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File #: 204823

June 27, 2024

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Pennsylvania Public Utility Commission, et al. v. Aqua Pennsylvania, Inc. and Aqua Pennsylvania Wastewater, Inc.
Docket Nos. R-2024-3047822 and R-2024-3047824**

Dear Secretary Chiavetta:

Attached for filing is the Prehearing Conference Memorandum of Aqua Pennsylvania, Inc. and Aqua Pennsylvania Wastewater, Inc. (collectively, "AP") in the above-referenced proceeding.

Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Nicholas A. Stobbe

NAS/dmc
Attachments

cc: The Honorable Gail M. Chiodo (*via email; w/attachments*)
The Honorable Alphonso Arnold III (*via email; w/attachments*)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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Date: June 27, 2024



Nicholas A. Stobbe

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, <i>et al.</i>	:	
	:	Docket Nos. R-2024-3047822
v.	:	R-2024-3047824 <i>et al.</i>
	:	
Aqua Pennsylvania, Inc. and Aqua	:	
Pennsylvania Wastewater, Inc.	:	

**PREHEARING CONFERENCE MEMORANDUM OF
AQUA PENNSYLVANIA, INC. AND AQUA PENNSYLVANIA WASTEWATER, INC.**

**TO THE ADMINISTRATIVE LAW JUDGES GAIL M. CHIDO AND ALPHONSO
ARNOLD III**

Pursuant to 52 Pa. Code § 5.224(c) and the Prehearing Conference Order dated June 18, 2024, issued by the Administrative Law Judge Gail M. Chiodo and Alphonso Arnold III (collectively, the “ALJs”), Aqua Pennsylvania, Inc., and Aqua Pennsylvania Wastewater, Inc. (collectively “Aqua PA” or the “Company”) hereby submit this Prehearing Conference Memorandum.

I. SERVICE OF DOCUMENTS

1. Aqua PA requests that all documents be served on:

Michael W. Hassell, Esq.
Garrett P. Lent, Esq.
Nicholas A. Stobbe, Esq.
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Please be advised that Mr. Garrett Lent will speak as the lead attorney for Aqua PA for purposes of the prehearing conference. However, other counsel for Aqua PA will be participating and available during the telephonic prehearing conference as needed.

2. Aqua PA agrees to receive service of documents electronically in this proceeding. Further, to the extent that materials are available electronically, it is requested that copies be served upon Kimberly A. Joyce at kajoyce@essential.co, and Alexander R. Stahl at astahl@aquaamerica.com.

II. PROCEDURAL HISTORY

3. This proceeding was initiated on May 23, 2024, when Aqua PA filed on a consolidated basis Tariff Water – Pa. P.U.C. No. 4 (“Tariff Water No. 4”) and Tariff Sewer – Pa. P.U.C. No. 4 (“Tariff Sewer No. 4”) with the Pennsylvania Public Utility Commission (“Commission”) to be effective for service rendered on or after July 22, 2024.

4. Therein, the Company proposed changes to Aqua PA’s base water and wastewater rates designed to produce a total increase in annual revenues of \$126,675,472 based upon data for a fully projected future test year (“FPFTY”) ending December 31, 2025 (“2024 Base Rate Case”). The filing was made in compliance with the Commission’s regulations and contains all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

5. Prior to the 2024 Base Rate Case filing, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance on May 21, 2024.

6. On May 23, 2024, the OSBA filed a second Notice of Appearance.

7. On May 29, 2024, the Commission's Bureau of Investigation and Enforcement ("I&E") filed its Notice of Appearance.

8. On May 31, 2024, the OSBA filed a Formal Complaint, Public Statement, and Verification.

9. Also on May 31, 2024, the Office of Consumer Advocate ("OCA") filed a Notice of Appearance, and a Formal Complaint and Public Statement.

10. Aqua PA has received a number of complaints against the 2024 Base Rate Case from a variety of complainants since its initial filing. On June 6, 2024, Aqua PA filed a letter indicating that it had been served with a number of formal complaints and anticipated it would be served with additional complaints. As such, Aqua PA stated it would rely upon 52 Pa. Code § 5.61(d), which provides:

For complaints which are docketed with Commission-instituted rate proceedings, an answer may be filed within 10 days of date of service. However, an answer is not required, except as may be directed by the Commission or the presiding officer.

Aqua PA further stated that if the Commission believed that answers should be filed to any specific complaints and directs Aqua PA to do so, it would request that it be provided 20 days from the date of such directive to file answer to such complaints.

11. On June 13, 2024, the Commission issued an Order suspending Tariff Water No. 4 and Tariff Sewer No. 4 until February 22, 2024, unless otherwise permitted by Commission Order to become effective at an earlier date.

12. Also on June 13, 2024, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE PA") filed a Petition to Intervene and Answer.

13. On June 17, 2024, the Commission issued a Telephonic Prehearing Conference Notice, scheduling a Telephonic Prehearing Conference before the ALJs at 10:00 a.m., July 1, 2024.

14. On June 18, 2024, the ALJs issued a Prehearing Conference Order.

15. Pursuant to 52 Pa. Code § 5.224(c) and the Prehearing Conference Order dated October 8, 2021, Aqua PA hereby submits this Prehearing Conference Memorandum.

III. ISSUES

16. Aqua PA will demonstrate that its requested annual revenue increase across water and wastewater of \$126,675,472 is just and reasonable and should be approved by the Commission. Of this requested total increase, the annual water requested revenue increase is \$112,049,126 inclusive of an allocation of a portion of the proposed wastewater revenue requirement pursuant to Act 11, while the annual wastewater requested revenue increase is \$14,626,346, both based upon data for the FPFTY and a proposed allowed rate of return on equity of 10.95%. Aqua PA submits that this is just and reasonable and should be approved by the Commission.

17. One primary contributor to the Company's need for rate relief is its continued significant capital investment in its water and wastewater utility infrastructure, including, but not limited to, distribution main replacement, water and wastewater treatment plant rehabilitation, addressing emerging contaminants, well rehabilitation, and upgrades to pumping facilities. The Company will further demonstrate that these investments and similar projects are crucial to maintain the high-quality service the Company's customers have come to expect, and further allows the Company to address aging infrastructure and enables the Company to meet increasingly stringent state and federal environmental regulations.

18. While the Company has undertaken projects that have reduced its production costs and has also engaged in concerted efforts to control discretionary operating expenditures, various operating expenses have increased consistent with national trends. These increases are also reflected in the 2024 Base Rate Case. The combined impact of these items leaves Aqua PA unable to earn a fair rate of return on its investment at present rate levels.

19. The principal reasons for Aqua PA's request for rate relief are to establish rates that provide the Company a reasonable opportunity to earn a fair return on its investments used to serve the public. Unless Aqua PA receives the requested rate relief, those returns will continue to decline and jeopardize the Company's ability to attract the capital needed to make the system investments necessary to support and ensure continued system reliability, safety, and customer service performance.

20. Aqua also will demonstrate that its proposed 10.95% return on equity is the minimum required for the Company to attract the capital needed to make system investments to ensure continued system reliability, safety, and customer service performance. In addition, Aqua PA will demonstrate it is entitled to an equity allowance that appropriately recognizes exemplary managerial performance.

21. Aqua PA's exemplary managerial performance is demonstrated by its consistent provision of safe and reliable water and wastewater service at reasonable rates, as well as several other initiatives, including, among other things: (a) the Company's continued acceptance of the challenge of acquiring weaker water and wastewater systems and through acting as a receiver to troubled water and wastewater systems; (b) Aqua PA's long-standing program to facilitate the payment of water and wastewater bills by its low-income residential customers; (c) the Company's acknowledgement as a leader in the water utility and wastewater utility industries; (d) Aqua PA's

significant compliance with all existing Federal and State drinking water standards for its water systems in Pennsylvania; (e) the Company’s cost containment efforts; (f) the Company’s response to the COVID-19 pandemic; and (g) its provision of a high level of customer service.

IV. WITNESSES

22. Aqua PA presently intends to offer the following witnesses to testify in this proceeding on the following subject matters:

Statement No.	Witness	Subjects Addressed
1.	William C. Packer Vice President Regulatory Accounting and Regional Controller Essential Utilities, Inc. 762 W. Lancaster Ave Bryn Mawr, PA 19010	The Company’s Need for Rate Relief, Overview of the Principal Accounting Exhibits, Introduction of Witnesses, Certain Expense Claims, Rate Base Claims, Rate Design, Proposed Capitalization Ratios, Return on Equity Considerations, And Various Other Matters
2.	Renee T. Marquis Manager of Rates Aqua Pennsylvania, Inc. 762 W. Lancaster Ave Bryn Mawr, PA 19010	Expense Adjustments, Depreciation and Taxes Other Than Income, Acquisitions, Certain Rate Base Issues, and the Consolidation of Rate Zones
3.	Christopher E. Manning Finance and Rate Analyst II Aqua Pennsylvania, Inc. 762 W. Lancaster Ave Bryn Mawr, PA 19010	Certain Expense Adjustments
4.	Michael S. Ercolino Finance and Rates Analyst I Aqua Pennsylvania, Inc. 762 W. Lancaster Ave Bryn Mawr, PA 19010	Certain Expense Adjustments
5.	Constance E. Heppenstall Senior Project Manager, Rate Studies Gannett Fleming Valuation and Rate Consultants, LLC 1010 Adams Avenue	Cost of Service Allocation Customer Rate Design

Statement No.	Witness	Subjects Addressed
	Audubon, Pennsylvania	
6.	John J. Spanos President Gannett Fleming Valuation and Rate Consultants, LLC 207 Senate Avenue Camp Hill, Pennsylvania 17011	Depreciation
7.	Paul R. Moul Managing Consultant P. Moul & Associates 251 Hopkins Road Haddonfield, NJ 08033-3062	Cost of Capital
8.	Panpilas Fischer Consultant Regulated Capital Consultants, LLC 4355 Cobb Parkway, Suite J255 Atlanta, GA 30339	Income Tax Issues
9.	Harold Walker III Manager, Financial Studies Gannett Fleming Valuation and Rate Consultants, LLC 1010 Adams Avenue Audubon, Pennsylvania	Cash Working Capital
10.	Gregory Herbert Assistant Project Manager, Rate Studies Gannett Fleming Valuation and Rate Consultants, LLC 207 Senate Avenue Camp Hill, Pennsylvania 17011	Revenue and Billing Adjustments
11	Todd M. Duerr P.E., L.O. Vice President, Operations Aqua Pennsylvania, Inc. 762 W. Lancaster Ave Bryn Mawr, PA 19010	Water and Wastewater System Investment, Cost Saving Measures, Lead Service Line Compliance, Per-and Poly-Fluoroalkyl Substances and Compliance, Troubled System Operations, and Management Performance Indicators

Statement No.	Witness	Subjects Addressed
12.	Michael Convery Planning and Engineering Director Aqua Pennsylvania, Inc. 762 W. Lancaster Ave Bryn Mawr, PA 19010	Capital Expenditures
13	Rita F. Black Director of Community Assistance Programs Essential Utilities, Inc. 375 North Shore Drive Pittsburgh, A 15212	Low-Income Programming And Enhanced Customer Assistance Programs

Aqua PA previously filed copies of the witnesses’ written direct testimony and exhibits, which fully support Aqua PA’s proposed rate increase, allocation of that increase among the customer classes, and design of rates to recover that increase from customers.

23. Aqua PA also reserves the right to call and present additional witnesses to address any issues that may arise during the course of the proceeding.

V. DISCOVERY

24. To date, Aqua PA has received hundreds of discovery requests from parties in this proceeding. The Company has served responses to many of those discovery requests and is diligently preparing responses to the remainder.

25. Based on the litigation schedule to be adopted in this proceeding, Aqua PA proposes the following modifications to the standard timelines for discovery set forth in the Commission’s regulations as necessary or appropriate.

- A. Answers to written interrogatories and requests for document production, entry for inspection, or other purposes shall be served in-hand within ten (10) calendar days of service.

- B. Objections to interrogatories and/or requests for production shall be communicated orally to the propounding party within three (3) calendar days of service of the interrogatories; unresolved objections shall be served in writing to the propounding party within five (5) calendar days of service of the interrogatories and/or requests for production.
- C. Motions to dismiss objections and/or direct the answering of interrogatories and/or requests for production shall be filed within three (3) calendar days of service of written objections.
- D. Answers to motions to dismiss objections and/or answering of interrogatories and/or requests for production shall be filed within three (3) calendar days of service of such motions.
- E. Requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.
- F. Answers to on-the-record data requests shall be served in-hand within five (5) calendar days of the requests.
- G. Any discovery or discovery-related pleadings (such as objections, motions, and answers to same) served after 4:30 p.m. Monday through Thursday or after 1:30 p.m. on a Friday or the day before a holiday will be deemed to have been served on the next business day for purposes of calculating the due date for any responsive filing.

26. Aqua PA also encourages the use of informal discovery to expedite the discovery process.

27. Aqua PA further proposes that parties serving any testimony either: (a) include with each piece of testimony the electronic workpapers, cited studies, and other documents relied on by the witness; or (b) provide the parties with the same in workable electronic format within two (2) business days of the testimony being served.

28. Finally, Aqua PA has received discovery requests that seek information that the Company believes is confidential and proprietary. As such, Aqua PA anticipates filing a Motion for Protective Order, which establishes the terms and conditions upon which parties may be provided access to, and use, confidential and proprietary information in this proceeding.

VI. LITIGATION SCHEDULE

29. Aqua PA is continuing to work with the parties to establish a mutually agreeable schedule. At this time, the Company proposes the following schedule:

Prehearing Conference	July 1, 2024
Other Parties' Direct	August 16, 2024
Rebuttal Testimony	September 13, 2024
Surrebuttal Testimony	September 26, 2024
Rejoinder Outlines/Written Rejoinder	October 3, 2024
Hearings	October 9-10, 2024, October 15, 2024 ¹
Main Briefs	October 25, 2024
Reply Briefs	November 7, 2024

¹ The October 15, 2024 hearing date is designed to accommodate the availability of a single OCA witness.

Aqua PA is also willing to work with the parties to accommodate potential scheduling conflicts for the parties' witnesses to attend and testify at the evidentiary hearings.

VII. PUBLIC INPUT HEARINGS

30. Aqua PA is not opposed to a public input hearing being held, provided it is scheduled sufficiently in advance of the due date for other parties' direct testimony such that public input testimony can be incorporated into other parties' direct testimony.


VIII. SETTLEMENT

32. As of this time, no settlement discussions have been held. Aqua PA remains open and available for settlement discussions with the other parties and would support initiatives to begin settlement discussions at the earliest possible date.

Respectfully submitted,

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Dated: June 27, 2024


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