

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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July 10, 2019

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

Re: Pennsylvania Public Utility Commission  
v.  
Eaton Sewer and Water Company, Inc.  
Water  
Docket No. R-2019-3009567

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 cursive script that reads "L Guerra".

Lauren E. Guerra  
Assistant Consumer Advocate  
PA Attorney I.D # 323192  
E-Mail: LGuerra@paoca.org

Enclosures:

cc: Honorable Andrew Calvelli  
Certificate of Service  
\*275796

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2019-3009567
Eaton Sewer and Water Company, Inc.	:	
(Water)	:	

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PREHEARING MEMORANDUM  
OF THE  
OFFICE OF CONSUMER ADVOCATE

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Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333, the Office of Consumer Advocate (OCA) provides the following information:

**I. PROCEDURAL HISTORY**

On April 29, 2019, Eaton Sewer and Water Company, Inc. (Eaton or Company) filed Supplement No. 2 to Tariff Water - Pa. P.U.C. No. 3 (Supplement No. 2-Water) with the Pennsylvania Public Utility Commission (Commission), to become effective August 1, 2019. By filing this tariff supplement, Eaton is requesting an annual base rate increase of \$61,573, or 35%.

If the proposed increase is approved, a residential water customer using 7,000 gallons per month in the Company's service territory would experience a monthly rate increase of \$19.53, from \$55.82 to \$75.35, or approximately 35%. Eaton serves approximately 131 water customers in Eaton Township, Wyoming County, Pennsylvania.

On May 23, 2019, the Commission issued a Suspension Order initiating an investigation into the lawfulness, justness and reasonableness of the proposed rate increase request, and suspended the effective date of Supplement No. 2-Water until March 1, 2020, by operation of law. On May 29, 2019, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance

in this matter. The parties agreed to the use of the mediation process in this proceeding. A Prehearing Conference, immediately followed by a mediation session, was scheduled by the Commission for July 11, 2019.

The OCA filed a Formal Complaint in this proceeding to protect the interests of the Company's customers. The OCA seeks to ensure that Eaton 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, 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 Eaton in support of its claims.

## **II. ISSUES AND SUB-ISSUES**

Based upon a preliminary analysis of the Company's filing, the OCA has compiled a list of issues that it anticipates will be included in its investigation of the rate increase requests.

The OCA submits that all aspects of the Company's request must be justified, reasonable, and in accordance with sound ratemaking principles in order to protect the interests of the Company's customers. As such, the OCA will examine the reasonableness of the Company's proposals and ensure that the Company is seeking to recover through customer charges only those charges appropriately recovered through a monthly service charge.

Additionally, the OCA will consider the following issues:

### **A. Rate of Return**

1. **Capital Structure:** The OCA will examine whether the capital structure claimed by the Company is representative of the period in which rates will be in effect and is otherwise appropriate for ratemaking purposes.

2. Embedded Cost of Debt: The OCA will examine the embedded cost of debt claimed by the Company.

3. Cost of Common Equity: The OCA will analyze the cost of common equity claimed by Eaton.

B. Rate Base/Measures of Value

1. The OCA will examine the reasonableness and accuracy of the Company's claimed water utility plant in service.

2. The OCA will examine the reasonableness of the Company's claim for Construction Work in Progress.

3. The OCA will examine the reasonableness of the Company's claimed acquisition adjustment.

C. Revenues and Expenses

1. The OCA will examine the reasonableness of the Company's claim for Operating Labor.

2. The OCA will examine the reasonableness of the Company's claims for Maintenance Labor and Supplies.

3. The OCA will examine the reasonableness of the Company's claim for Purchased Power.

4. The OCA will examine the reasonableness of the Company's claim for Testing Expense.

5. The OCA will examine the reasonableness of the Company's claim for Chemicals.

6. The OCA will examine the reasonableness of the Company's claim for Insurance.

7. The OCA will examine the reasonableness of the Company's claims for General Office Salaries and Expenses.

8. The OCA will examine the reasonableness of the Company's claim for Rate Case Expense.

9. The OCA will examine the reasonableness of the Company's claim for Depreciation Expense.

10. The OCA will examine the reasonableness of the Company's claim for Other Miscellaneous Expenses.

D. Cost of Service/Rate Design

1. The OCA will examine the reasonableness and appropriateness of Company's proposed tariff changes, as well as other terms and conditions of Company's tariff.

E. Quality of Service

1. The OCA will review the Company's quality of service to ensure that it is providing safe, adequate, and reliable service, including fire protection, and water that is usable for all household purposes.

**III. WITNESSES**

The OCA intends to present the direct, rebuttal and surrebuttal testimonies, as may be necessary, of the following witnesses in this proceeding:

**Revenue Requirement/Rate Design/Policy**

Stacy L. Sherwood  
Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, MD 21044  
Telephone: (410) 992-7500  
Fax: (410) 992-3445  
E-mail: [sherwood@exeterassociates.com](mailto:sherwood@exeterassociates.com)

**Rate of Return**

Aaron L. Rothschild  
Rothschild Financial Consulting  
15 Lake Road  
Ridgefield, CT 06877  
Telephone: (203) 894-1028  
E-mail: [aaron@rothschildfinancial.com](mailto:aaron@rothschildfinancial.com)

**Cost of Service/Rate Design**

Jerome Mierzwa  
Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, MD 21044  
Telephone: (410) 992-7500  
Fax: (410) 992-3445  
E-mail: [jmierzwa@exeterassociates.com](mailto:jmierzwa@exeterassociates.com)

**Quality of Service**

Terry L. Fought  
780 Cardinal Drive  
Harrisburg, PA 17111  
Telephone: (717) 580-4235  
E-Mail: [tlfengr@aol.com](mailto:tlfengr@aol.com)

After receiving and reviewing the Company's testimony, the OCA's 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 reserves the right to call additional witnesses. The OCA will inform the ALJ and the parties if it determines that additional witnesses are necessary.

**IV. EVIDENCE**

The OCA will rely on the direct, rebuttal and surrebuttal testimony of its expert witnesses as well as the testimony 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 is willing to work with the parties and the ALJ to arrive at a schedule for litigation if mediation does not resolve all of the issues in the case.

## **VI. DISCOVERY**

The OCA has served three sets of discovery to date. The OCA is reviewing responses provided and, if it determines that additional information is needed, the OCA will work with the Company to obtain the information informally or issue additional discovery.

## **VII. SERVICE ON THE OCA**

The OCA will be represented in this case by Senior Assistant Consumer Advocate Christine Maloni Hoover and Assistant Consumer Advocate Lauren E. Guerra. Pursuant to 52 Pa. Code § 1.55, which provides that each party is limited to one entry on the service list, the OCA requests that the following name, address, telephone number, fax number and e-mail address be utilized for the OCA:

Christine Maloni Hoover  
Senior Assistant Consumer Advocate  
Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Telephone: (717) 783-5048  
Fax: (717) 783-7152  
E-mail: [CHoover@paoca.org](mailto:CHoover@paoca.org)  
[LGuerra@paoca.org](mailto:LGuerra@paoca.org)  
[LMyers@paoca.org](mailto:LMyers@paoca.org)

The OCA agrees to be served electronically by 4:30 pm if followed by service of two hard copies by first-class mail on the next business day.

## **VIII. SETTLEMENT**

The OCA is willing to participate in settlement discussions and the mediation process.

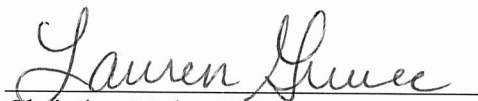
## **IX. PUBLIC INPUT HEARINGS**

The OCA is not requesting a public input hearing at this time, however, if public requests arise such that a public input hearing may be necessary, the OCA will notify the ALJ and the parties and make the request.

**X. CONSOLIDATION**

The OCA requests consolidation of this proceeding with Eaton's pending base rate proceeding for its Wastewater operations, which has been docketed at R-2019-3009559. The OCA notes that both proceedings are in the same procedural posture, have been assigned to the same Presiding Officer and there is identity of parties.

Respectfully Submitted,



Christine Maloni Hoover  
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Counsel for:  
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Acting Consumer Advocate  
Office of Consumer Advocate  
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Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152  
Dated: July 10, 2019

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CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility :  
Commission :  
v. : Docket No. R-2019-3009567  
Eaton Sewer and Water Company, :  
Inc. - Water :

I hereby certify that I have this day served a true copy of the foregoing, 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 10<sup>th</sup> day of July 2019.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Allison C. Kaster, Esquire  
Bureau of Investigation & Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

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

Shelby A. Linton-Keddie, Esquire  
Office of Small Business Advocate  
300 North Second Street  
Suite 202  
Harrisburg, PA 17101

Jack L. Middleton  
President  
Eaton Sewer and Water Company, Inc.  
5468 Station Hill Road  
Nicholson, PA 18446

Charis Mincavage, Esquire  
Kenneth R. Stark, Esquire  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166

Brian Kalcic  
Excel Consulting  
225 S. Meramec Avenue, Suite 720T  
St. Louis, MO 63105

/s/ Lauren E. Guerra

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PA Attorney I.D. # 323192  
E-Mail: [LGuerra@paoca.org](mailto:LGuerra@paoca.org)

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Phone: (717) 783-5048  
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Dated: July 10, 2019

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