



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

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

December 28, 2023

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.
Pennsylvania-American Water Company
Docket Nos. R-2023-3043189 (Water)
R-2023-3043190 (Wastewater)

I&E Prehearing Memorandum

Dear Secretary Chiavetta:

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

Copies are being served on parties of record per the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads 'Carrie B. Wright' with a stylized flourish at the end.

Carrie B. Wright
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 208185
(717) 783-6156
carwright@pa.gov

CBW/jfm
Enclosures

cc: Hon. Christopher P. Pell, OALJ (*via email*)
Hon. John M Coogan, OALJ (*via email*)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
:
v. : Docket Nos. R-2023-3043189 (Water)
: R-2023-3043190 (Wastewater)
Pennsylvania American Water Company :

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

**TO DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE CHRISTOPHER P. PELL
AND ADMINISTRATIVE LAW JUDGE JOHN M. COOGAN:**

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 Bureau of Investigation and Enforcement Prosecutor in this proceeding will be Carrie B. Wright. Contact information is as follows:

By mail: Carrie B. Wright
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

By e-mail: carwright@pa.gov

By telephone: (717) 783-6156

I. INTRODUCTION

On November 8, 2023, Pennsylvania American Water Company (“PAWC” or “Company”) filed both a water and wastewater base rate case. This filing contained proposed changes in rates, rules, and regulations calculated to produce \$199.2 million, or 24.2%, in additional annual revenues for water rates, and an additional \$4.7 million or 2.5% in annual wastewater revenues.

The Pennsylvania Public Utility Commission (“PUC” or “Commission”) entered an order suspending the implementation of this rate increase by operation of law until August 7, 2024, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the rate case filing. Further, the matter was assigned to the Office of Administrative Law Judge (“OALJ”) to schedule such hearings as necessary to develop a record in this proceeding.

A telephonic Prehearing Conference is scheduled for Wednesday January 3, 2023, at 10:00 am, with Deputy Chief Administrative Law Judge Christopher P. Pell and Administrative Law Judge John M. Coogan presiding.

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:

- Rate of Return
 - Overall Rate of Return
 - Cost of Equity and Cost of Equity Adjustments
 - Cost of Debt

- Capital Structure
- Proxy Group
- Operation and Maintenance Expenses, including but not limited to:
 - Salaries and Wages
 - Employee Benefits
 - Materials and Supplies
 - Contract Services
 - Acquisitions
 - Rents
 - Transportation Expense
 - Taxes Other than Income
 - Income Taxes
 - Rate Case and Regulation Expense
 - Service Company Expense
 - Purchased Power
 - Purchased Water
 - Chemicals
 - Miscellaneous Expense
 - Insurance Expense
 - Advertising
 - Waste Disposal
 - Environmental Compliance Investment Charge
 - Pension Tracker
 - OPEB Tracker
 - Production Expense Tracker
 - Cash Working Capital
- Rate Base/Rate Structure/ Revenue Allocation
 - Annual Depreciation
 - Accrued Depreciation
 - Acquisitions
 - Amortization for Acquisitions
 - Contributions in Aid of Construction
 - Plant in Service
 - Customer Advances
 - Other Rate Base Additions
 - Other Rate Base Deductions

- Materials and Supplies
- Projected Customer Usage
- Contract Rates
- Regional Surcharge
- Customer Charges
- Usage Rates
- Wastewater Rates
- Scale-back of Rates
- Wastewater to Water Cost Allocation
- Brentwood and Butler Area Sewer Authority Revenue

III. WITNESSES

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

- Ethan Cline, Fixed Utility Valuation Engineer
- Joseph Kubas, Fixed Utility Valuation Engineer
- Vanessa Okum, Fixed Utility Financial Analyst
- DC Patel, Fixed Utility Financial Analyst

The I&E witnesses may be contacted through the information listed above for Prosecutor Wright. 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. In the event that I&E decides to call additional witnesses, I&E will notify the ALJs and the parties as soon as possible.

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

Pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing. I&E requests the Commission's Rules of Practice and Procedure for the conduct of discovery be modified as follows:

1. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service.
2. Objections to interrogatories shall be communicated orally within three (3) days of service; unresolved objections shall be served to the ALJs in writing within five (5) days of service of interrogatories.
3. Motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) days of service of written objections.
4. Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) days of service of such motions.
5. Discovery and discovery related pleadings served after 12:00 noon on a Friday or after 12:00 noon on any business day preceding a state holiday will be deemed to be served on the next business day.

VI. SCHEDULE

I&E will work with the parties to develop a mutually agreeable schedule in this proceeding.

I&E requests that hearings be held telephonically in this proceeding. However, given

that this proceeding involves multiple Commission employees who are based out of the Harrisburg PUC offices, I&E request that if in person hearings are held, those hearings be held in Harrisburg in order to conserve the Commission's financial resources.

VII. PUBLIC INPUT HEARINGS

To the extent that public input hearings are deemed necessary in this proceeding, I&E requests the use of telephonic public input.

VIII. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept and prefers electronic delivery of documents.

IX. SETTLEMENT

I&E is willing to make good faith efforts to successfully resolve this matter through 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 this proceeding.

Respectfully Submitted,



Carrie B. Wright
Prosecutor
PA Attorney ID No. 208185

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120
(717) 783-6156

Dated: December 28, 2023

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
:
v. : Docket Nos. R-2023-3043189 (Water)
:
Pennsylvania American Water Company : R-2023-3043190 (Wastewater)

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **I&E Prehearing Memorandum** dated December 28, 2023, in the manner and upon the persons listed below:

Served via Electronic Mail Only

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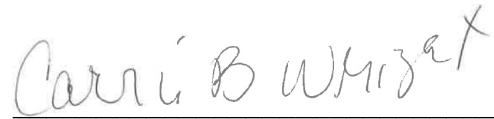
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