



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

IN REPLY PLEASE
REFER TO OUR FILE

July 24, 2018

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

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

Dear Secretary Chiavetta:

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

Copies are being served on all active parties of record. If you have any questions, please contact me at 717-783-7998.

Sincerely,

Allison C. Kaster
Deputy Chief Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No.93176

ACK/smw
Enclosure

cc: Certificate of Service
Hon. Mark A. Hoyer

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated July 24, 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

Jonathan P. Nase, Esquire
Cozen O'Connor
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Served via First Class Mail

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Robert J Kollar
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A handwritten signature in cursive script that reads "Allison C. Kaster". The signature is written in black ink and is positioned above a horizontal line.

Allison C. Kaster
Deputy Chief Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No.93176

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2018-3001306
Hidden Valley Utility Services, L.P.-	:	
Water	:	
	:	
	:	
Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2018-3001307
Hidden Valley Utility Services, L.P.-	:	
Wastewater	:	

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

TO ADMINISTRATIVE LAW JUDGE MARK A. HOYER:

Pursuant to the Further Prehearing Conference Order dated June 25, 2018, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Further Prehearing Memorandum in the above-captioned proceeding.

I. Introduction

On April 28, 2018, Hidden Valley Utility Services, L.P. – Water and Hidden Valley Utility Services, L.P. – Wastewater (collectively, “Company”) requested an increase to total annual operating revenues of \$150,629 and \$185,432, respectively. By order entered May 17, 2018, the Commission instituted an investigation to determine the lawfulness, justness and reasonableness of the Company’s existing and proposed rates,

rules and regulations. Pursuant to 66 Pa. C.S. §1308(d), the filing was suspended by operation of law until February 1, 2019, unless permitted by Commission Order to become effective at an earlier date. Due to the parties' agreement to engage in mediation, the Company voluntarily suspend Tariff Supplement No. 1 until April 1, 2019.

OCA filed its Formal Complaint on May 14, 2018. I&E filed its Notice of Appearance on May 30, 2018. Opposition to the rate increase has been filed by various customers.

A telephonic Prehearing Conference was held on June 19, 2018, with Administrative Law Judge Mark A. Hoyer presiding. The first mediation session immediately followed the Prehearing Conference. A second mediation session was held on July 19, 2018. To date, the parties have been unable to fully or partially resolve the issues in this proceeding; therefore, a Further Prehearing Conference is scheduled on July 26, 2018. Public Input Hearings are scheduled in the Company's service territory on July 27, 2018.

II. Issues

The following list represents I&E's preliminary determination of potential issues in this proceeding. Discovery is ongoing, and the listing is as complete as can be made at this time; however, I&E reserves the right to address other issues if they arise:

Rate of Return

- Overall Rate of Return
- Capital Structure
- Cost of Debt
- Cost of Common Equity

O&M Expenses

Rate Case Expense
Taxes
Engineering Expense

Rate Structure/Rate Design/Rate Base

Cost of Service
Customer Charges
Customer/Usage Projections
Plant in Service
Depreciation Reserve
Annual Depreciation Expense
Forfeited Discounts
Miscellaneous Service Revenue
Quality of Service

III. Witnesses

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

- Christopher Henkel, Fixed Utility Financial Analyst: Rate of Return
- Joseph Kubas, Fixed Utility Valuation Engineer Supervisor: Rate Structure/Rate Design/Rate Base
- John Zalesky, Fixed Utility Financial Analyst: O&M Expenses

The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the names of witnesses listed above.

IV. Schedule

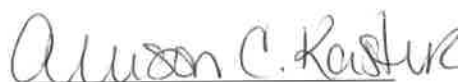
I&E proposes the following procedural schedule:

Non-Company Direct Testimony	September 18, 2018
Rebuttal	October 18, 2018
Surrebuttal	November 9, 2018
Rejoinder outline	November 14, 2018
Hearing	November 16, 2018
Main Briefs	December 11, 2018
Reply Briefs	December 21, 2018

V. Conclusion

I&E remains willing to make good faith efforts to successfully resolve this matter. In the event settlement discussions do not result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Allison C. Kaster
Prosecutor
PA Attorney ID 93176

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

Dated: July 24, 2018