

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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August 5, 2014

Honorable Darlene D. Heep and  
Honorable Christopher P. Pell  
Office of Administrative Law Judge  
PA Public Utility Commission  
801 Market Street, Suite 4063  
Philadelphia, Pa 19107

Re: Pa. Public Utility Commission  
v.  
Pocono Waterworks Company, Inc.  
Water Division  
Docket No. R-2014-2420204  
C-2014-2431197  
C-2014-2434257

Dear Judges Heep and Pell:

Enclosed please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceeding.

The original has been electronically filed with the Secretary's Office and copies have been served upon the parties as evidenced by the attached Certificate of Service.

Respectfully submitted,

*Chris Hoover / O.A.L.*

Christine Maloni Hoover  
Senior Assistant Consumer Advocate  
PA Attorney I.D. #50026

Lauren M. Burge  
Assistant Consumer Advocate  
PA Attorney I.D. #311570

Enclosures

cc: Secretary Rosemary Chiavetta  
Certificate of Service

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION	:	
OFFICE OF CONSUMER ADVOCATE	:	
MR. AND MRS. ATTILIO GIANNOTTI	:	Docket No. R-2014-2420204
	:	C-2014-2431197
v.	:	C-2014-2434257
	:	
POCONO WATERWORKS COMPANY	:	
WATER DIVISION	:	

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PREHEARING MEMORANDUM  
OF THE  
OFFICE OF CONSUMER ADVOCATE

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Pursuant to the Prehearing Order issued in this case by presiding Administrative Law Judges Darlene Heep and Christopher Pell (ALJs) on July 29, 2014 and Section 333 of the Public Utility Code, 66 Pa.C.S. §333, the Office of Consumer Advocate (OCA) provides the following information:

**I. BACKGROUND**

On May 30, 2014, the Pocono Waterworks Company – Water Division (Pocono or the Company) filed Supplement No. 1 to Tariff Water – Pa. P.U.C. No. 2, to become effective on August 4, 2014. Pocono, by filing this tariff supplement, sought Public Utility Commission (PUC or Commission) approval of rates and rate changes that would increase the level of rates that it charges for providing services to its customers.

In Supplement No. 1 Pocono proposed an estimated annual increase in base rate revenues of \$60,456 from its customers. This represents an approximate 52% increase in the Company's annual revenues at present rates. If the Company's entire request is approved, the total bill for a residential customer (not living in the Pine Grove Estates service area) using 3,639 gallons per month would increase from \$35.39 to \$48.87, or by \$13.48 or 38%; the total bill for a residential customer living in the Pine Grove Estates service area using 8,125 gallons per quarter would increase from \$35.50 to \$67.34, or by \$31.84 or 89.7%. The Company also proposes to move from quarterly billing to monthly billing.

Pocono serves 313 water customers in the Township of Damascus, portions of Salem and Lake Townships, Wayne County; and portions of Jefferson Township, Lackawanna County Pennsylvania.

Pursuant to 66 Pa.C.S. §1308(d), by Order entered on July 24, 2014, Pocono's filing was suspended by operation of law until March 4, 2015, unless permitted by Commission Order to become effective at an earlier date.

On July 9, 2014, the OCA filed a Formal Complaint and Public Statement. In its Formal Complaint, the OCA submitted that a preliminary examination of Pocono's rate increase request indicated that present rates and proposed charges, increases and changes in rates, rules and regulations contained within the request may be unjust, unreasonable, and in violation of law; may allow the Company an opportunity to recover an excessive rate of return in violation of the Public Utility Code; may compensate the Company for providing inadequate service to some or all of its customers; and otherwise may be contrary to sound ratemaking principles and public policy.

## **II. SERVICE ON THE OCA**

The OCA will be represented in this proceeding by Senior Assistant Consumer Advocate Christine Maloni Hoover. Two copies of all documents should be served on the OCA as follows:

Christine Maloni Hoover  
Senior Assistant Consumer Advocate  
Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Telephone: (717) 783-5048  
Facsimile: (717) 783-7152  
Email: [CHoover@paoca.org](mailto:CHoover@paoca.org)

In order to expedite the resolution of this proceeding, the OCA also requests that copies of all interrogatories, testimony and answers to interrogatories be mailed and e-mailed directly to the expert witnesses, as well as mailing and e-mailing a copy to counsel for the OCA. The OCA will extend the same courtesy to any other parties requesting that additional persons be included on the e-mail distribution list.

## **III. ISSUES**

With respect to rate base, the OCA is reviewing the Company's claim for plant in service and materials and supplies. The items of net operating income under review include the appropriate level of revenues and the test year expenses and pro forma expense increases. The OCA is also reviewing the reasonableness of the Company's rate of return claims, including capital structure and the cost of equity. The OCA will also examine whether the Company is providing its current and future customers with adequate, efficient, safe and reasonable service. Should it be necessary to proceed to litigation, the OCA will be able to set forth and quantify its

specific recommendations in its direct testimony, after it has reviewed Pocono's discovery responses and informally discussed issues of concern with Pocono, and reviewed Pocono's direct testimony. All testimony will be supported by exhibits and explanatory schedules.

#### **IV. WITNESSES**

The OCA intends to present the direct, rebuttal and surrebuttal testimony, as may be necessary, of the following witness in this proceeding. The witness will present testimony in written form and will also attach various exhibits, documents and explanatory information that will assist in the presentation of the OCA's case. The OCA's witness is:

Accounting and Regulatory Policy:  
Ashley Everette  
Office of Consumer Advocate  
555 Walnut Street, Forum Place 5th  
Floor  
Harrisburg PA 17101-1923  
Telephone: (717) 783-5048  
Telecopier: (717) 783-7152  
Email: [aeverette@paoca.org](mailto:aeverette@paoca.org)

The OCA specifically reserves the right to call additional witnesses and to expand the issues addressed in testimony, as necessary. If the OCA determines that an additional witness or witnesses is necessary for any portion of its case, it will notify all parties of record immediately.

#### **V. DISCOVERY**

The OCA has served two sets of interrogatories on the Company. As of August 5, there are a number of overdue responses, as set forth below:

OCA Set I

Served July 10, 2014

Due July 25, 2014

Outstanding and overdue: Responses to Questions 10, 15, 16

OCA Set II

Served July 11, 2014

Due July 28, 2014

Outstanding and overdue: Response to Questions 1, 2,3 ,4 ,5, 6, 10, 11, 12, 13, 14,  
15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 27,  
28, 30, 31, 32, 33, 34, 35, 36, 37, 40, 41, 42

The OCA initiated discovery very early in the process in order to allow sufficient time for Pocono to answer the questions either formally or informally. The OCA is willing to discuss a firm deadline for the overdue responses to the OCA's initial discovery.

**VI. PUBLIC INPUT HEARINGS**

The OCA is unaware of any specific consumer requests for public input hearings in this matter to date. However, if the OCA becomes aware of substantial consumer interest, the OCA will promptly notify the Administrative Law Judge and parties to request a public input hearing.

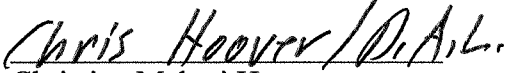
**VII. SETTLEMENT**

The OCA is willing to participate in settlement discussions.

## VIII. PROPOSED SCHEDULE

The OCA is willing to work with the parties and the ALJs to arrive at a schedule for litigation.

Respectfully Submitted,

  
Christine Maloni Hoover  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 50026  
E-Mail: CHoover@paoca.org

Counsel for:  
Tanya J. McCloskey  
Acting Consumer Advocate

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August 5, 2014  
187861

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission  
v.  
Pocono Waterworks Company, Inc. –  
Water Division

Docket No. R-2014-2420204  
C-2014-2431197  
C-2014-2434257

I hereby certify that I have this day served a true copy of the foregoing document, Formal Complaint and Public Statement of the Office of Consumer Advocate, 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:

Dated this 5th day of August 2014.

SERVICE INTER-OFFICE MAIL

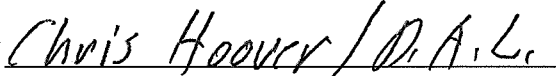
Carrie B. Wright  
Bureau of Investigation & Enforcement  
Pa. Public Utility Commission  
400 North Street  
Harrisburg, PA 17120

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Janet L. Miller  
JL Miller Consulting, LLC  
413 Mountain Road  
Millerstown, PA 17062

John R. Evans, Small Business Advocate  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, PA 17101

Mr. and Mrs. Attilio Giannotti  
23 Edward Road  
Beach Lake, PA 18405

  
Christine Maloni Hoover  
Senior Assistant Consumer Advocate  
PA Attorney I.D. #50026  
Email: [CHoover@paoca.org](mailto:CHoover@paoca.org)

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