



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

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

June 3, 2020

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.
Pennsylvania American Water Company
Docket Nos. R-2020-3019369 (Water) and R-2020-3019371 (Wastewater)
I&E Prehearing Memorandum

Dear Secretary Chiavetta:

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

Consistent with Paragraph 8 of the Commission's March 20, 2020 Emergency Order at Docket No. M-2020-3019262 (Re: Suspension of Regulatory and Statutory Deadlines; Modification to Filing and Service Requirements), electronic copies only are being served on all active parties of record as evidenced in the attached Certificate of Service. If you have any questions, please contact me at (717) 783-6156.

Sincerely,

A handwritten signature in black ink that reads "Carrie B. Wright". The signature is written in a cursive style with a large "X" at the end.

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

CBW/jfm
Enclosures

cc: Hon. Conrad A. Johnson (OALJ, PUC Pittsburgh – via Email only)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
	:		
v.	:	Docket Nos.	R-2020-3019369
	:		R-2020-3019371
Pennsylvania American Water Company	:		

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

TO ADMINISTRATIVE LAW JUDGE CONRAD A. JOHNSON:

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
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By e-mail:	carwright@pa.gov
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By telephone:	(717) 783-6156
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By fax:	(717) 772-2677
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I. INTRODUCTION

On April 29, 2020, Pennsylvania American Water Company (“PAWC” or “Company”) filed both a water and wastewater base rate case. This filing contained proposed changes in rates, rules, and regulations calculated to produce \$92.4 million, or 12.9%, in additional annual revenues for water and wastewater rates in the first year, and an additional \$46.2 million or 5.8% in additional annual water and wastewater revenues in the second year.

The Pennsylvania Public Utility Commission (“PUC” or “Commission”) entered an order suspending the implementation of this rate increase by operation of law until January 28, 2021, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the rate case filing. 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 scheduled for Thursday, June 5, 2020, at 1:00 pm, with Administrative Law Judge Conrad Johnson 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:

- Rate of Return
 - Overall Rate of Return
 - Cost of Equity
 - Cost of Debt
 - Capital Structure
 - Proxy Group

- Operation and Maintenance Expenses, including:
 - Gain on Sale of Hershey Property
 - Multi-year Rate Plan
 - Regionalization and Consolidation Surcharge
 - Pension and OPEB Tracker
 - Salaries and Wages
 - Employee Benefits
 - Taxes Other than Income
 - Inflation Adjustments
 - Deferred DEP Safe Drinking Water Fees
 - Cash Working Capital
 - Income Taxes
 - Rate Case and Regulation Expense
 - Service Company Expense
 - Purchased Power
 - Purchased Water
 - Chemicals
 - Waste Disposal

- Rate Base
 - Annual Depreciation
 - Accrued Depreciation
 - Acquisitions
 - Amortization for Acquisitions
 - Contributions in Aid of Construction
 - Plant in Service
 - Customer Advances
 - Other Rate Base Additions (water)
 - Other Rate Base Deductions (water)
 - Materials and Supplies
 - Projected Customer Usage

- Rate Structure
 - Contract Rates
 - Regional Surcharge
 - Customer Charges
 - Usage Rates
 - Scale-back of Rates
 - Wastewater to Water Cost Allocation

- COVID-19 Issues

III. WITNESSES

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

- Ethan Cline, Fixed Utility Valuation Engineer
- Holly Gilliland, Fixed Utility Valuation Engineer
- Esyan Sakaya, Fixed Utility Valuation Engineer
- Joseph Kubas, Fixed Utility Valuation Engineer Supervisor
- Anthony Spadaccio, Fixed Utility Financial Analyst
- Christine Wilson, Fixed Utility Financial Analyst Supervisor

The I&E witnesses may be contacted through the information listed above for Prosecutor 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. In the event that I&E decides to call additional witnesses, I&E will notify the ALJs and the parties as soon as possible.

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. I&E requests 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 shall be served to the ALJs in writing within five (5) days of service of interrogatories.
3. Motions 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 and discovery related pleadings served after 12:00 noon on a Friday or after 12:00 noon on any business day preceding a state holiday will be deemed to be served on the next business day.

VI. SCHEDULE

The closure of Commission offices has impacted I&E's ability to review this filing. As a result, I&E believes that more time than the statutory nine (9) month time frame indicated in the Public Utility Code is necessary. However, I&E will work with the parties to develop a mutually agreeable schedule in this proceeding.

In addition, given that this proceeding involves multiple Commission employees who are based out of the Harrisburg PUC offices, I&E request that hearings be held in Harrisburg in order to conserve the Commission's financial resources.

VII. PUBLIC INPUT HEARINGS

To the extent that public input hearings are deemed necessary in this proceeding, I&E advocates for the use of telephonic public input hearings given the current social distancing protocols in place in the Commonwealth.

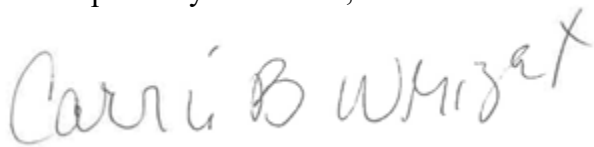
VIII. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents. As of the time of the filing of this pre-hearing memo, I&E is still operating under the Commission's telework protocol and does not generally have the capability to either send out or receive hard copies in this proceeding. Should that change, I&E will notify the parties and the ALJs.

IX. 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,

A handwritten signature in cursive script that reads "Carrie B. Wright". The signature is written in dark ink and is contained within a rectangular box.

Carrie B. Wright
Prosecutor
PA Attorney ID No. 208185

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

Dated: June 3, 2020

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2020-3019369
	:	R-2020-3019371
Pennsylvania American Water Company	:	

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated June 3, 2020, 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 Electronic Mail Only

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