



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

IN REPLY PLEASE
REFER TO OUR FILE

September 4, 2018

Via E-Filing

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
400 North St.
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v. Borough of Indiana Sewer Fund
Docket No. R-2018-3003141

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) 783-6170.

Sincerely,

Erika L. McLain
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No. 320526

Enclosure
ELM/smw

cc: Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
:
v. : Docket No. R-2018-3003141
:
Borough of Indiana - Sewer Fund :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated September 4, 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

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Erika L. McLain

Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No. 320526

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2018-3003141
	:	
Borough of Indiana	:	

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

TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:

In accordance with the Prehearing Conference Order dated August 29, 2018, the Bureau of Investigation and Enforcement (“I&E”) hereby submits this Prehearing Memorandum. The I&E prosecutor assigned to this proceeding is Erika L. McLain. Ms. McLain may be contacted as follows:

By mail: Erika L. McLain
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

By e-mail: ermclain@pa.gov

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I. BACKGROUND

On June 28, 2018, the Borough of Indiana (“Borough” or “Indiana”) filed Supplement No. 11 To Sewer – Pa. P.U.C. No. 1 to become effective September 1, 2018.

It proposed to increase the Borough's total annual operating revenues for wastewater service by approximately \$390,062 or 31.76%.

On August 23, 2018, the Pennsylvania Public Utility Commission ("PUC" or "Commission") entered an order suspending the implementation of Supplement No. 11 by operation of law until April 1, 2019, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Supplement No. 11. Further, the matter was assigned to the Office of Administrative Law Judge ("OALJ") to schedule such hearings as necessary to develop a record in this proceeding.

A Telephonic Prehearing Conference is now scheduled for Wednesday, September 5, 2018, at 9:00 a.m., before Administrative Law Judge Mary D. Long ("ALJ Long"). On July 31, 2018, the Office of Consumer Advocate ("OCA") filed a Formal Complaint. The Bureau of Investigation and Enforcement, in accordance with the Prehearing Conference Order issued by ALJ Long on August 29, 2018, now respectfully submits this Prehearing Memorandum.

II. ISSUES

The following list represents I&E's preliminary determination of the potential issues in these proceedings. The listing is as complete as can be made at this time. I&E specifically reserves the right to address other issues, as it deems appropriate if any such relevant issues arise. The issues are as follows:

- Rate Base
 - Plant in Service;

- Depreciation Reserve;
- Annual Depreciation Expense;
- Forfeited Discounts;
- Rate Structure/ Rate Design
 - Customer Charges / Customer Cost Analysis
- Rate of Return
 - Overall Rate of Return;
 - Cost of Equity;
 - Cost of debt; and
 - Capital Structure
- Operating and Maintenance
 - Labor, Payroll Taxes, and Benefits
 - Operating & Maintenance Supplies
 - Sludge Removal
 - Purchased Power
 - Fuel for Power
 - Contracted Services
 - Testing Expense
 - Chemicals
 - Insurance
 - General Office Expenses
 - Other Miscellaneous Expenses
 - Cash Working Capital

Most of the issues raised by I&E will be supported by the Direct Testimony of I&E witnesses. If there are issues of Commission policy or legal interpretation 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 in Brief.

III. WITNESSES

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

Joseph Kubas	<i>Fixed Utility Valuation Engineer</i>
Christopher Keller	<i>Fixed Utility Financial Analyst</i>
Christopher Henkel	<i>Fixed Utility Financial Analyst</i>

The I&E witnesses may be contacted through the contact information listed above for Ms. McLain. I&E reserves the right to substitute witnesses or call additional witnesses if warranted.¹ All active parties will be notified of any amendments to the I&E witness list.

IV. SCHEDULE

The parties have not yet agreed to a mutually acceptable schedule. Nevertheless, I&E is committed to cooperating with all parties to finalize an acceptable litigation schedule.

V. 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.

¹ The above listing is provided without analysis of the positions of all parties to this proceeding and without the benefit of completed discovery.

VI. 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 five (5) days of service of interrogatories.
3. Motion to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) days of service of written objections.
4. Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) 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.

VII. 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.

VIII. 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.

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.

Respectfully submitted,



Erika L. McLain
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

September 4, 2018