



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

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

August 27, 2021

Via Electronic Filing

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

Re: Pennsylvania Public Utility Commission v.
The Borough of Hanover – Hanover Municipal Waterworks
Docket No.: R-2021-3026116
I&E Prehearing Memorandum

Dear Secretary Chiavetta:

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

Copies are being served on parties of record per the attached Certificate of Service. *Due to the temporary closing of the PUC's offices, I&E is only providing electronic service.* Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads 'Erika L. McLain'.

Erika L. McLain
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 320526
(717) 783-6170
ermclain@pa.gov

ELM/ac
Enclosures

cc: Honorable F. Joseph Brady – Office of Administrative Law Judge (*via email only*)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2021-3026116
	:	
The Borough of Hanover –	:	
Hanover Municipal Waterworks	:	

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

TO ADMINISTRATIVE LAW JUDGE F. JOSEPH BRADY:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) hereby submits this Prehearing Memorandum in the above-captioned docket. The I&E prosecutor assigned to this proceeding is Erika L. McLain.

Ms. McLain may be contacted as follows:

By mail: Erika L. McLain
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

By e-mail: ermclain@pa.gov

By telephone: (717) 783-6170

By fax: (717) 772-2677

I. INTRODUCTION

On June 29, 2021, the Borough of Hanover – Municipal Water Works (“Hanover” or “Borough”), filed Supplement No. 32 to Tariff Water - Pa. P.U.C. No. 3 (“Supplement No. 32”) to become effective August 28, 2021. Supplement No. 32 would increase Hanover’s total annual operating revenues for water service by approximately \$1,563,100 or 27.6%. By Order entered August 5, 2021, the Commission suspended the filing by operation of law until March 28, 2022, unless permitted by Commission Order to become effective at an earlier date.

On July 15, 2021, the Office of Consumer Advocate (“OCA”) filed its Formal Complaint and Notice of Appearance. On July 20, 2021, the Office of Small Business Advocate (“OSBA”) filed its Formal Complaint and Notice of Appearance. On August 9, 2021, Hanover Foods Corporation (“Hanover Foods”) filed its Formal Complaint and Notice of Appearance. I&E filed its Notice of Appearance on August 10, 2021.

A prehearing conference is scheduled for Tuesday, August 31, 2021, at 10 a.m. with Administrative Law Judge F. Joseph Brady (“ALJ Brady”) presiding. I&E submits this timely Memorandum in compliance with the First Prehearing Order dated August 17, 2021.

II. ISSUES

The following list represents I&E’s preliminary determination of the potential issues in this case:

Rate of Return

- Capital Structure
- Cost of Debt
- Cost of Equity
- Tax Adjustment to the Cost of Equity
- Overall Rate of Return

Operating and Maintenance Expenses

- Taxes Other Than Income
- Payroll & Benefits
- Miscellaneous Expenses
- Power
- Lab – Water Testing
- Chemicals
- Sewer Bill
- Street Department
- Distribution Mains Expenses
- Tanks and Reservoirs Expenses
- General Office Expenses
- Rate Case Expense
- General Property Expenses
- Insurance Expenses
- Professional Services Expense

Rate Base/Rate Design

- Plant Additions
- Accrued Depreciation
- Annual Depreciation Expense
- Reporting Requirements
- Unaccounted-For Water
- Cost of Service Study
- Distribution System Improvement Charge
- Tariff Language – Partial Bills
- Scale Back of Rates

The list is as complete as can be made at this time. I&E reserves the right to address other issues, as it deems appropriate if any such relevant issues arise.

III. WITNESSES

I&E expects to call the following expert witnesses at this docket without being limited thereto:

- Christopher Keller, Fixed Utility Financial Analyst: Rate of Return
- Eryan Sakaya, Fixed Utility Valuation Engineer: Rate Base/Rate Design
- Zachari Walker, Fixed Utility Financial Analyst: O&M Expenses

I&E witnesses may be contacted through the information listed above for Ms. McLain. The witness list is provided without the benefit of complete discovery or analysis of the positions of other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the names 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 base rate 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. However, there may be issues of Commission policy or legal representation that are not properly the subject of testimony or there may be factual issues that are clear on the record and need not be supported by testimony. I&E reserves the right to dispense with testimony, when, in its opinion, an issue can be adequately addressed through briefing.

V. DISCOVERY

I&E supports the discovery modifications proposed by the Office of Consumer Advocate in its Prehearing Memorandum.

VI. SCHEDULE

I&E proposes the following litigation schedule:

Direct Testimony of Non-Borough Parties:	September 30, 2021
Rebuttal Testimony:	October 20, 2021
Surrebuttal Testimony:	October 29, 2021
Evidentiary Hearings:	November 4 and 5, 2021
Main Briefs:	November 24, 2021
Reply Briefs:	December 6, 2021 (by 12:00 PM)

VII. PUBLIC INPUT HEARINGS

To the extent that Public Input Hearings are deemed necessary in this proceeding I&E requests that Public Input Hearings be held electronically or telephonically.

VIII. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs during the closure of Commission offices, and consistent with Paragraph 8 of the Commission's March 20, 2020 Emergency Order,¹ I&E will both only serve and accept electronic delivery of documents. Upon re-opening of Commission offices, and only on a forward-moving basis from that point onward, I&E requests parties provide a follow-up hard copy provided by regular first-class mail in addition to electronic delivery.

IX. SETTLEMENT

I&E intends to participate in any settlement discussions and is willing to work with the parties to reach a resolution of any or all issues. In the event settlement discussions fail

¹ Docket No. M-2020-3019262, *Re: Suspension of Regulatory and Statutory Deadlines; Modification to Filing and Service Requirements.*

to result in a complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Erika L. McLain".

Erika L. McLain
Prosecutor
PA Attorney ID No. 320526

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
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Dated: August 27, 2021

