

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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October 28, 2020

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

Re: Pennsylvania Public Utility Commission
v.
Audubon Water Company
Docket No. R-2020-3020919

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,

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

Enclosures:

cc: The Honorable Darlene Heep (**email only**)
Certificate of Service

*298401

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
v. : Docket No. R-2020-3020919
Audubon 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 28th day of October 2020.

SERVICE BY E-MAIL ONLY

Allison C. Kaster, Esquire
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
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Dated: October 28, 2020
*298223

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3020919
	:	C-2020-3021396
Audubon 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 Prehearing Conference Order issued in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On July 20, 2020, Audubon Water Company (Audubon or Company) filed Supplement No. 3 to Tariff Water – Pa. P.U.C. No. 4, to become effective September 19, 2020. Audubon, by filing this tariff supplement, seeks Commission approval to make rate changes that would increase the level of rates that it charges for providing service to all of its customers.

In its filing, Audubon proposes an annual increase in base rate revenues of \$934,243. This represents an approximate overall 42.65% increase in Audubon’s annual revenues at present rates. Under Audubon’s proposal, the total bill for a residential customer using 4,000 gallons per month would increase from \$38.84 to \$55.38 per month, or by 43%. The proposed rates for an average 2” meter commercial customer using 42,000 gallons per month would increase from \$362.37 to \$517.54 per month, or by 43%. Additionally, rates for an industrial customer using 116,000 gallons

per month with a 2" meter would increase from \$810.34 to \$1,158.10 per month, or by 43%. All fire protection rates would increase as well. A private hydrant with an annual rate of \$933.54 will increase to \$1,332.00, or by 43%. Public hydrant rates to municipal customers will increase from \$233.46 to \$333.00, or by 43%. Audubon provides water to over 2,700 residential and commercial customers in portions of Lower Providence Township in Montgomery County, Pennsylvania.

The OCA filed a formal complaint and public statement on August 19, 2020. On August 27, 2020, the Office of Small Business Advocate (OSBA) filed a formal complaint and public statement. On September 1, 2020, the Bureau of Investigation and Enforcement (I&E) filed a notice of appearance. The Commission suspended the filing for investigation on September 17, 2020. Audubon filed Supplement No. 4 (Revised) to extend the suspension period until April 19, 2021.

Administrative Law Judge (ALJ) Heep issued a prehearing conference order on September 29, 2020. A prehearing conference is scheduled for October 30, 2020.

II. ISSUES

The OCA is currently conducting discovery in this proceeding. As soon as the OCA has received all of the discovery information and has had the opportunity to review it, the OCA anticipates that additional discovery and/or informal discovery meetings can be scheduled. At those meetings and discussions, the OCA will narrow the scope of additional information requests. Once the discovery process is complete, the OCA will file direct testimony which will set forth the specific issues it will address in this proceeding. At that time, the OCA will also make and quantify its specific recommendations.

The issues set forth below, and others that may develop during discovery, will be analyzed and presented as appropriate by the OCA with the assistance of its expert witnesses and includes:

- A. Accounting and Finance: measures of value, including utility plant in service and cash working capital, claimed revenues, and operation and maintenance expenses;
- B. Cost of Capital: cost of debt, cost of equity, appropriate capital structure;
- C. Rate Design and Cost Allocation: the reasonableness of the Company's proposed distribution of the revenue increase among customer classes, the Company's proposed rate design, including its proposed effect on residential customers and its ability to reflect the cost to serve different classes of customers.
- D. Quality of Service: the OCA will examine the Company's quality of service to ensure that it is providing safe, adequate, and reliable service, and water that is useful for all household purposes.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witnesses in this proceeding. Each witness will present testimony in written form and will also attach various exhibits, documents, and explanatory information which will assist in the presentation of the OCA's case. In light of the COVID-19 emergency, the OCA requests that instead of hard-copy mail, the parties send responses to each appropriate consultant by e-mail as indicated below until the OCA's offices are open again:

Accounting/Regulatory Policy:

Stacy L. Sherwood
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
E-Mail: sherwood@exeterassociates.com

Rate of Return:

Aaron Rothschild
Rothschild Financial Consulting
15 Lake Rd.

Ridgefield, CT 06887
E-Mail: aaron@rothschildfinancial.com

Rate Design/Cost Allocation/
Regulatory Policy:

Jerome D. Mierzwa
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
E-Mail: jmierzwa@exeterassociates.com

Quality of Service:

Terry L. Fought, P.E.
780 Cardinal Drive
Harrisburg, PA 17111
E-Mail: TLFEngr@aol.com

The OCA specifically reserves the right to call additional witnesses, as necessary. All parties of record will be notified as soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case.

IV. EVIDENCE

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

V. SERVICE ON THE OCA

The OCA will be represented in this case by Senior Assistant Consumer Advocate Christine Maloni Hoover. All documents should be served on the OCA attorney, as well as the OCA's support person, lmyers@paoca.org, by e-mail only until the OCA's offices are open again as follows:

Christine Maloni Hoover, Senior Assistant Consumer Advocate
choover@paoca.org

Office of Consumer Advocate
5th Floor, Forum Place

555 Walnut Street
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(717) 783-5048 (telephone)
(717) 783-7152 (facsimile)

VI. PUBLIC INPUT HEARINGS

The OCA is requesting an afternoon and evening public input hearing in this proceeding. The OCA submits that the size of the increase and the impact on ratepayers justifies providing an opportunity for the consumers to testify at a public input hearing. The OCA proposes that the hearings be held telephonically. The OCA will work with the ALJ and the parties to determine a feasible date for the public input hearings.

VII. PROPOSED SCHEDULE

The OCA is willing to work with the parties to develop a schedule that reflects the reply brief date of January 11, 2021.

VIII. DISCOVERY

The OCA has served interrogatories on Audubon. Going forward, the OCA proposes the following modifications to the Commission's discovery regulations. The OCA notes, however, that it anticipates using informal discovery in this case and will work with Audubon to ensure that discovery is completed efficiently and effectively.

- A. Answers to written interrogatories to be served in-hand within ten (10) days of service.
- B. Objections be communicated orally to the party propounding the discovery within three (3) days; written objections be served on the party propounding the discovery within 5 days of service;
- C. Requests for admission be deemed admitted unless answered within ten (10) days or objected to within five (5) days of service.
- D. Answers to on-the-record data requests to be served in-hand within seven (7) calendar days of the request.

- E. All discovery due dates shall be “in-hand” and e-mail service on the due date will satisfy the “in-hand” requirement, while the PUC offices remain closed. After re-opening, the “in-hand” requirement will be met where e-mail service is followed, the next business day, by first-class mail service.

IX. SETTLEMENT

The OCA is willing to participate in settlement discussions.

Respectfully Submitted,

/s/ Christine Maloni Hoover
Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50026
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Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

DATE: October 28, 2020
*298417