

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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August 18, 2017

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

Re: Pa. Public Utility Commission
v.
Columbia Water Company
Docket No. R-2017-2598203

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

A handwritten signature in blue ink that reads "Christ Maloni Hoover".

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

Attachment

cc: Administrative Law Judge
Certificate of Service

*238585

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
v. : Docket No. R-2017-2598203
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:

Dated this 18th day of August 2017.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

Erika McLain, Esquire
Scott B. Granger, Esquire
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

SERVICE BY E-MAIL & FIRST CLASS MAIL, POSTAGE PREPAID

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Office of Small Business Advocate
300 North Second Street
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Harrisburg, PA 17101

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Thomas J. Sniscak, Esquire
Christopher M. Arfaa, Esquire
William E. Lehman, Esquire
Hawke, McKeon & Sniscak LLP
100 North Tenth Street
Harrisburg, PA 17101

Donna Hess
339 East Walnut Street
Marietta, PA 17547

/s/ Christine Maloni Hoover
Christine Maloni Hoover
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Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
Dated: August 18, 2017
*238584

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	
	:	
v.	:	Docket No. R-2017-2598203
	:	
	:	
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 August 4, 2017 Prehearing Conference Order issued in the above-captioned proceeding, the Office of Consumer Advocate (OCA) provides the following information:

I. PROCEDURAL HISTORY

On June 27, 2017, Columbia Water Company (Columbia Water or the Company) filed Supplement No. 86 to Tariff Water - Pa. P.U.C. No. 7 with the Pennsylvania Public Utility Commission (Commission), to become effective August 29, 2017. The Company, by filing this tariff supplement, seeks Commission approval to consolidate the rates of all customers in the Columbia Division and the Marietta Division and rate changes that would increase the level of rates that it charges for providing service to its customers. The Company serves approximately 10,223 customers (9,537 residential) in the Townships of West Hempfield, Rapho, East Donegal,

and Manor and the Boroughs of Columbia, Mountville, and Marietta in Lancaster County and Hellam Township in York County.

If the proposed tariff supplement becomes effective, the Company will benefit from an opportunity to recover an estimated annual increase in base rate revenues of \$923,668 from its customers. This represents an approximate 17.8% increase in the Company’s annual revenues at present rates. The Company proposes to consolidate the rates for the Columbia Division and the Marietta Division in this case. The current monthly bill for a customer using 3,000 gallons of water with a 5/8” meter is \$36.97 for a Columbia Division customer and \$23.88 for a Marietta Division customer. The calculation of these amounts is shown below:

	Customer Charge	Volumetric Charge (3,000 gall.)	Total Bill Before Surcharges	DSIC	Pennvest Surcharge	Total Bill Including Surcharges
Columbia Division	\$9.35	\$19.41	\$28.76	\$0.31	\$7.90	\$36.97
Marietta Division	\$6.80	\$16.53	\$23.33	-	-	\$23.33

Under the Company’s proposals, which include a total increase of \$923,668 and full consolidation of the rates of the Columbia Division and Marietta Division, the Company would charge a customer with a 5/8” meter using 3,000 gallons a month a monthly bill of \$39.50.

	Customer Charge	Volumetric Charge (3,000 gall.)	Total Bill Before Surcharges	DSIC	Pennvest Surcharge (Proposed)	Total Bill Including Surcharges
Proposed Rates	\$10.59	\$21.96	\$32.55	-	\$6.95	\$39.50

This proposal represents an increase of 7% over current Columbia Division rates and an increase of 69% over current Marietta Division rates. These proposed increases are shown in the chart below:

	Current Bills (calc. above)	Proposed Bills	Monthly Increase	Increase Percentage/
Columbia Division	\$36.97	\$39.50	\$2.53	7%
Marietta Division	\$23.33	\$39.50	\$16.17	69%

The Commission’s Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on July 17, 2017. On July 19, 2017, the OCA and the Office of Small Business Advocate (OSBA) filed Formal Complaints and Public Statements with the Commission. On August 3, 2017, the Commission issued an Order initiating an investigation into the lawfulness, justness and reasonableness of the proposed rate increase in this tariff filing, and suspended the effective date of the proposed Supplement No. 86 to Tariff Water – Pa. P.U.C. No. 7 until March 29, 2018, by operation of law. The Commission assigned the case to Administrative Law Judges (ALJs) Andrew Calvelli and Joel Cheskis. ALJs Calvelli and Cheskis have scheduled an in-person Prehearing Conference for August 25, 2017.

The OCA has determined that the notice that was sent to Marietta Gravity Division customers did not fully reflect the Company’s proposed rate increases for those customers. The OCA is working with the Company on a revised notice to those customers. As discussed below, the necessary revisions to the notice may have an impact on the timing of the Public Input Hearings in this case.

II. ISSUES AND SUB-ISSUES

The OCA seeks to ensure that Columbia Water is permitted to implement only those rates that are fully justified and in accordance with sound ratemaking principles. The OCA will strive to prevent the Company from collecting all alleged costs that cannot be justified, or are unreasonable or unduly discriminatory, or otherwise violate the Public Utility Code. The OCA

submits that the Company's current rates and the rates sought by the Company may be unjustifiable and unlawful based upon information filed by Columbia Water to support its claim.

The OCA has several issues it is prepared to investigate. First, the OCA will examine the Company's proposal to consolidate the customer rates and determine whether consolidation is more appropriately accomplished gradually, over several proceedings. Second, the OCA will examine the Marietta Division customers' assumption of the Columbia Division's PennVest surcharge due to this consolidation.

In addition to these issues, after completing discovery, and reviewing the Company's direct testimony, the OCA will file direct testimony that will set forth additional specific issues to be addressed in this proceeding. Generally, in addition to the issues mentioned above, the OCA is reviewing issues related to rate base, revenues, and expense claims, rate of return, including capital structure, cost of debt, and cost of equity, rate design, tariff rules and regulations, and quality of service.

III. WITNESSES

The OCA intends to present the direct, rebuttal and surrebuttal testimonies, as may be necessary, of the below witnesses in this proceeding. The witnesses will present testimony in written format and may also attach various exhibits, documents and explanatory information, as necessary to assist in the presentation of the OCA's case. The OCA's witnesses in this proceeding are as follows:

Revenue Requirement and
Rate Design:

Ashley Everette, Regulatory Analyst
Office of Consumer Advocate
Forum Place, 5th Floor
555 Walnut Street
Harrisburg, PA 17101
E-mail: Aeverette@paoca.org

Rate of Return:

David C. Parcell
Technical Associates, Inc.
Suite 130
1503 Santa Rosa Road
Richmond, VA 23229
E-mail: david.parcell@tai-econ.com

The OCA reserves the right to call additional witnesses. The OCA will inform the ALJs and the parties if it determines that additional witnesses are necessary.

IV. EVIDENCE

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

V. PROPOSED SCHEDULE

The OCA's proposed litigation schedule is attached hereto as Appendix A.

VI. DISCOVERY

The OCA has served two sets of discovery to date (OCA Sets I and II). The OCA is awaiting responses to some of its discovery. Specifically, the OCA is still awaiting four responses to OCA Set I which were due on August 14, 2017. The OCA is also awaiting responses to all questions in OCA Set II which are due on August 25, 2017. Because the time-period for discovery and preparation of testimony is limited, the OCA supports a shortened discovery response time in this proceeding. The OCA, therefore, requests the following modifications to the discovery regulations:

A. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service of the interrogatories;

B. Objections to interrogatories shall be communicated orally within three (3) calendar days of service; written objections will be served within five (5) calendar days of service of interrogatories;

C. Motions to dismiss objections and/or direct the answering of interrogatories 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 shall be filed within three (3) calendar days of service of such motions;

E. Rulings over such motions will be issued, if possible, within seven (7) days of filing of the motion.

G. Answers to on-the-record data requests will be served in-hand within three (3) calendar days of the request.

H. Any discovery-related pleading such as objections, motions, or answers served on a Friday or the day before a holiday recognized by the Commission will be deemed to have been served on the following business day for purposes of tracking due dates.

VII. SERVICE ON THE OCA

The OCA will be represented in this case by Christine Maloni Hoover, Kristine E. Marsilio, Harrison Breitman, and Phillip Demanchick. 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
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Telephone: (717) 783-5048
Fax: (717) 783-7152
E-mail: CHoover@paoca.org
KMarsilio@paoca.org
HBreitman@paoca.org
PDemanchick@paoca.org

VIII. SETTLEMENT

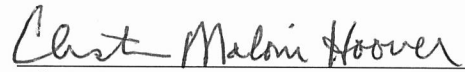
The OCA is willing to participate in settlement discussions.

IX. PUBLIC INPUT HEARINGS

The OCA requests that Public Input Hearings be held in Columbia Water's Columbia Division and, most importantly, Marietta Division. For one, the OCA is aware of at least three informal complaints related to this proceeding that have been filed with the Commission to date. Secondly, a Public Input Hearing was last held in 2013, which garnered significant public attendance. Lastly, as stated above, Columbia Water served a notice to its customers in the Marietta Division that did not reflect the 69% increase proposed for this division. This may have delayed responses by customers, but customers should have a full opportunity to be heard about such a significant increase.

The OCA requests that the public input hearing be delayed until proper and adequate notice is served to Marietta Division customers. Further, the Company, at a minimum, should place advertisements within its service territory and publications in the newspaper and on the Company's website to make its customers aware of these hearings and the magnitude of the rate increase for both divisions. The OCA will work with the Parties to coordinate a public input hearing date and location acceptable to all participants and the Presiding Officers.

Respectfully Submitted,



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Phone: (717) 783-5048
Fax: (717) 783-7152

Dated: August 18, 2017
238715

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
Office of Consumer Advocate :
 :
 v. : Docket No. R-2017-2598203
 :
Columbia Water Company :
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OFFICE OF CONSUMER ADVOCATE'S
PROPOSED LITIGATION SCHEDULE

Prehearing Conference	August 25, 2017
Company Testimony	September 1, 2017
Other Parties' Direct Testimony	September 29, 2017
Rebuttal Testimony	October 13, 2017
Surrebuttal Testimony	October 24, 2017
Outline of Expected Oral Rejoinder	October 27, 2017
Evidentiary Hearings	Oct. 31 – Nov. 1, 2017
Main Briefs	November 28, 2017
Reply Briefs	December 8, 2017