witness list.

² The above issues list is provided without analysis of the positions of all parties to this proceeding and without the benefit of completed discovery.

IV. 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. However, there may be issues of Commission policy or legal representation 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 through briefing.

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.
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. SCHEDULE

The parties have not yet agreed to a schedule. I&E is committed to cooperating with all parties and with Judge Hoyer and Judge Johnson to finalize an acceptable procedural schedule.

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. PUBLIC INPUT HEARINGS

To the extent that public input hearings are deemed necessary in this proceeding, I&E advocates for the use of Smart Hearings where possible.

IX. 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. In the event settlement discussions fail to result in a complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Gina L. Miller', is written over the typed name.

Gina L. Miller
Prosecutor
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission

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

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265

July 18, 2018