



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY PLEASE
REFER TO OUR FILE

March 1, 2019

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

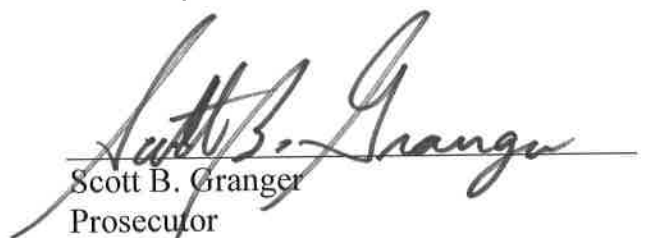
Re: Petition of Pennsylvania-American Water Company Wastewater
Operations for Approval of Modification of Long-Term Infrastructure
Improvement Plan
Docket No. P-2014-2431005

Dear Secretary Chiavetta:

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

Copies are being served on all active parties of record. If you have any questions,
please contact me at (717) 425-7593.

Sincerely,


Scott B. Granger
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No. 63641

SBG/jfm
Enclosure

cc: Hon. Joel H. Cheskis (OALJ Harrisburg)
Hon. Andrew M. Calvelli (OALJ Harrisburg)
Per Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pennsylvania-American Water :
Company Wastewater Operations for : P-2014-2431005
Approval of Modification of Long-Term :
Infrastructure Improvement Plan :

**PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT**

**TO DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE JOEL CHESKIS AND
ADMINISTRATIVE LAW JUDGE ANDREW CALVELLI:**

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 I&E Prosecutor in this proceeding will be Scott B. Granger. Contact information is as follows:

By mail: Scott B. Granger
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Harrisburg, PA 17120

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I. INTRODUCTION AND BACKGROUND:

Pursuant to Section 1352(a) of the Public Utility Code, 66 Pa.C.S. § 1352(a), and 52 Pa. Code § 121.5(a), Pennsylvania-American Water Company ("PAWC" or the "Company") filed a Petition seeking Commission approval of its modified 5-Year Wastewater Long-Term Infrastructure Improvement Plan dated October 31, 2018 ("Modified LTIIIP"). PAWC proffered that the Modified LTIIIP replaces Year 2019 of the Company's 2014 Wastewater Long-Term Infrastructure Improvement Plan, and further, includes Years 2020 through 2023. PAWC also offered that it also includes wastewater assets acquired by the Company since 2014. PAWC alleges that the Modified LTIIIP utilizes a risk-based condition approach in order to cost-effectively prioritize wastewater collection system replacement and rehabilitation projects and accelerates the rehabilitation, improvement, and replacement of aging wastewater infrastructure for wastewater systems.

PAWC asserts that as a Pennsylvania public utility, the Company is subject to the regulatory authority of the Commission. In addition, the Company avers that it must comply with drinking water, environmental and other operational standards established by the Pennsylvania Department of Environmental Protection ("DEP") and the federal Environmental Protection Agency ("EPA").

As PAWC stated, on July 3, 2014, PAWC filed a Petition for Approval of Wastewater Long-Term Infrastructure Improvement Plan ("LTIIIP") and Approval to Establish and Implement a Distribution System Improvement Charge ("DSIC") (collectively referred to as "2014 LTIIIP/DSIC Petition" or separately as "LTIIIP 2014

Petition" or "DSIC 2014 Petition"). PAWC's DSIC 2014 Petition included Supplement No. 4 to Tariff Wastewater-PA P.U.C. No. 15, to introduce the DSIC Rider into the Company's tariff, effective January 1, 2015.

On February 29, 2016, February 28, 2017 and February 27, 2018, PAWC filed its Annual Asset Optimization Plan ("AAOP") and said plans were subsequently approved. In a letter dated April 23, 2018 approving the February 27, 2018 AAOP, the Commission's Bureau of Technical Utility Service ("TUS") stated PAWC's AAOP shows the acceleration of DSIC-eligible wastewater capital investments; and, TUS directed PAWC to provide the expected date in 2018 that the Company planned to file a petition to modify its LTIIIP.

By letter dated May 2, 2018, PAWC advised TUS that the Company expected to file a petition to modify its LTIIIP on or before November 1, 2018, and by letter dated October 31, 2018, PAWC notified TUS the Company planned to file the petition to modify its LTIIIP on or before November 8, 2018. On November 8, 2018, PAWC filed a Petition for Approval of a Major Modification to its Existing Long-Term Infrastructure Improvement Plan and Approval of its Second Long-Term Infrastructure Improvement Plan ("November 2018 LTIIIP Petition"). However, TUS noted that TUS had provided guidance to PAWC regarding a Major Modification to its Existing Long-Term Infrastructure Improvement Plan rather than the filing of a Second Long-Term Infrastructure Improvement Plan. Subsequently, on December 10, 2018, PAWC filed a letter withdrawing the November 2018 LTIIIP Petition. Then, on December 12, 2018

PAWC filed this current Petition for Approval of Modification of Long-term Infrastructure Improvement Plan (“December 2018 LTIIP Petition”).

I&E filed an Answer in response to PAWC’s December 2018 LTIIP Petition on January 2, 2019.

The Office of Consumer Advocate (“OCA”) filed Comments in response to PAWC’s December 2018 LTIIP Petition on January 9, 2019.

I&E then filed an Amended Answer and Comments in response to PAWC’s December 2018 LTIIP Petition on January 10, 2019.

On February 8, 2019, the Office of Administrative Law Judge issued an Order setting the date for the Prehearing Conference in this proceeding.

A Prehearing Conference is scheduled for March 8, 2019, at 10:00 am before Deputy Chief Administrative Law Judge Joel Cheskis and Administrative Law Judge Andrew Calvelli.

II. ISSUES

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

- Long Term Infrastructure Improvement Plan expenditures.
- Risk-Based Condition Assessment Approach (“RBCAA”).
- Baseline Risk Assessment.

- Prioritizing Facility Replacement and Rehabilitation.
- “Ordinary” (base rate) infrastructure improvements versus “additional” infrastructure improvements resulting from proposed “Additional Recovery Mechanism” (“ARM”).
- Projected Annual Risk Reduction resulting from proposed accelerated infrastructure improvement schedule applying ARM.
- Projected Total Risk Reduction resulting from proposed accelerated infrastructure improvement schedule applying ARM.
- A description of the proposed improvements covered by base rates and PAWC’s DSIC in sufficient detail (including a further break-down of the proposed wastewater infrastructure improvements into “eligible property” as defined in the Public Utility Code) and incorporated into the Modified LTIP.
- PAWC’s proposed DSIC charge for each individual PAWC wastewater system as a function of percent billed to customers (Public Utility Code Section 1358) and any anticipated/potential waiver requests.
- Current pipeline/conveyance data variables, including material, install date, type, actual length, combined system status, average depth, etc. for PAWC’s pipeline and facilities.
- Identification of PAWC’s pipeline/conveyance systems, infrastructure, etc., associated with sanitary sewer overflows (“SSO”), combined sewers; the combined sewer overflow (“CSO”) mitigation/removal plan and schedule filed with the environmental authorities; and, the risks associated with the failure of not meeting the CSO separation requirements with regard to Pennsylvania and federal regulations, public health hazards and water quality standards.
- Commission Orders, PAWC transfers, and PAWC sales referenced in PAWC’s Petition.
- A complete cost benefit analysis of projected expenditures to implement the Modified LTIP and measures taken to allow the Commission to determine whether the plan is cost effective as referenced in the Public Utility Code Section 1352.
- The proposed impact of the increase in PAWC wastewater customers from 16,803 to 65,139, including an analysis of the impact of the increase in revenues associated with the increase in customers.

- PAWC’s blanket statement that “PAWC believes that PA DEP will now permit planning module approvals to resume” while referencing a reduction of sanitary sewer overflow events in the Clarion system and a reduction of infiltration and inflow in the Marcel Lakes collection system.
- The incorporation of the PA DEP planning module permit approval process into the Commission’s analysis of PAWC’s Modified LTIP and DSIC.
- Further investigation regarding recent competitively bid prices in Pennsylvania and the attendant projects as referenced by PAWC; and, the relevance and impact of non-regulatory wastewater DSIC investments.
- Petition language “risk-based condition assessment” versus Modified LTIP language “strategic condition assessment.”
- Definition of “qualified contractors.”
- Utilization of the PA One Call design notification system.
- Whether the provisions in PAWC’s proposed Modified LTIP are in the public interest.

III. WITNESSES

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

Christopher Whiteash, Pipeline Safety Engineer
 Michael Chilek, Pipeline Safety Engineer, Supervisor

The I&E witnesses may be contacted through the information listed above for Prosecutor Granger. 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 name of the witnesses listed above.

IV. EVIDENCE

I&E expects to present all 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. DISCOVERY

Discovery in these proceedings will be conducted according to 52 Pa. Code §§5.321 et. seq. No modifications to the rules of discovery have been proposed by I&E. I&E will give due consideration to any discovery modifications proposed by any other party. Also, pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing.

VI. SCHEDULE

As noted in the Company's prehearing memo, the parties have discussed the procedure going forward that would be most efficient in light of the parties' positions in this case. The parties believe that there may be a reasonable opportunity to reach a resolution of the issues and concerns raised by means of a stipulation or settlement.

Accordingly, the parties request that the ALJs hold in abeyance establishing a procedural schedule at this time so that the parties can focus on meeting and discussing

the parties' issues and concerns with the goal of reaching a resolution that does not require formal litigation. If agreeable, the parties will provide the ALJs a status report within 30 days after the Prehearing Conference. The parties will also notify the ALJs if it becomes necessary to establish a schedule for submitting written testimony and conducting an evidentiary hearing. Therefore, I&E is not proposing a litigation schedule at this time.

VII. PUBLIC INPUT HEARINGS

I&E is not aware of any requests or consumer interest with respect to public input hearings. I&E, therefore, does not propose that any public input hearings be held absent substantial public interest in the Company filing. Should public input hearings be deemed necessary, I&E recommends that the use of "smart hearings" be considered.


VIII. SERVICE OF DOCUMENTS

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.

IX. SETTLEMENT

I&E, PAWC and the parties are engaged in settlement discussions and will maintain an open dialogue in a good faith effort to successfully resolve this matter through stipulation or 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 the issues presented in this proceeding.

Respectfully Submitted,


Scott B. Granger
Prosecutor
PA Attorney I.D. No. 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120
(717) 425-7593

Dated: March 1, 2019

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pennsylvania-American Water :
Company Wastewater Operations for : Docket Nos. P-2014-2431005
Approval of Modification of Long-Term :
Infrastructure Improvement Plan :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated March 1, 2019, 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):

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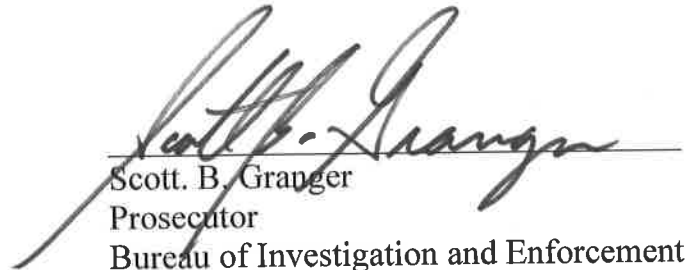
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