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January 27, 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA Hand Delivery

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


Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") are the original and three (3) copies of the Prehearing Memorandum of the Aqua Large Users Group ("Aqua LUG") in the above-referenced proceeding.

As shown on the attached Certificate of Service, all parties to this proceeding are being duly served. Please date stamp the extra copy of this transmittal letter and the Prehearing Memorandum, and kindly return them for our filing purposes.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 
Adeolu A. Bakare

Counsel to Aqua Large Users Group

Enclosures

- c: Administrative Law Judge Angela T. Jones (via E-mail and First Class Mail)
- Administrative Law Judge Darlene D. Heep (via E-mail and First Class Mail)
- Certificate of Service

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

JAN 27 2012

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

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

**PREHEARING MEMORANDUM
OF THE
AQUA LARGE USERS GROUP**

The Aqua Large Users Group ("Aqua LUG") hereby submits this Prehearing Memorandum in the above-captioned proceeding. As evidenced by the Notice issued on January 18, 2012, a Prehearing Conference has been scheduled for January 30. Administrative Law Judges ("ALJ") Angela T. Jones and Darlene D. Heep are the presiding officers.

I. HISTORY OF THE PROCEEDING

On November 18, 2011, Aqua Pennsylvania, Inc. ("Aqua" or "Company"), filed Supplement No. 115 to Tariff Water-Pa. P.U.C. No. 1, which contained proposed changes in rates, rules, and regulations calculated to produce approximately \$38.6 million in additional revenues. On January 12, 2012, the Pennsylvania Public Utility Commission ("PUC" or "Commission") instituted a formal inquiry and investigation at the above-referenced docket to determine the fairness, reasonableness, and justness of the proposed changes. Contemporaneously with this Prehearing Memorandum, Aqua LUG is filing a Complaint against Supplement No. 115. A description of Aqua LUG is set forth in Paragraph 5 of its Complaint.

II. ANTICIPATED ISSUES

In its Complaint, Aqua LUG alleges that the information and data filed in Aqua's Supplement No. 115 is insufficient to establish that the rates are just, reasonable, and nondiscriminatory, as required by Sections 1301 and 1304 of the Public Utility Code, 66 Pa. C.S. §§ 1301 and 1304. *See* Aqua LUG Complaint ¶ 6. Aqua LUG has identified the following preliminary list of issues to be investigated:

- (a) the size of the requested rate increase;
- (b) the proposed distribution of the increase among customer classes in light of the cost of service study results;
- (c) the proposed rate structure and rate design;
- (d) the proposed Purchased Water Adjustment ("PWA") surcharge and related issues;
- (e) the proposed Energy Cost Adjustment mechanism ("ECA") and related issues; and
- (f) issues related to unaccounted-for-water.

Aqua LUG anticipates pursuing these issues during this proceeding but still reserves the right to raise other issues and to respond to issues raised by other parties.

III. PROPOSED WITNESSES

At this time, Aqua LUG is in the process of evaluating whether it will sponsor testimony in this proceeding. In the event that Aqua LUG decides to sponsor testimony, it will inform the parties and the ALJ as soon as possible of the intended witnesses and topics of testimony. Aqua LUG also intends to participate in this proceeding through the submission of discovery, cross-examination of other parties' witnesses, and the submission of briefs, exceptions and reply exceptions, if necessary.

IV. PROPOSED SCHEDULE AND DISCOVERY RULES


Aqua LUG will cooperate with the other parties and the ALJ in an attempt to formulate an appropriate procedural schedule and discovery rules in accordance with the Commission's regulations and any ALJ directives.

V. POSSIBILITY OF SETTLEMENT

Aqua LUG is willing to participate in discussions with the other parties to amicably resolve the issues in this proceeding.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 
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Counsel to Aqua Large Users Group

Dated: January 27, 2012

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CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

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Adeolu A. Bakare

Dated this 27th day of January, 2012, at Harrisburg, Pennsylvania.

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