

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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SECRETARY'S BUREAU

Pennsylvania Public Utility Commission

v.

Pennsylvania Utility Company - Water
Division

Docket Nos. R-2009-2103937
C-2009-2145052

Pennsylvania Public Utility Commission

v.

Pennsylvania Utility Company -
Wastewater Division

Docket Nos. R-2009-2103980
C-2009-2145166

PREHEARING MEMORANDUM OF PENNSYLVANIA UTILITY COMPANY

Pennsylvania Utility Company ("PA Utility" or "Company") files its prehearing memorandum pursuant to the Prehearing Order issued in the above matters on January 13, 2010.

PROCEDURAL HISTORY

On October 30, 2009, the Company filed Supplement No. 1 to Tariff Water-Pa. P.U.C. No. 1 (Corrected to Supplement No. 2 to Tariff Water-Pa. P.U.C. No. 1) and Supplement No. 1 to Tariff Wastewater-Pa. P.U.C. No. 1 (Corrected to Supplement No. 2 to Tariff Wastewater-Pa. P.U.C. No. 2) to become effective December 29, 2009. The water tariff supplements contained proposed changes in rates, rules, and regulations calculated to produce \$112,309 (69.4%) in additional annual revenues based on a future test year ended December 31, 2009. The wastewater tariff supplements contained proposed changes in rates, rules, and regulations calculated to produce \$369,827 (232.8%) in additional annual revenues based on a future test year ended December 31, 2009.

On December 3, 2009, the Office of Consumer Advocate (“OCA”) filed a complaint in both rate cases docketed at C-2009-2145052 (Water) and C-2009-2145166 (Wastewater). On January 13, 2010, the Office of Trial Staff (“OTS”) formally entered an appearance in both cases.

Various water and wastewater customers have filed formal complaints to which the Company filed no-response letters pursuant to 52 Pa. Code § 5.61(d). The names and docket numbers for the formal complaints are as follows:

Water

Baron and Alice Lewis (C-2009-2140799)
Jean Souders (C-2009-2141748)
Mark Moorhead (C-2009-2142583)
Nelson and Dinelia Miro (C-2009-2145804)
Martin Gallas(C-2009-2149055)
Ronald M. and Janice E. Fraioli (C-2010-2150583).

Wastewater

Baron and Alice Lewis (C-2009-2140827)
Mark Moorhead (C-2009-2141385)
Martin Gallas (C-2009-2149030)
Ronald M. and Janice E. Fraioli (C-2010-2150608).

By orders entered December 17, 2009, the Company’s water and wastewater filings were suspended by operation of law pursuant to 66 Pa. C.S. §1308(d) until July 29, 2010, unless permitted by Commission Order to become effective at an earlier date. By letter dated January 4, 2010, the Company agreed to mediate the water and sewer rate cases currently before the Public Utility Commission at dockets R-2009-2103937 and R-2009-2103980, respectively. The Company voluntarily agreed to extend the suspension periods in both cases for an additional 60 days, until September 28, 2010.

Mediation has been scheduled for January 25, 2010, following the Presiding Officer's prehearing conference. The Company submits the following Prehearing Memorandum:

SERVICE

One copy of all documents should be served on the following:

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CONSOLIDATION

PA Utility has not requested consolidation of the water and wastewater dockets. However, the Company is willing to discuss whether consolidation is appropriate. The Company believes that even if the matters are not consolidated, certain economies can be achieved by conducting the prehearing conference for both cases at the same time and by having both cases follow a similar or same litigation schedule.

DISCOVERY

Both the OCA and OTS are pursuing discovery concerning the Company's requested water and wastewater rate increases. The Company is cooperating with those discovery requests and to date has served several sets of responses to discovery propounded by OCA and OTS for both the water and wastewater dockets. The Company has not yet propounded discovery to OCA or OTS. The Company proposes

that the parties agree to work cooperatively to provide timely responses to interrogatories or informal questions on the testimony filed by the Company, the OCA, and OTS.

SETTLEMENT

The parties have not discussed settlement as yet. However, the Company has agreed to mediation and is willing to discuss settlement with the parties to this matter with the objective that this case can be settled or mediated without litigation. The Company proposes an informal settlement conference among the parties the week of February 8, 2010, which is two weeks after the initial mediation session.

ISSUES

At the present time, the Company has identified the following issues for resolution in this proceeding: (1) the lawfulness, justness and reasonableness of the existing water and wastewater rates of the Company; (2) the lawfulness, justness and reasonableness of the rates, rules and regulations contained in proposed Tariff Water-Pa. P.U.C. No. 1 (Corrected to Supplement No. 2 to Tariff Water-Pa. P.U.C. No. 1) and Supplement No. 1 to Tariff Wastewater-Pa. P.U.C. No. 1 (Corrected to Supplement No. 2 to Tariff Wastewater-Pa. P.U.C. No. 1); and (3) whether the current and proposed water and wastewater operations of PA Utility comply with all existing Commission requirements. The Company reserves the right to provide evidence and testimony on additional issues identified in this case.

PROPOSED PLAN AND SCHEDULE FOR DISCOVERY

The parties have conferred regarding scheduling. The Company conferred with the OCA and the Company does not object to the OCA's proposed changes to the

tentative schedule issued by the Presiding Officer. As noted above, the Company proposes an informal settlement conference among the parties the week of February 8, 2010, which is two weeks after the initial mediation session. The Company anticipates that the parties will finalize at the prehearing conference a proposed litigation schedule acceptable to the parties and will be in a position to discuss and resolve scheduling issues (if any) at the prehearing conference with the Presiding Officer. The Company agrees with OTS' proposal that electronic delivery of documents with a follow-up hard copy provided by regular first class mail for satisfies in-hand requirements for discovery responses, prepared testimony and briefs.

WITNESSES

At the present time, the Company anticipates presenting the following individuals as witnesses. The Company reserves the right to present additional witnesses depending on the issues raised by the OCA and OTS in this proceeding.

1. Scott A. Fogelsanger – Mr. Fogelsanger is Principal of AUS Consultants. Mr. Fogelsanger will testify on the rate studies he has prepared for the Company and the proposed rate of return for the Company which will be introduced into evidence in these proceeding in support of the proposed water and sewer rate increases. Mr. Fogelsanger's address is 275 Grandview Avenue, Suite 100, Camp Hill, PA 17011. (Phone 717-763-9890); (Fax 717-763-9931) (e-mail: sfogelsanger@wfw-ausinc.com).

2. Jan Springman – Ms. Springman is the manager of Pennsylvania Utility Company. Ms. Springman will testify on the facilities and operations of the Company. Ms. Springman's address is 234 The Glen, Tamiment, PA 18371 (e-mail: jspringman@hotmail.com).

Respectfully submitted,



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Dated: January 21, 2010

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