


COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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September 19, 2019

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

Re: Pennsylvania Public Utility Commission  
v.  
Twin Lakes Utilities, Inc.  
Docket No. R-2019-3010958

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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lauren Guerra".

Lauren E. Guerra  
Assistant Consumer Advocate  
PA Attorney I.D # 323192  
E-Mail: [LGuerra@paoca.org](mailto:LGuerra@paoca.org)

Enclosures:

cc: Honorable Marta Guhl  
Certificate of Service  
\*278759

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
v.	:	Docket Nos.: R-2019-3010958
	:	C-2019-3011845
Twin Lakes Utilities, Inc.	:	

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PREHEARING MEMORANDUM  
OF THE  
OFFICE OF CONSUMER ADVOCATE

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Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333, the Office of Consumer Advocate (OCA) provides the following information:

**I. PROCEDURAL HISTORY**

On July 19, 2019, Twin Lakes Utilities, Inc. (Twin Lakes or the Company) filed Supplement No. 8 to Tariff – Water/Wastewater Pa. P.U.C. No. 4 (Supplement No. 8) with the Pennsylvania Public Utility Commission (Commission) to become effective September 19, 2019. Through this filing, Twin Lakes is requesting that the Commission approve changes in water rates which would increase the Company’s water service operating revenues by about 158.6%, or \$211,793, annually.

If the proposed increase is approved, the average monthly bill for a residential water customer using 2,400 gallons per month would increase by \$154.80, from \$95.23 to \$250.03. The Company has proposed to increase the residential monthly customer charge \$98.20, from \$60.41 to \$158.61, an increase of approximately 162%. Twin Lakes serves approximately 114

residential customers in Sagamore Estates, a community located in Shohola Township in Pike County, Pennsylvania.

On August 29, 2019, the Commission issued a Suspension Order initiating an investigation into the lawfulness, justness and reasonableness of the proposed rate increase request, and suspended the effective date of Supplement No. 8 until April 19, 2020, by operation of law. On July 30, 2019, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance in this matter. A Prehearing Conference was scheduled by the Commission to be held telephonically on September 23, 2019.

The OCA filed a Formal Complaint in this proceeding to protect the interests of the Company's customers. The OCA seeks to ensure that Twin Lakes is permitted to implement only those rates that are fully justified and in accordance with sound ratemaking principles. The OCA will strive to prevent the Company from collecting all alleged costs that cannot be justified, are unreasonable or unduly discriminatory, or otherwise violate the Public Utility Code. The OCA submits that the Company's current rates and the rates sought by the Company may be unjustifiable and unlawful based upon information filed by Twin Lakes in support of its claims.

## **II. ISSUES AND SUB-ISSUES**

The OCA submits that all aspects of the Company's request must be justified, reasonable, and in accordance with sound ratemaking principles in order to protect the interests of the Company's customers. As such, the OCA will examine the reasonableness of the Company's proposals and ensure that the Company is seeking to recover through customer charges only those charges appropriately recovered through a monthly service charge.

Based upon a preliminary analysis of the Company's filing, the OCA has compiled a list of issues that it anticipates will be included in its investigation of the rate increase requests. Issues

in addition to those enumerated below may arise and may be pursued once the answers to the OCA's interrogatories have been received and analyzed. The OCA reserves the opportunity to present any new or unanticipated issues at such time.

At present, the OCA anticipates examining the following issues:

A. Rate of Return

The OCA will examine whether the capital structure claimed by the Company is representative of the period in which rates will be in effect and is otherwise appropriate for ratemaking purposes. The OCA will also perform a detailed analysis of the cost of common equity claimed by the Company.

B. Rate Base/Measures of Value

The OCA will examine the reasonableness and accuracy of the Company's calculations related to utility plant in service at the time relevant to this proceeding. The OCA will also review the Company's claim for plant additions, if any, through the test year to determine if the Company has demonstrated that all such costs are reasonable and prudent.

C. Revenues and Expenses

The OCA will examine the reasonableness of the Company's revenues and expenses including, but not limited to, operating labor, maintenance supplies, purchased power, legal fees, management fees, testing expense, other maintenance, chemicals, insurance, rate case expense, depreciation expense, and bad debt expense.

D. Cost of Service/Rate Design

The OCA will examine the reasonableness and appropriateness of the Company's proposed tariff changes, as well as other terms and conditions of the Company's tariff. In particular, the

OCA will examine the Company's proposed cost allocation and rate design, including the proposed increase to the residential customer charge.

E. Quality of Service

The OCA will review the Company's quality of service to ensure that it is providing safe, adequate and reliable water service that is usable for all household purposes. The OCA will also examine the status of the Company's efforts to replace Well #1 as indicated in its filing.

**III. WITNESSES**

The OCA intends to present direct, rebuttal, and surrebuttal testimonies, as may be necessary, of the following witnesses in this proceeding. The OCA also plans to cross-examine other parties, as necessary. 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 witnesses responsible for their area of the case, as well as mailing a copy to counsel for the OCA.

**Revenue Requirement/Rate Design/Policy**

Stacy L. Sherwood  
Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, MD 21044  
Telephone: (410) 992 -7500  
Fax: (410) 992-3445  
E-mail: [sherwood@exeterassociates.com](mailto:sherwood@exeterassociates.com)

**Rate of Return**

Aaron L. Rothschild  
Rothschild Financial Consulting  
15 Lake Road  
Ridgefield, CT 06877  
Telephone: (203) 894-1028  
E-mail: [aaron@rothschildfinancial.com](mailto:aaron@rothschildfinancial.com)

**Cost of Service/Rate Design**

Jerome Mierzwa  
Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, MD 21044  
Telephone: (410) 992-7500  
Fax: (410) 992-3445  
E-mail: [jmierzwa@exeterassociates.com](mailto:jmierzwa@exeterassociates.com)

**Quality of Service**

Terry L. Fought  
780 Cardinal Drive  
Harrisburg, PA 17111  
Telephone: (717) 580-4235  
E-mail: [tlfengr@aol.com](mailto:tlfengr@aol.com)

After receiving and reviewing the Company's testimony, the OCA's witnesses will present testimony in written format and may also attach various exhibits, documents and explanatory information, as necessary to assist in the presentation of the OCA's case. The OCA reserves the right to call additional witnesses. The OCA will inform the ALJ and the parties if it determines that additional witnesses are necessary.

#### **IV. PROPOSED SCHEDULE**

The OCA and I&E have considered ALJ Marta Guhl's proposed schedule for hearings and briefs as outlined in the Prehearing Conference Order issued September 5, 2019, and have agreed upon the following procedural schedule:

Prehearing Conference	September 23, 2019
Company Direct Testimony	September 27, 2019
Public Input Hearings	October 17, 2019 (1pm and 6pm)
Other Parties' Direct Testimony	November 1, 2019
Rebuttal Testimony	November 20, 2019
Surrebuttal Testimony	December 10, 2019
Rejoinder Testimony	December 17, 2019
Evidentiary Hearings	December 18-20, 2019
Close of Record	December 20, 2019
Main Briefs	January 7, 2020
Reply Briefs	January 15, 2020
Public Meeting	April 16, 2020
End of Suspension Period	April 19, 2020

## **V. DISCOVERY**

The OCA has served three sets of discovery to date. The OCA is reviewing responses provided, and if it determines that additional information is needed, will issue additional discovery.

## **VI. SERVICE ON THE OCA**

The OCA will be represented in this case by Senior Assistant Consumer Advocate Christine Maloni Hoover and Assistant Consumer Advocates J.D. Moore and Lauren E. Guerra. Pursuant to 52 Pa. Code § 1.55, which provides that each party is limited to one entry on the service list, the OCA requests that the following name, address, telephone number, fax number and e-mail address be utilized for the OCA:

Christine Maloni Hoover  
Senior Assistant Consumer Advocate  
Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Telephone: (717) 783-5048  
Fax: (717) 783-7152  
E-mail: OCATwinLakes2019@paoca.org

The OCA agrees to be served electronically by 4:30 pm if followed by service of two hard copies by first-class mail on the next business day.

## **VII. SETTLEMENT**

The OCA is willing to participate in settlement discussions.

## **VIII. PUBLIC INPUT HEARINGS**

Given the magnitude of the requested rate increase, the OCA requests that public input hearings be held in the Company's service territory. To date, the OCA is aware of ten (10) formal complaints and four (4) informal complaints regarding the Company's proposed rate increase. The

customers that filed these complaints all reside, part time or permanently, in Shohola Township (Pike County), Pennsylvania.

Respectfully Submitted,



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Counsel for:  
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Dated: September 19, 2019

278492



CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility : Docket No. R-2019-3010958  
Commission :  
v. :  
Twin Lakes Utilities, Inc.

I hereby certify that I have this day served a true copy of the foregoing, the Office of Consumer Advocate's Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 19<sup>th</sup> day of September 2019.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Erika L. McLain, Esquire  
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Commonwealth Keystone Building  
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Twin Lakes Utilities, Inc.  
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159 Twin Lakes Road  
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James Gilardi  
158 Twin Lakes Drive  
Shohola, PA 18458

Virginia W. Pfeiffer  
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/s/ Lauren E. Guerra  
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