

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 12, 2021

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

Re: Pennsylvania Public Utility Commission  
v.  
Community Utilities of Pennsylvania, Inc. --  
Water and Wastewater Divisions  
Docket Nos. R-2021-3025206  
R-2021-3025207

Dear Secretary Chiavetta:

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

Copies have been served per the attached Certificate of Service.

Very truly yours,

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

Enclosures:

cc: The Honorable Dennis J. Buckley (**email only**)  
Certificate of Service

\*308563

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :  
v. : Docket Nos. R-2021-3025206  
Community Utilities of Pennsylvania, Inc. --: R-2021-3025207  
Water and Wastewater Divisions :

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 12<sup>th</sup> day of May 2021.

**SERVICE BY E-MAIL ONLY**

Allison C. Kaster, Esquire  
Bureau of Investigation & Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

Erin K. Fure, Esquire  
Office of Small Business Advocate  
555 Walnut Street  
1<sup>st</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923

Thomas J. Sniscak, Esquire  
Whitney E. Snyder, Esquire  
Bryce R. Beard, Esquire  
Hawke McKeon & Sniscak LLP  
100 North Tenth Street  
Harrisburg, PA 17101

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

Counsel for:  
Office of Consumer Advocate  
555 Walnut Street  
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Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152  
Dated: May 12, 2021  
\*308564

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket Nos. R-2021-3025206
Office of Consumer Advocate	:	C-2021-3025777
	:	
v.	:	
	:	
Community Utilities of Pennsylvania, Inc.	:	
(Water Division)	:	
	:	
Pennsylvania Public Utility Commission	:	Docket Nos. R-2021-3025207
Office of Consumer Advocate	:	C-2021-3025778
	:	
v.	:	
	:	
Community Utilities of Pennsylvania, Inc.	:	
(Wastewater Division)	:	

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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, and in response to the Prehearing Conference Order issued in the above-captioned proceedings, the Office of Consumer Advocate (OCA) provides the following information:

**I. PROCEDURAL HISTORY**

On April 12, 2021, Community Utilities of Pennsylvania, Inc. Water Division (Company) filed Supplement No. 9 to Tariff Water - Pa. P.U.C. No. 1, to become effective June 12, 2021. The Company, 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 its customers.

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 \$757,517 from its customers. This represents an approximate 36.6% increase in the Company's annual revenues at

present rates. The Company serves approximately 3,412 customers in the Townships of Stroud and Pocono, Monroe County, a portion of Hanover Township, Northampton County, and portions of Lehman Township, Pike County Pennsylvania.

In combination with its rate increase request for its water operations, the Company also filed Supplement No. 7 to Tariff Wastewater - Pa. P.U.C. No. 1, to become effective June 12, 2021. The Company, 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 its customers.

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 \$998,705 from its customers. This represents an approximate 37.4% increase in the Company's annual revenues at present rates. The Company provides wastewater service to approximately 3,971 customers in Stroud and Pocono Townships, Monroe County, a portion of West Bradford Township, Chester County and portions of Lehman Township, Pike County.

On May 6, 2021, the Commission issued two Suspension Orders initiating an investigation into the lawfulness, justness and reasonableness of the proposed rate increase requests, and suspended the effective date of the proposed Supplement No. 9 and Supplement No. 7 until January 12, 2021, by operation of law. On May 7, 2021, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance in each proceeding. The Commission assigned this proceeding to the Office of Administrative Law Judge and further assigned this proceeding to Administrative Law Judge (ALJ) Buckley. A telephonic Prehearing Conference is scheduled for May 13, 2021.

The OCA filed Formal Complaints in these proceedings to protect the interests of the Company's customers. The OCA seeks to ensure that Community Utilities 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 Community Utilities in support of its claims.

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

Based upon a preliminary analysis of the Company's filings, the OCA has compiled a list of issues that it anticipates will be included in its investigation of the rate increase requests. While the OCA has been as thorough as possible, the OCA anticipates that additional issues may arise after Community Utilities has responded to all discovery requests, the OCA has had the opportunity to review those responses, and the Company has filed its direct testimony.

The OCA submits that all aspects of the Company's requests 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. Furthermore, the OCA will investigate the Company's proposal to consolidate the customer rates and determine whether consolidation is appropriate at this time.

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 Community Utilities and carefully examine the Company's methodologies and supporting data used to develop its final cost of common equity claim. The OCA will also perform an independent cost of common equity analysis.

4. Utility Specific Adjustments: The OCA will examine whether any adjustments proposed by Community Utilities are justified.

B. Rate Base/Measures of Value

1. The OCA will examine the reasonableness and accuracy of the projections of the Company related to the water and wastewater utility plant in service at the time relevant to this proceeding.

2. The OCA will review the appropriateness, reasonableness, and accuracy of the Company's claims for plant additions for the future test year ended December 31, 2021 and the fully projected future test year ended December 31, 2022.

3. The OCA will investigate whether the Company's other adjustments to rate base are appropriate.

C. Revenues and Expenses

1. The OCA will examine whether the number of customers projected on the Company's system at the time periods relevant to this proceeding is reasonable and accurate.

2. The OCA will examine whether the Company's estimates of the volume of water to be sold during future periods is reasonable and accurate.

3. The OCA will examine whether the Company's projections of revenues in the future test year and fully projected future test year are reasonable and accurate.

4. The OCA will examine whether the salary and wage annualizations and increases included by the Company in the future test year and fully projected future test year are reasonable and accurate.

5. The OCA will examine the reasonableness of the Company's pro forma claims for employee benefits, including pensions.

6. The OCA will examine the reasonableness of the Company's pro forma claim for chemical expense.

7. The OCA will examine the reasonableness of the Company's pro forma claims for Transportation.

8. The OCA will examine the reasonableness of the Company's pro forma claims for Office Supplies.

9. The OCA will examine the reasonableness of the Company's proposed levels of and normalization of Rate Case Expense.

10. The OCA will examine the reasonableness of the Company's pro forma claims for Testing.

D. Cost of Service/Rate Design

1. The OCA will consider the impact of the Company's proposed consolidation of rates.

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

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.

F. Purchased Water

1. The OCA will examine whether the Company's purchased water adjustment clause for its former Utilities Inc. Westgate service territory should continue, and other related issues.

### **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)

#### **Quality of Service**

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

#### **Cost of Service/Rate Design**

Jerome D. 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)

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 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 agrees with the schedule contained in the Company's prehearing memorandum.



## **VI. DISCOVERY**

The OCA will conduct formal and informal discovery. The OCA supports modified discovery response times in these proceedings. The OCA agrees with the proposed modifications contained in the Company's prehearing memorandum.

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

The OCA will be represented in this case by Senior Assistant Consumer Advocate Christine Maloni Hoover. 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)  
[LMyers@paoca.org](mailto:LMyers@paoca.org)

The OCA agrees to be served electronically by 4:30 pm. At this time, the OCA will not require a paper copy.

## **VIII. SETTLEMENT**

The OCA is willing to participate in settlement discussions.

## **IX. PUBLIC INPUT HEARINGS**

The OCA requests that Public Input Hearings be held telephonically to receive comment from customers affected by the rate increases proposed by the Company. The OCA is unable to access any informal letters or complaints that may have been sent to the Commission. However, the OCA believes there would be sufficient consumer interest, given the size of the proposed increases, to justify its request.

The OCA also requests that the Company, at a minimum, place advertisements within its service territory and publications in the newspaper and on the Company's website to make its

consumers aware of these hearings. The OCA will work with the Parties to coordinate a public input hearing date acceptable to all participants and the Presiding Officer.

Respectfully Submitted,

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

Counsel for:  
Tanya J. McCloskey  
Acting Consumer Advocate

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Dated: May 12, 2021  
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