



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

August 4, 2017

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Petition of Pennsylvania-American Water Company for Approval of Tariff
Changes and Accounting and Rate Treatment Related to Replacement of
Lead Customer-Owned Service Pipes
Docket No. P-2017-2606100

Dear Secretary Chiavetta:

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

Copies are being served on parties as identified in the attached certificate of
service. If you have any questions, please contact me at (717) 783-6156.

Sincerely,

Carrie B. Wright
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #208185

CBW/snc
Enclosure

cc: Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pennsylvania-American Water	:	
Company for Approval of Tariff Changes	:	
and Accounting and Rate Treatment	:	Docket No. P-2017-2606100
Related to Replacement of Lead	:	
Customer-Owned Service Pipes	:	

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated August 4, 2017, 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 and First Class Mail

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Carrie B. Wright
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #208185

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pennsylvania-American Water	:	
Company for Approval of Tariff Changes	:	
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Related to Replacement of Lead	:	
Customer-Owned Service Pipes	:	

PREHEARING MEMORANDUM OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT

TO ADMINISTRATIVE LAW JUDGE ELIZABETH H. BARNES:

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 Wright. Contact information is as follows:

By mail:	Carrie B. Wright, Esq. Pennsylvania Public Utility Commission P.O. Box 3265 Harrisburg, PA 17105-3265
By e-mail:	carwright@pa.gov
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I. INTRODUCTION

On May 22, 2017, Pennsylvania American Water Company (“PAWC”) filed a petition with the Commission seeking tariff amendments that will allow for the removal of lead service lines not owned or maintained by the Company. This petition was entitled *Petition of Pennsylvania-American Water Company for Approval of Tariff Changes and Accounting and Rate Treatment Related to Replacement of Lead Customer-Owned Service Pipes* (“Petition”). As outlined in this petition, water service lines components are owned separately by PAWC and by consumers. The former extending from the water main to a curb stop or valve and the latter extending from the curb stop or valve to the premises.¹ These components are maintained by their respective owners.

PAWC’s proposal is divided into two components. The first component will entail the replacement of lead service lines encountered during main or service line replacements undertaken by the Company.² The second component entails the company replacing service lines at the request of a customer following confirmation that the service line is, in fact, lead. This will be done after a “reasonable number” of requests are received in a certain area.³ In both components, the company would return ownership and maintenance responsibility of the customer-owned portion of the service lines back to the customer after the replacements are complete. The estimated cost per replacement is

¹ Petition P. 5.
² Petition P. 8.
³ Petition Pp. 9-10.

approximately \$3,500 and PAWC has proposed a budget cap of \$6 million per year.⁴

PAWC is proposing to recover the costs associated with this through its Distribution System Improvement Charge (“DSIC”) and thereby earn a return on the portion of the service lines that it would not own or maintain.⁵

This matter was suspended following answers by I&E and the Office of Consumer Advocate that were both filed on June 12, 2017. A Prehearing Conference is now scheduled for August 8, 2017, with Administrative Law Judge Elizabeth Barnes presiding.

II. ISSUES

The following list represents I&E’s preliminary determination of the potential issues in this case. 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:

- Subsidization of Costs
- Ownership/Maintenance of Service Lines
- Cost Recovery Mechanisms
- Public Safety
- Limitations on Tariff Exceptions
- Implementation Timeframe

⁴ Petition P. 10.

⁵ Petition Pp. 15-16.

Again, this determination has been made without the benefit of complete discovery or analysis of the positions of other parties to this proceeding, I&E respectfully reserves the right to address issues raised in direct, rebuttal, or surrebuttal testimony or any other issues that become apparent at a later point in time or to remove issues from this list as fitting.

III. WITNESSES

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

- Sunil Patel, *Fixed Utility Valuation Engineer*
- Robert Horensky, *Fixed Utility Valuation Engineer*
- Ethan Cline, *Fixed Utility Valuation Engineer*
- Rachel Maurer, *Fixed Utility Financial Analyst*

The I&E witnesses may be contacted through the information listed above for undersigned prosecutor. 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 names of the witnesses listed above.

IV. EVIDENCE

I&E expects to present any 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. SCHEDULE

I&E has no objection to the schedule presented by the Company

VI. SERVICE OF DOCUMENTS AND DISCOVERY MODIFICATIONS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first class mail.

VII. 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,



Carrie B. Wright, Esq.
Prosecutor
PA Attorney I.D. # 208185

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265

Dated: August 4, 2017