



September 27, 2018

VIA E-FILE

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

**Re: Pennsylvania Public Utility Commission, Pennsylvania-American Water Company,
et al. v. Aqua Pennsylvania, Inc.; Docket Nos. R-2018-3003558; C-2018-3004425**

**PREHEARING MEMORANDUM OF PENNSYLVANIA-AMERICAN WATER
COMPANY**

Dear Secretary Chiavetta:

Enclosed for filing with the Commission, please find the Prehearing Memorandum of Pennsylvania-American Water Company in the above-referenced proceeding. A copy of this document has been served in accordance with the attached Certificate of Service.

If you have any questions regarding this filing, please direct them to me. Thank you for your attention to this matter.

Sincerely,

COZEN O'CONNOR

By: Jonathan P. Nase
Counsel for *Pennsylvania-American Water Company*

JPN:kmg
Enclosure

cc: Honorable Angela T. Jones
Honorable F. Joseph Brady
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,
Pennsylvania-American Water Company, *et al.*

v.

Aqua Pennsylvania, Inc.

:
: Docket No. R-2018-3003558
: C-2018-3004425
:
:
:
:

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing **Prehearing Memorandum of Pennsylvania-American Water Company**, upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

VIA E-MAIL AND FIRST CLASS MAIL

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VIA FIRST-CLASS MAIL ONLY

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Date: September 27, 2018



Jonathan P. Nase, Esq.
Counsel for *Pennsylvania-American Water Company*

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Administrative Law Judge Angela T. Jones
Administrative Law F. Joseph Brady**

Pennsylvania Public Utility Commission,	:	Docket Nos. R-2018-3003558
Pennsylvania-American Water Company, <i>et al.</i>	:	C-2018-3004425
	:	
v.	:	
	:	
Aqua Pennsylvania, Inc.	:	

**PREHEARING CONFERENCE MEMORANDUM
OF PENNSYLVANIA-AMERICAN WATER COMPANY**

AND NOW COMES, Pennsylvania-American Water Company (“PAWC”), by and through its counsel, Cozen O’Connor, pursuant to 52 Pa. Code § 5.222(d) and in compliance with the Prehearing Conference Order of Administrative Law Judges Angela T. Jones and F. Joseph Brady (the “ALJs”), dated September 21, 2018, to file this Prehearing Conference Memorandum in the above-captioned matters. In support thereof, PAWC states as follows:

I. INTRODUCTION AND PROCEDURAL HISTORY

1. On August 17, 2018, Aqua Pennsylvania Inc. (“Aqua”) filed Tariff Water – Pa. P.U.C. No. 2 (“Water Tariff”) with the Pennsylvania Public Utility Commission (“Commission”), to be effective October 16, 2018. The Water Tariff provides for an increase in total annual operating water revenues of approximately \$66.3 million or approximately 15.39%.

2. Also on August 17, 2018, Aqua Pennsylvania Wastewater, Inc. (“APW”) filed Tariff Sewer—Pa. P.U.C. No. 2 (the “Wastewater Tariff”), to be effective October 16, 2018. The Wastewater Tariff provides for an increase in total annual operating revenues for wastewater service by approximately \$5.4 million or 40.14%.¹

3. On August 28, 2018, counsel for the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance in this proceeding.

4. On August 29, 2018, counsel for the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance.

5. On August 31, 2018 PAWC filed its rate complaint at Docket No. C-2018-3004425.

6. On September 7, 2018, Counsel for Aqua and APW filed a Motion to Consolidate the following pending actions: (i) Aqua’s base rate proceeding at Docket No. R-2018-3003561; (ii) APW’s base rate proceeding at Docket No. R-2018-3003561; and (iii) the Joint Application of Aqua and its wholly-owned subsidiary, Superior Water Company, Inc. (“Superior”), for the merger of Superior into Aqua and the abandonment of service by Superior at Docket Nos. A-2018-3004108 and A-2018-3004109. This motion remains pending.

7. By Order entered September 20, 2018, the Water Tariff and the Wastewater Tariff were suspended by operation of law until May 16, 2019, unless otherwise directed by Order of the Commission.

8. On September 18, 2018, counsel for the Office of Small Business Advocate (“OSBA”) entered a Notice of Appearance.

¹ For ease of reference, Aqua and APW are referred to herein collectively as “Aqua.”

9. The ALJs issued their Prehearing Conference Order on September 21, 2018 notifying the parties that a Prehearing Conference is scheduled in this case for September 28, 2018.

10. On September 25, 2018, the Treasure Lake Property Owners Association, Inc. filed a Petition to Intervene.

11. On September 26, 2018, the Office of Small Business Advocate filed a Complaint against both the Water Tariff and the Wastewater Tariff.

II. COUNSEL

12. Counsel for PAWC are:

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III. SERVICE OF DOCUMENTS

13. PAWC's attorneys are authorized to accept service on behalf of PAWC in this proceeding. PAWC requests that hard copies of documents be served on Attorneys Zambito and Marsh at the addresses listed above. PAWC agrees to receive service of documents electronically in this proceeding and requests that all listed counsel for PAWC receive electronic service.

IV. ISSUES

14. The primary issue in this proceeding is whether the rates proposed by Aqua are just and reasonable, and in conformity with regulations and orders of the Commission, as required by 66 Pa. C.S. § 1301. In addition, the proposed allocation of the revenue increase and the proposed rate design may be unlawfully discriminatory in violation of the Code, 66 Pa. C.S. § 1301 and 1304, and may otherwise be contrary to sound ratemaking principles and public policy.

15. The subject matters listed below represent as complete a statement of issues and sub-issues as PAWC can provide at this stage of the proceeding. Further definition of contested issues by the parties will develop within the scope of the subject matters listed below during the course of the proceeding.

- (a) Rate base;
- (b) Existing and future revenue;
- (c) Operating and maintenance expenses;
- (d) Rate of return, including the impact of management performance upon the allowed return on equity; and
- (e) Rate structure.

V. WITNESSES AND EVIDENCE

16. To address the above noted issues, PAWC presently intends to offer the following witnesses to testify in this proceeding on the following general subject matters:

Witness	Areas of Expertise
Rod P. Nevirauskas Senior Director of Rates and Regulations for the Mid Atlantic Division American Water Works Service Company 800 West Hersheypark Drive Hershey, PA 17033 Phone number (717) 531-3340	Rates and Rate Design

17. PAWC reserves the right to call additional witnesses and present testimony on additional issues that may arise during the course of the proceeding.

VI. DISCOVERY

18. PAWC is willing to agree to reasonable modifications of the Commission's standard discovery rules. As of the date of the filing of this Prehearing Memoranda, PAWC's counsel has not been contacted by Aqua's counsel regarding discovery rule modifications.

VII. PROTECTIVE ORDER

19. PAWC has no objection to the entry of a reasonable protective order. As of the date of the filing of this Prehearing Memoranda, PAWC's counsel has not been contacted by Aqua's counsel regarding a protective order.

VIII. PROCEDURAL SCHEDULE

20. PAWC is willing to agree to a reasonable procedural schedule. As of the date of the filing of this Prehearing Memoranda, PAWC's counsel has not been contacted by Aqua's counsel regarding a procedural schedule.

IX. PUBLIC INPUT HEARINGS

21. PAWC is not requesting but does not oppose public input hearings in this proceeding.

X. SETTLEMENT DISCUSSIONS

22. PAWC is open to and available for settlement discussions to resolve this proceeding.

Respectfully submitted,



David P. Zambito (I.D. No. 80017)

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September 27, 2018