



17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
717-731-1970 Main
717-731-1985 Fax
www.postschell.com

David P. Zambito

dzambito@postschell.com
717-612-6052 Direct
717-731-1985 Fax
File #: 3411/147387

July 13, 2011

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**RE: Pennsylvania Public Utility Commission, et al. v. United Water Pennsylvania Inc.
Docket Nos. R-2011-2232985, C-2011-2243146 and C-2011-2243242**

PREHEARING MEMORANDUM OF UNITED WATER PENNSYLVANIA INC.

Dear Secretary Chiavetta:

Enclosed are the original and three (3) copies of United Water Pennsylvania Inc.'s Prehearing Memorandum in the above-referenced proceeding. Copies have been served per the attached Certificate of Service.

Thank you for your attention to this matter. If you have any questions regarding this filing, please direct them to me. Please date-stamp the extra copy and return it with our messenger.

Sincerely,

David P. Zambito
Counsel for *United Water Pennsylvania Inc.*

DPZ/kmg
Enclosures

cc: Certificate of Service
Honorable David A. Salapa (via e-mail and first class mail)
Honorable Mary D. Long (via e-mail and first class mail)

ALLENTOWN HARRISBURG LANCASTER PHILADELPHIA PITTSBURGH PRINCETON WASHINGTON, D.C.

A PENNSYLVANIA PROFESSIONAL CORPORATION

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
Office of Small Business Advocate,	:	
Office of Consumer Advocate,	:	Docket Nos. R-2011-2232985
	:	C-2011-2243146
v.	:	C-2011-2243242
	:	
United Water Pennsylvania Inc.	:	

**PREHEARING CONFERENCE MEMORANDUM OF
UNITED WATER PENNSYLVANIA INC.**

**TO ADMINISTRATIVE LAW JUDGES
DAVID A. SALAPA AND MARY D. LONG:**

United Water Pennsylvania Inc. ("UWPA"), by and through its attorneys, Post & Schell, P.C., hereby files this Prehearing Memorandum in the above-captioned matter, and states as follows:

I. OVERVIEW OF PROCEDURAL HISTORY

1. On May 9, 2011, UWPA filed Supplement No. 23 to Tariff Water -- Pa. P.U.C. No. 7 ("Supplement No. 23") to become effective July 8, 2011, containing proposed changes in rates, rules, and regulations calculated to produce \$2,823,179 (8.6%) in additional annual revenues based on a future test year ending December 31, 2011. The following materials were submitted as supporting data as required pursuant to 52 Pa. Code §§ 53.52 and 53.53:

- (a) Filing Requirements I through XI;
- (b) Actuarial Studies;
- (c) Exhibits;

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- (d) Direct Testimony of John D. Hollenbach, Statement No. 1;
- (e) Direct Testimony of David G. Njuguna, Statement No. 2;
- (f) Direct Testimony of Peiling Lin, Statement No. 3;
- (g) Direct Testimony of Elda Gil, Statement No. 4;
- (h) Direct Testimony of James C. Cagle, Statement No. 5;
- (i) Direct Testimony of Paul R. Herbert. Statement No. 6;
- (j) Direct Testimony of Pauline M. Ahern, Statement No. 7; and,
- (k) Direct Testimony of Bruce G. Hawthorne, Statement No. 8.

2. Pursuant to 66 Pa. C.S. §1308(d) and by Commission order entered June 30, 2011, the filing was suspended by operation of law on July 8, 2011, until February 8, 2012, unless permitted by Commission order to become effective at an earlier date. On June 30, 2011, UWPA filed Supplement No. 25 to Tariff Water -- Pa. P.U.C. No. 7 suspending Supplement No. 23 in compliance with the Commission's June 30, 2011 Order.

3. The Office of Consumer Advocate ("OCA") filed a Formal Complaint at Docket No. C-2011-2243242 that was served by the Commission's Secretary on May 25, 2011.

4. The Office of Small Business Advocate ("OSBA") filed a Formal Complaint at Docket No. C-2011-2243146 that was served by the Commission's Secretary on May 25, 2011.

5. The Commission's Office of Trial Staff ("OTS") filed a Notice of Appearance on June 7, 2011.

6. By Notice dated June 30, 2011, a Prehearing Conference was schedule for July 14, 2011 at 10:00 a.m. at Hearing Room 3, Commonwealth Keystone Building, 400 North Street, Harrisburg, PA 17120 before the Honorable Administrative Law Judges David A. Salapa and Mary D. Long.

7. On July 13, 2011, UWPA served the Supplemental Direct Testimony of James C. Cagle, Statement No. 5 (Supp.), and accompanying Schedules.

II. SERVICE OF DOCUMENTS

8. Please list David P. Zambito on the service list on behalf of UWPA. Mr. Zambito's contact information is as follows:

David P. Zambito, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101
Phone: 717-612-6052
Fax: 717-731-1985
E-mail: dzambito@postschell.com

UWPA agrees to receive service of documents electronically in this proceeding. Further, to the extent that materials are available electronically, it is requested that copies be served upon Michael W. Hassell at mhassell@postschell.com and Christopher T. Wright at cwright@postschell.com.

9. UWPA's attorneys are authorized to accept service on behalf of UWPA in this proceeding. UWPA requests that the Commission and all parties serve copies of all discovery requests and answers, correspondence, Commission Orders, and any other documents issued in this proceeding on its attorneys in Harrisburg, Pennsylvania.

III. ISSUES AND WITNESSES

10. The scope of this proceeding includes the following issues for which UWPA has the burden of proof:

- (a) Rate base;

- (b) Existing and future revenue;
- (c) Taxes;
- (d) Rate of return;
- (e) Operating and maintenance expenses;
- (f) Rate structure;
- (g) Other tariff changes; and,
- (h) Quality of service.

11. UWPA presently intends to offer the following witnesses to testify in this proceeding on the following subject matters:

- | | |
|---|---|
| <p>A. John D. Hollenbach,
General Manager and Vice President
United Water Pennsylvania Inc.
4211 East Park Circle
Harrisburg, PA 1711</p> | <p>a. Capital additions
b. Controlling costs and rates
c. Changes in costs
d. Water quality and customer service
e. Changes in UWPA Rules and Regulations</p> |
| <p>B. David G. Njuguna
Senior Rate Analyst
United Water Management Services Co.
200 Old Hook Road
Harrington Park, NJ 07640</p> | <p>a. Revenue deficiency
b. Summary of ratemaking adjustments
c. Income taxes – current and deferred</p> |
| <p>C. Peiling Lin
Senior Regulatory Accountant
United Water Management Services Co.
200 Old Hook Road
Harrington Park, NJ 07640</p> | <p>a. Future Test Year normalized revenues
b. Cash working capital requirement</p> |
| <p>D. Elda Gill
Senior Rate Analyst
United Water Management Services Co.
200 Old Hook Road
Harrington Park, NJ 07640</p> | <p>a. Analysis of and development of pro forma adjustments to Operation and Maintenance expenses and taxes other than income taxes</p> |
| <p>E. James C. Cagle
Vice President– Regulatory Business
United Water Management Services Co.
200 Old Hook Road
Harrington Park, NJ 07640</p> | <p>a. Amortization of the Customer Information System
b. Adjustment for consolidated income taxes</p> |

- | | | |
|----|---|--|
| F. | Paul R. Herbert
President of the Valuation and Rate
Division
Gannett Fleming, Inc.
207 Senate Avenue
Camp Hill, PA 17011 | a. Cost of service allocation and rate design study
b. Customer class demand study |
| G. | Pauline M. Ahern
Principal
AUS Consultants
155 Gaither Drive, Suite A
Mt. Laurel, NJ 08054 | a. Appropriate overall rate of return, including
common equity cost rate, long-term debt cost
rates, and capital structure |
| H. | Bruce G. Hawthorne
President
Hawthorne Associates, Inc.
200 Lamerson Road
Chester, NJ 07930 | a. The development, evaluation, and selection of a
new customer information system |

12. UWPA reserves the right to call additional witnesses and present testimony on additional issues that may arise during the course of the proceeding.

IV. DISCOVERY

13. To date, UWPA has received and responded to interrogatories and request for production of documents from the other parties. UWPA has engaged in some informal discovery, and encourages the further use of informal discovery processes as the proceeding progresses. UWPA is not aware of any discovery difficulties.

14. UWPA proposes two modifications to the Commission’s standard discovery rules at 52 Pa. Code § 5.321 *et seq.* First, UWPA proposes that discovery requests served after noon on a Friday or the business day before a state-recognized holiday be deemed served on the next following business day. Second, UWPA proposes that, because of relatively short periods of time for preparation of Rebuttal and Surrebuttal Testimony, answers to written discovery

requests be served in-hand within ten (10) days of service of discovery requests which are served after the due date for Other Parties' Direct Testimony. Objections to such requests should be made orally within three (3) days and in writing within five (5) days. The other parties have indicated that they do not oppose these modifications.

V. LITIGATION SCHEDULE

15. All of the parties to this proceeding have agreed to the following schedule and request its adoption:

Prehearing Conference	July 14, 2011
Other Parties' Direct Testimony	August 5, 2011 (Accounting, August 9, 2011)
Rebuttal Testimony	September 1, 2011 (Accounting, September 6, 2011)
Surrebuttal Testimony	September 14, 2011 (Accounting, September 15, 2011)
Evidentiary Hearings (with Oral Rejoinder)	September 19-21, 2011
Main Briefs	October 11, 2011
Reply Briefs	October 24, 2011

16. *The preceding dates for testimony are agreed to be "in-hand" delivery.* Testimony and exhibits shall be delivered electronically by 4:30 p.m. on the due date, with follow-up hard copies by first-class mail or hand delivery.

17. UWPA witness Pauline M. Ahern (Rate of Return) is available on the above-mentioned hearing dates to testify by telephone. The other parties have consented to allow her to do so.

18. UWPA is not aware of any substantial public interest being expressed that would warrant the scheduling of a public input hearing.

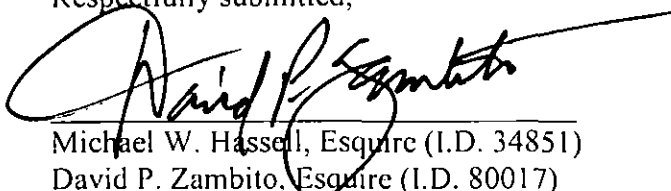
VI. PROTECTION OF CONFIDENTIAL INFORMATION

19. OTS, OCA, and OSBA have each entered into a Stipulated Protective Agreement with UWPA. Accordingly, there does not appear to be an immediate need for a Protective Order in this proceeding. Nevertheless, should the case proceed to hearing, UWPA will timely submit an appropriate Motion for Protective Order.

VII. SETTLEMENT DISCUSSIONS

20. UWPA remains open and available for settlement discussions with the other parties. UWPA expects to undertake settlement negotiations at the earliest time available.

Respectfully submitted,



Michael W. Hassell, Esquire (I.D. 34851)
David P. Zambito, Esquire (I.D. 80017)
Christopher T. Wright, Esquire (I.D. 203412)
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101
Telephone: 717-612-6052
Facsimile: 717-731-1985
E-mail: mhassell@postschell.com
E-mail: dzambito@postschell.com
E-mail: cwright@postschell.com

Dated: July 13, 2011

Counsel for United Water Pennsylvania Inc.

CERTIFICATE OF SERVICE
Docket No. R-2011-2232985

I hereby certify that I have this day served true and correct copies of United Water Pennsylvania Inc.'s Prehearing Memorandum upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

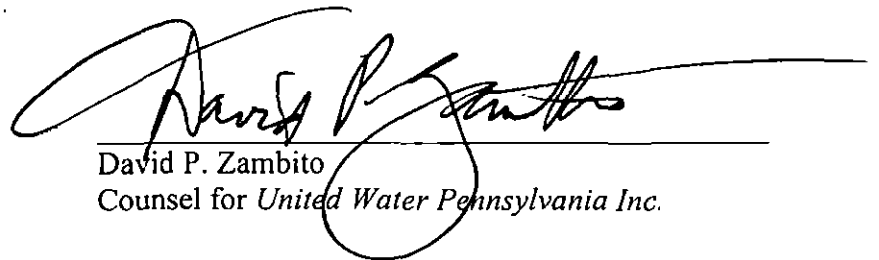
VIA ELECTRONIC MAIL AND FIRST CLASS MAIL:

Daniel G. Asmus, Esquire
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101-1303
dasmus@state.pa.us
C-2011-2243146

Dianne E. Dusman, Esquire
Candis A. Tunilo, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
DDusman@paoca.org
CTunilo@paoca.org
C-2011-2243242

Richard A. Kanaskie, Senior Prosecutor
Carrie B. Wright, Prosecutor
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
Office of Trial Staff
400 North Street – 2 West
PO Box 3265
Harrisburg, PA 17105-3265
rkanaskie@state.pa.us
carwright@state.pa.us

DATED: July 13, 2011



David P. Zambito
Counsel for *United Water Pennsylvania Inc.*

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