



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

September 6, 2019

Via Electronic Filing

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

Re: Pennsylvania Public Utility Commission v.
City of Lancaster – Sewer Fund
Docket No. R-2019-3010955
I&E Prehearing Memorandum

Dear Secretary Chiavetta:

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

Copies are being served on all active parties of record as evidenced in the attached Certificate of Service. Should you have any questions or concerns please do not hesitate to contact me.

Sincerely,

Carrie B. Wright
Prosecutor
Bureau of Investigation & Enforcement
PA Attorney I.D. No. 208185
(717) 783-6156
carwright@pa.gov

CBW/ac
Enclosure

cc: Hon. Joel H. Cheskis (ALJ, PUC Harrisburg)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|--|---|---------------------------|
| Pennsylvania Public Utility Commission | : | |
| | : | |
| v. | : | Docket No. R-2019-3010955 |
| | : | |
| City of Lancaster –Sewer Fund | : | |

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

TO ADMINISTRATIVE LAW JUDGE JOEL CHESKIS:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Prehearing Memorandum in the above-captioned proceeding.

The Bureau of Investigation and Enforcement Prosecutor in this proceeding will be Carrie B. Wright. Contact information is as follows:

By mail: Carrie B. Wright
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

By e-mail: carwright@pa.gov

By telephone: (717) 783-6156

By fax: (717) 772-2677

I. INTRODUCTION

On July 19, 2019, the City of Lancaster - Wastewater (“Lancaster” or “Company”) filed Supplement No. 39 Sewer – PA P.U.C. No. 7, to become effective September 17, 2019. It contained proposed changes in rates, rules, and regulations calculated to produce \$646,727, or 46.7%, in additional annual revenues.

On August 29, 2019, the Commission entered an order suspending the implementation of this rate filing by operation of law until April 17, 2020, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed rate filing.

A Prehearing Conference is scheduled for Monday September 9, 2019, at 10:00 am, with Administrative Law Judge Joel Cheskis presiding.

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:

- a) Rate of Return:
 - Overall Rate of Return;
 - Cost of Equity;
 - Proxy Comparable Group;
 - Capital Structure;
 - Tax Adjustment.

- b) Proposed Rates;
 - Customer Charge;
 - Cost Allocation;
 - Scale Back of Rates.

- c) Rate Base:
 - Plant in Service;
 - Accrued Depreciation;
 - Annual Depreciation
 - Net Plant;
 - Cash Working Capital.

- d) Operation and Maintenance Expense Claims including:
 - Salary and Wages;
 - Maintenance – Communication;
 - Meter Expense;
 - Water Utility Expense;
 - Sludge Disposal;
 - Power Electric;
 - Laboratory Supplies;
 - Chemicals;
 - Vehicle Lease Capital Outlay;
 - Maintenance – Equipment;
 - Maintenance Vehicles;
 - Contract Services;
 - Trench Paving;
 - Operating Supplies;
 - OPEB Arc Expense;
 - Medical Insurance;
 - Dental/Vision;
 - Social Security;
 - Pension Contribution Expense;
 - Professional Services;
 - Rate Case Expense;
 - Insurance Package;
 - Administrative Indirect Costs;
 - Cash Working Capital.

III. WITNESSES

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

Holly Gilliland, Fixed Utility Valuation Engineer
Anthony Spadaccio, Fixed Utility Financial Analyst
Christopher Keller, Fixed Utility Financial Analyst

The I&E witnesses may be contacted through the information listed above for Ms. Wright. 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 name of the witnesses listed above if necessary.

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.

V. DISCOVERY

Pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing. 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.

VI. SCHEDULE

I&E will work with the parties to develop a mutually agreeable schedule in this proceeding. The schedule proposed by the Office of Consumer Advocate is acceptable to I&E.

Further, as hearings in this proceeding will likely require the involvement of various Commission employees from I&E, including at minimum the I&E prosecutor and three I&E technical witnesses, all of whom are based out of the Commission's Harrisburg office, I&E requests that hearings be held in Harrisburg.

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

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. SETTLEMENT

I&E is willing to make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Carrie B. Wright
Prosecutor
PA Attorney I.D. No.208185

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120
(717) 783-6156

Dated: September 6, 2019

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CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated September 6, 2019, 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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