

COMMONWEALTH OF PENNSYLVANIA



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June 22, 2023

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

Re: Pennsylvania Public Utility Commission
v.
Columbia Water Company
Docket No. R-2023-3040258

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Prehearing Memorandum in this matter.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully submitted,

/s/ Barrett C. Sheridan
Barrett C. Sheridan
Assistant Consumer Advocate
PA Attorney I.D. # 61138
BSheridan@paoca.org

Enclosures

cc: The Honorable Mary D. Long (**email only**)
The Honorable Charece Z. Collins (**email only**)
Certificate of Service

*348064

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
v. : Docket No. R-2023-3040258
Columbia Water Company :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below. This document was filed electronically on the Commission's electronic filing system.

Dated this 22nd day of June 2023.

SERVICE BY E-MAIL ONLY

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Dated: June 22, 2023
*347529

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	Docket Nos. R-2023-3040258
v.	:	C-2023-3040567
	:	C-2023-3040746
Columbia Water Company	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333, and in response to the Prehearing Conference Order issued by the Presiding Officers on June 15, 2023 in this matter, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On April 28, 2023, Columbia Water Company (CWC or Company) filed Supplement No. 121 To Tariff – Water Pa. P.U.C. No. 7 (Supplement No. 121) with the Pennsylvania Public Utility Commission (Commission) to become effective June 27, 2023. Supplement No. 121 would increase CWC’s total annual operating revenues for water service by approximately \$999,900, or 14.2%.

On May 9, 2023, the Office of Small Business Advocate filed a formal complaint at Docket No. C-2023-3040567. On May 17, 2023, the Office of Consumer Advocate filed a formal complaint at Docket No. C-2023-3040746.

On June 15, 2023, the Commission issued a suspension order, suspending the Company’s proposed tariff supplement and rate increase until January 27, 2024. The Company filed the

suspension tariff on June 20, 2023. The Company's rate filing and the pending formal complaints have been assigned to the Office of Administrative Law Judge (OAL) for the prompt scheduling of such hearings as may be necessary and issuance of a Recommended Decision. The case has been assigned to Administrative Law Judges Mary D. Long and Charece Z. Collins (ALJs Long and Collings).

CWC is a public water utility serving customers in portions of Lancaster and York Counties. As of December 31, 2022, CWC provides water service to approximately 12,154 customers, including 11,440 residential customers. The communities served by CWC include the Townships of West Hempfield, Rapho, East Donegal and Manor as well as 2 the Boroughs of Columbia, Mountville and Marietta in Lancaster County and Hellam Township in York County.

Under the Company's proposal as corrected, the proposed increase in rates represents an approximate 15.52% increase in the Company's annual revenues at present rates, excluding surcharge revenues. The Company's proposed tariff would increase the rates for customers in two of its three rate districts. The Company has proposed an increase in the rates paid by customers in the Columbia and Marietta rate districts, under a plan to unitize the rates for the two rate districts. Based upon the Company's April 28, 2023 rate filing and subsequent errata, the Company has proposed no rate increase to customers in the East Donegal rate district, what was formerly the East Donegal Municipal Township Authority (EDMTA).

For residential customers in the Columbia rate district, the Company projects the filed-for revenue increase would increase monthly bills from \$37.67 to \$40.04, or 6.3% (based on usage of 3,800 gallons). For residential customers in the Marietta district, CWC projects the revenue increase would increase monthly bills from \$32.57 to \$40.04 per month, or by 22.9% (at 3,800 gallons). These bill amounts do not include the surcharge for CWC's PENNVEST loan repayment.

The Company has proposed no change to that surcharge, which currently adds \$9.69 per month to residential customer bills in Columbia and Marietta rate divisions. Columbia also has a Distribution System Improvement Charge (DSIC) in place that can increase bills by up to 5.0%.

II. ISSUES

The OCA is currently conducting discovery in this proceeding. As soon as the OCA has received and had the opportunity to review the discovery and Company testimony, the OCA anticipates that additional discovery and/or informal discovery meetings can be scheduled. At those meetings and discussions, the OCA will narrow the scope of additional information requests. Once the discovery process is complete, the OCA will file direct testimony which will set forth the specific issues it will address in this proceeding. At that time, the OCA will also make and quantify its specific recommendations.

The issues and sub-issues set forth below, and others that may develop during discovery, will be analyzed and presented as appropriate by the OCA with the assistance of its expert witnesses:

A. Accounting and Finance

1. The OCA will examine the Company's claimed revenues and any adjustments to the level of revenues. The OCA will seek to ascertain whether CWC's claimed expenses are supported, reasonable, and appropriate.

2. The OCA will examine the Company's separation of revenues and expenses between the East Donegal rate division (which is not included in the proposed rate changes) and the Columbia and Marietta rate districts.

3. The OCA will examine the Company's PENNVEST and DSIC surcharges.

B. Rate of Return

1. The OCA will examine the Company's cost of capital claim, which is based on a capital structure of 36.66% debt and 63.34% equity. 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. In addition, the OCA will examine the claimed 3.15% cost of debt and the Company's methodologies and supporting data used to develop its 11.25% cost of equity claim.

C. Rate Design and Cost Allocation

2. The OCA will examine the reasonableness of CWC's proposed distribution of the revenue changes among customer classes, including the residential and public fire classes.

3. The OCA will examine CWC's recently served cost of service study, including the methodology used and the reasonableness of the allocations.

4. The OCA will examine CWC's proposed rate design, including its proposal to unitize rates and determine whether consolidation should be accomplished more gradually, over more than one proceeding.

5. The OCA will examine the Company's proposed increases to the monthly residential customer charges for the Columbia division (48.5%) and Marietta division (86.7%).

6. The OCA will examine CWC's application of a "black box" adjustment to produce an increase in revenues no greater than the \$999,900 requested revenue increase.

7. The OCA will examine CWC's proposed exclusion of the East Donegal rate division from any increase in base rates and application of the PENNVEST and DSIC surcharges.

D. Quality of Service

8. The OCA will review the Company's quality of service to ensure that it is providing safe, adequate, and reliable service, and water that is useful for all household purposes.

9. The OCA will review customer complaints related to water matters.

E. Tariffs

10. The OCA will examine the reasonableness and appropriateness of the Company's proposed and existing tariff and review for compliance with all applicable laws, regulations, and Commission orders.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witnesses in this proceeding. Each witness will present testimony in

written form and will also attach various exhibits, documents, and explanatory information which will assist in the presentation of the OCA's case. The OCA requests that instead of hard-copy mail, the parties send responses to each appropriate consultant by e-mail as indicated below:

Accounting/Regulatory Policy/
Rate Design/Cost Allocation:

Jennifer Rogers
Jerome D. Mierzwa
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
OCAColumbiaWater2023@paoca.org

Quality of Service:

Terry Fought, P.E.
780 Cardinal Drive
Harrisburg, PA 17111
OCAColumbiaWater2023@paoca.org

Rate of Return:

David J. Garrett
Resolve Utility Consulting PLLC
101 Park Avenue, Suite 1125
Oklahoma City, OK 73102
OCAColumbiaWater2023@paoca.org

The OCA specifically reserves the right to call additional witnesses, as necessary. All parties of record will be notified as soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case.

IV. EVIDENCE

The OCA will rely on the direct, rebuttal, and surrebuttal testimony of its expert witnesses as well as the testimony of other parties to the proceeding. The OCA will also present relevant exhibits to support its own testimony, including but not limited to, materials obtained from the Company through discovery and cross-examination.

V. SERVICE ON THE OCA

The OCA will be represented in this case by Senior Assistant Consumer Advocate Erin L. Gannon and Assistant Consumer Advocate Barrett C. Sheridan. The OCA has created a group e-mail address provided below. A copy of all documents should be served on the OCA by e-mail as follows:

Barrett C. Sheridan, Assistant Consumer Advocate
Erin L. Gannon, Senior Assistant Consumer Advocate
OCAColumbiaWater2023@paoca.org

Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17101-1923
(717) 783-5048

VI. PUBLIC INPUT HEARINGS

The OCA respectfully requests that the Commission schedule an in-person public input hearing within the Company's service territory, in order to provide customers with an opportunity to be heard on the record. To date, two customers have filed formal complaints in this matter. In further support, CWC's last base rate case was six years ago. Further, it is the OCA's understanding that the Company supports having one evening public input hearing (in the prior case, two public input hearings were held). The OCA requests that the public input hearing be held as early in the proceeding as possible while allowing for sufficient notice of the public input hearings to CWC customers. The will OCA cooperate in coordinating a public input hearing date acceptable to all participants and the Presiding Officers.

The OCA also requests that the Company be directed to extensively advertise this public input hearing. Newspaper notice must be advertised in the general readership sections of local newspapers, not in the legal section. Other methods of informing its customers of the public input

hearings, including social media and the Company's website, should be utilized as well. In addition, the OCA requests the other parties involved in the proceeding be permitted to review these public input hearing announcements prior to their publication and distribution.

VII. PROPOSED SCHEDULE

The OCA, Office of Small Business Advocate, Bureau of Investigation and Enforcement and CWC have worked to develop a proposed litigation schedule. Please see Appendix A for the proposed schedule. The OCA has included possible dates for a Public Input Hearing.

VIII. DISCOVERY

To date, the OCA has served three (3) sets of interrogatories on the Company. Going forward, the OCA proposes the following modifications to the Commission's procedural rules regarding discovery will apply to all discovery requests issued in the proceeding, including those served prior to the entry of the procedural Order governing this proceeding.

- A. Answers to interrogatories and responses to requests for document production, entry for inspection, or other purposes shall be served within ten (10) calendar days of service of the interrogatories or requests for production.
- B. Objections to interrogatories and/or requests for production shall be communicated orally to the propounding party within three (3) calendar days of service; unresolved objections shall be served in writing on the propounding party within five (5) calendar days of service of the interrogatories and/or requests for production.
- C. Motions to dismiss objections and/or direct the answering of interrogatories and/or requests for production shall be filed within three (3) calendar days of service of written objections.
- D. Answers to motions to dismiss objections and/or direct the answering of interrogatories and/or requests for production shall be filed within three (3) calendar days of service of such motions.
- E. Requests for admission be deemed admitted unless answered within ten (10) days or objected to within five (5) days of service.

- F. Discovery requests and discovery related pleadings (such as objections, motions, and answers to same) served after 4:30 p.m. Monday through Thursday or after 12:00 p.m. on a Friday or the day preceding a holiday shall be deemed to have been served on the next business day.
- G. Answers to on the Record Data requests will be served within five (5) calendar days.

The OCA notes that it may use informal discovery in this case and will work with CWC to ensure that discovery is completed efficiently and effectively.

IX. SETTLEMENT

The OCA is willing to participate in settlement discussions.

Respectfully Submitted,

/s/ Barrett Sheridan
Barrett Sheridan
Assistant Consumer Advocate
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BSheridan@paoca.org

Erin L. Gannon
Senior Assistant Consumer Advocate
PA Attorney I.D. # 83487
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Counsel for:
Patrick J. Cicero
Consumer Advocate

DATE: June 22, 2023
*347948

APPENDIX A

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : Docket Nos. R-2023-3040258
 : C-2023-3040567
 : C-2023-3040746
 Columbia Water Company :

PROPOSED PROCEDURAL SCHEDULE

Company Base Rate Filing	April 28, 2023
Company Errata	May 18, 2023
Company Direct – Statements 1, 2, 4	Tuesday, June 13, 2023
Company Direct – Statement 3	Wednesday, June 21, 2023
Prehearing Conference	Friday, June 23, 2023
Public Input Hearing (possible dates)	July 11, 12, 13, 18 or 20
Direct Testimony of Non-Company Parties	Tuesday, August 1, 2023
Rebuttal Testimony – All parties, All issues	Monday, August 14, 2023
Surrebuttal Testimony	Tuesday, August 22, 2023 (by noon)
Written Rejoinder	Friday, August 25, 2023
Evidentiary Hearings	Tuesday, August 29, 2023
Main Briefs	September 12, 2023
Reply Briefs	September 21, 2023
End of Suspension Date	January 27, 2024