



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

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

November 17, 2025

Via Electronic Filing

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v.
City of Lancaster – Bureau of Water
Docket No. R-2025-3057237
I&E Prehearing Memorandum

Dear Secretary Homsher:

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 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 'Scott B. Granger'. The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Scott B. Granger
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 63641
(717) 425-7593
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SBG/ac
Enclosures

cc: Administrative Law Judge Erin L. Gannon (*via email* – egannon@pa.gov)
Per Certificate of Service

I. INTRODUCTION

On September 30, 2025, City of Lancaster – Bureau of Water (“Bureau” or “Lancaster”) filed Supplement No. 49 to Tariff Water – PA P.U.C. No. 6 to become effective November 29, 2025. Lancaster is requesting the Commission approve general distribution rate increases to its water rates pursuant to sections 1308 of the Public Utility Code. Lancaster’s proposed tariff would increase the Bureau’s total annual operating revenues by \$7,005,217, or 20.1% overall, based on a fully projected future test year (“FPFTY”) ending December 31, 2027.

Of the total proposed revenue increase, Lancaster proposes to allocate the increase solely to customers residing outside of Lancaster City, and none of the increase to customers residing inside of Lancaster City. The Bureau requests to allocate the total revenue increase among customer classes outside of Lancaster City, as follows: 31.4% residential customers, 29.7% commercial customers, 30.8% industrial customers, 29.9% large industrial, 28.5% other water utilities, and 46.4% private fire.

On October 10, 2025, I&E its Notice of Appearance in this proceeding.

Also on October 10, 2025, the Office of Small Business Advocate (“OSBA”) filed its Formal Complaint and Public Statement. Then, on October 12, 2025, the OSBA filed its Notice of Appearance.

On October 14, 2025, Lancaster filed a letter with the Secretary requesting extending the Commission’s initial review period of the filing from October 24, 2025, to October 31, 2025.

On October 27, 2025, Lancaster filed responses to the PUC's Bureau of Technical Utility Services ("TUS") Twenty-Three (23) Requests for additional information issued by TUS as part of its review of Lancaster's initial filing.

On October 15, 2025, the Office of Consumer Advocate ("OCA") filed its Formal Complaint, Public Statement, and Notice of Appearance.

On November 6, 2025, the Commission entered an Order pursuant to Section 1308(d) of the Public Utility Code suspending the implementation of the proposed rates by operation of law until June 29, 2026, and opening an investigation into the lawfulness, justness, and reasonableness of the proposed rates, rules, and regulations contained therein.

Additionally the Commission ordered that within ten (10) days following the entry date of the Suspension Order, pursuant to 52 Pa. Code § 53.71, City of Lancaster - Bureau of Water shall e-file (or file) a tariff supplement, which shall bear no effective date, with the Commission and post the tariff supplement at the offices of City of Lancaster - Bureau of Water announcing that the aforementioned tariff supplement is suspended until June 29, 2026.

Finally, the case was assigned to the Office of Administrative Law Judge for the prompt scheduling of such hearings as may be necessary culminating in the issuance of a Recommended Decision.

A telephonic Prehearing Conference is scheduled for November 18, 2025, at 10:00 a.m. before Administrative Law Judge Erin L. Gannon ("ALJ").

II. ISSUES

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

1. Cash Working Capital
2. State aid for Pension Expense
3. Transmission and Distribution – Capital Expense
4. Meter Shop - Capital Expense
5. Administration - Capital Expense
6. Administration - Intergovernmental - Indirect Costs expense
7. Payroll expenses
8. Chemical expense
9. Elimination of the revenue transfer to the city
10. Employee benefits expense
11. Rate Case expense
12. Power expense
13. Maintenance - Building Expense
14. Maintenance - Equipment Expense
15. Gasoline Expense
16. Fuel Expense
17. Transmission/Distribution - Operating Expenses
18. Vehicle Lease Expense
19. Uncollectible expense
20. Professional services expense
21. Contract services expense
22. Proxy Group
23. Cost of Debt
24. Capital Structure
25. Cost of Equity Analysis (including the methods and data used)
26. Small Size Premium Adjustment
27. Financial Risk Leverage Adjustment for Market to Book Ratio difference
28. Business and Financial Risk Assessments.
29. Bond ratings
30. Implied Tax Rate Adjustment in Return On Equity (ROE)
31. Overall Rate of Return
32. Rate Base
33. Depreciation Expense
34. Reporting Requirements
35. Unaccounted For/Non Revenue Water
36. Cost of Service
37. Inside/Outside Allocations

38. Present/Proposed Revenues
39. Rate Design
40. Scale Back of Rates

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.

III. WITNESSES

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

1. Getachew Bedasa, Fixed Utility Financial Analyst
2. D. C. Patel, Fixed Utility Financial Analyst
3. Eryan Sakaya, Fixed Utility Valuation Engineer

The I&E witnesses may be contacted through the information listed above for Mr. Granger. The witness list is provided without the benefit of complete discovery or analysis of the positions of the other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name 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 hearings. Moreover, I&E intends to rely on the Authority's filing, supplemental testimony, 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 law or Commission policy that are not properly the subject of

testimony or factual issues that are clear on the record and need not be supported by testimony. I&E thereby reserves the right to dispense with testimony when, in its opinion, an issue can be adequately addressed through briefing.

V. DISCOVERY

Discovery in these proceedings will be conducted according to 52 Pa. Code §§5.321 et. seq. No modifications to the rules of discovery have been proposed by I&E. I&E will give due consideration to any discovery modifications proposed by any other party. In the past, I&E has not opposed the discovery modifications as routinely proposed by the OCA. Also, pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing.

VI. CONSOLIDATION

I&E generally supports the consolidation of formal complaints and the ALJ's discretion to consolidate dockets for judicial efficiency.

VII. SCHEDULE

As of this date, the parties are actively negotiating an amicable litigation schedule.

I&E tentatively proposes the following schedule:

Filed	September 30, 2025
Prehearing Conference	November 18, 2025
Other Parties Direct	December 16, 2025
Public Input Hearings	December 16, 2025
Rebuttal Testimony	January 8, 2026
Surrebuttal Testimony	January 20, 2026
Rejoinder Outline	January 26, 2026
Evidentiary Hearings	January 27-28, 2026
Main Brief	February 26, 2026
Reply Brief	March 17, 2026

VIII. PUBLIC INPUT HEARINGS

I&E proposes the use of telephonic and in-person public input hearings to encourage increased participation by ratepayers.

IX. SERVICE OF DOCUMENTS

I&E requests that all documents in this proceeding be served on:

Scott B. Granger, Esq.
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
sgranger@pa.gov

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony, briefs, and other documents during this proceeding, and consistent with Commission regulations and policy, I&E proposes to only serve and accept electronic delivery of documents.

X. ALTERNATIVE DISPUTE RESOLUTION

Pursuant to the Suspension Order issued on November 6, 2025, the Commission assigned this matter to the Office of Administrative Law Judge for Alternative Dispute Resolution, if possible. I&E does not take a position regarding whether this matter proceeds through litigation or the mediation process and will not oppose Lancaster's decision.

XI. SETTLEMENT

I&E will maintain an open dialogue and 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,

A handwritten signature in cursive script that reads "Scott B. Granger". The signature is written in black ink and is positioned above the typed name and title.

Scott B. Granger
Prosecutor
PA Attorney ID No. 63641

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
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Dated: November 17, 2025

