



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

January 27, 2012

Hon. Angela T. Jones
Hon. Darlene D. Heep
Pennsylvania Public Utility Commission
Office of Administrative Law Judge
801 Market Street
Room 4063
Philadelphia, PA 19107

Re: Pennsylvania Public Utility Commission v.
Aqua Pennsylvania, Inc.

Docket No. R-2011-2267958

Dear Judge Jones and Judge Heep:

Enclosed please find a copy of the **Prehearing Memorandum** of the Bureau of Investigation and Enforcement (I&E). As evidenced by the enclosed Certificate of Service, copies have been served on all active parties.

If you have any questions, please contact me at (717) 783-6156.

Sincerely,

Carrie B. Wright
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #208185

Enclosure
CBW/edc

cc: Parties of Record
Secretary's Bureau

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
	:	Docket No. R-2011-2267958
v.	:	
	:	
Aqua Pennsylvania, Inc.	:	

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

TO ADMINISTRATIVE LAW JUDGES DARLENE D. HEEP AND ANGELA T. JONES:

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
P.O. Box 3265
Harrisburg, PA 17105-3265

By e-mail: carwright@pa.gov

By telephone: (717) 783-6156

By fax: (717) 772-2677

I. INTRODUCTION

On November 18, 2011, Aqua Pennsylvania, Inc. (“Company”) filed Supplement No. 115 to Tariff Water-PA P.U.C. No. 1 with the Commission to become effective January 18, 2012. This would increase the Company’s base rate revenues by \$38.6 million or 9.4%. The filing was suspended by operation of law until August 18, 2012, unless permitted by Commission Order to become effective earlier. The Commission ordered an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase.

The Commission assigned the case to the Office of Administrative Law Judge to schedule such hearings as are necessary. A Prehearing Conference is scheduled for January 30, 2012, at 10:00 a.m., with Administrative Law Judges Darlene D. Heep and Angela T. Jones presiding.

II. ISSUES

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

- **Capital Structure**
- **Cost of Debt**
- **Cost of Equity**
 - **Risk Factors**
 - **DCF**
 - **CAPM/RP**
 - **CE**

- **Management Efficiency Points**
- **Leverage Adjustment**
- **Size Adjustment**
- **Overall Rate of Return**
- **Labor and Benefits**
- **Purchased Power**
- **Chemical Expense**
- **Contractor Services**
- **Liability Insurance**
- **Income Taxes**
- **Rate Case Expense**
- **Purchased Water**
- **Present Revenues**
- **Cost of Service**
- **Rate Structure**
- **Scale Back of Rates**
- **Acquisition Adjustments and Amortizations**
- **Plant in Service – Capital Additions**
- **Contributions in Aid of Construction**
- **Customer Advances**
- **Materials and Supplies**
- **Depreciation Expense**
- **Accumulated Depreciation**

III. WITNESSES

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

- **Emily Sears, Fixed Utility Financial Analyst Supervisor**
- **Christine Wilson, Fixed Utility Financial Analyst**
- **Jeremy Hubert, Fixed Utility Valuation Engineer**
- **Joseph Kubas, Fixed Utility Valuation Engineer Supervisor**

The I&E witnesses may be contacted through the contact information listed above for Ms. 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 names of 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 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. SCHEDULE

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

VI. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first class mail.

VII. 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 I.D. # 208185

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265

Dated: January 27, 2012

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
:
v. : Docket No. R-2011-2267958
:
Aqua Pennsylvania, Inc. :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated January 27, 2012, either personally, by first class mail, electronic mail, express mail and/or by fax upon the persons listed below, in accordance with the requirements of § 1.54 (relating to service by a party):

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Carrie B. Wright

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