


COMMONWEALTH OF PENNSYLVANIA



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September 30, 2019

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

Re: Implementation of Chapter 32 of the Public
Utility Code Regarding Pittsburgh Water and
Sewer Authority – Stage 1
Docket Nos. M-2018-2640802
M-2018-2640803

Petition of The Pittsburgh Water and Sewer
Authority for Approval of Its Long-Term
Infrastructure Improvement Plan
Docket Nos. P-2018-3005037
P-2018-3005039

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Statement in Support of the Joint Petition for Partial Settlement in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lauren M. Burge".

Lauren M. Burge
Assistant Consumer Advocate
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Enclosures:

cc: Honorable Mark A. Hoyer
Honorable Conrad A. Johnson
Certificate of Service
*279193

CERTIFICATE OF SERVICE

Re: Implementation of Chapter 32 of the Public	:	Docket Nos. M-2018-2640802
Utility Code Regarding Pittsburgh Water and	:	M-2018-2640803
Sewer Authority—Stage 1	:	
	:	
Petition of The Pittsburgh Water and Sewer	:	
Authority for Approval of Its Long-Term	:	Docket Nos. P-2018-3005037
Infrastructure Improvement Plan	:	P-2018-3005039

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Statement in Support of the Joint Petition for Partial Settlement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 30th day of September 2019.

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Dated: September 30, 2019
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Chapter 32 of the Public	:	Docket Nos.	M-2018-2640802
Utility Code Regarding Pittsburgh Water	:		M-2018-2640803
And Sewer Authority – Stage 1	:		
	:		
Petition of The Pittsburgh Water and Sewer	:	Docket Nos.	P-2018-3005037
Authority for Approval of Its Long-Term	:		P-2018-3005039
Infrastructure Improvement Plan	:		

**STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF PARTIAL SETTLEMENT**

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Partial Settlement (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION AND PROCEDURAL BACKGROUND

The Pittsburgh Water and Sewer Authority (PWSA or the Authority) is a municipal water and wastewater authority serving customers in the City of Pittsburgh and surrounding communities. PWSA provides water service to approximately 80,000 residential, commercial and industrial customers in portions of the City of Pittsburgh; the Borough of Millvale; and portions of Reserve, O'Hara, and Blawnox Townships, Allegheny County. PWSA also provides wastewater conveyance service to customers located in the City of Pittsburgh, Allegheny County, and conveys sewage for portions of 24 neighboring communities.

PWSA's water and wastewater operations became subject to regulation by the Pennsylvania Public Utility Commission (Commission) on April 1, 2018, pursuant to Act 65 of 2017, 66 Pa. C.S. § 3201 et seq. On December 21, 2017, Governor Wolf signed Act 65 of 2017

into law. Act 65 amended the Public Utility Code by adding new language to 66 Pa. C.S. § 1301 and creating a new Chapter 32, which had the effect of bringing the PWSA under the Commission's jurisdiction. On March 15, 2018, the Commission issued a Final Implementation Order (FIO) laying out a process for implementing Chapter 32, including tariff approval, ratemaking, compliance plan, and assessment provisions. The instant proceeding addresses PWSA's Compliance Plan and Long-Term Infrastructure Improvement Plan as required by Chapter 32 and the FIO.

On September 26, 2018, the Commission issued a Secretarial Letter regarding the Procedure for Commission Review of the September 28, 2018 Compliance Plan and Long Term Infrastructure Improvement Plan (LTIIIP) Filings of the Pittsburgh Water and Sewer Authority (September Secretarial Letter).

On September 28, 2018, PWSA filed its Compliance Plan and LTIIIP in accordance with Act 65 and the FIO.¹ Pursuant to the September Secretarial Letter, the Compliance Plan was noticed in the *Pennsylvania Bulletin* on October 13, 2018. 48 Pa.B. 6635. On October 18, 2018, the OCA submitted a Notice of Intervention, Public Statement and Answer to PWSA's Compliance Plan. The Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on October 22, 2018. Petitions to Intervene were filed by Pennsylvania-American Water Company (PAWC) and Pittsburgh UNITED on October 30, 2018 and November 1, 2018, respectively. The Office of Small Business Advocate (OSBA) submitted a Notice of Appearance on November 14, 2018.

On November 2, 2018, the OCA submitted Comments identifying preliminary issues in PWSA's Compliance Plan. Pittsburgh UNITED also submitted comments.

¹ The Compliance Plan and LTIIIP proceedings were subsequently consolidated in the First Interim Order Granting Motion for Consolidation of Proceedings (dated February 21, 2019).

On November 28, 2018, the Commission issued a Corrected Secretarial Letter (November Secretarial Letter) and the accompanying Technical Staff Initial Report and Directed Questions – Stage 1. The November Secretarial Letter assigned PWSA’s Compliance Plan to the Office of Administrative Law Judge (OALJ) for hearings as contemplated in the September Secretarial Letter, and also established a new two stage review process for PWSA’s Compliance Plan. The November Secretarial Letter directs PWSA and the parties to address “urgent infrastructure remediation and improvement, and the revenue and financing requirements of maintaining service that supports public health and safety” as part of Stage 1, while Stage 2 will focus on “important PWSA billing issues and the development of a proposed PWSA stormwater tariff.” November Secretarial Letter at 3. Litigation in Stage 2 will begin after a final Commission Order is issued in Stage 1 in late 2019.² *Id.* at 3-4. Further, the Technical Staff Initial Report and Directed Questions listed a variety of specific questions that PWSA and the parties are directed to address as part of the Stage 1 litigation.

This proceeding was assigned to Administrative Law Judges Mark A. Hoyer and Conrad A. Johnson. A prehearing conference was held on December 20, 2018 and a litigation schedule was set. On February 14, 2019, PWSA filed Direct Testimony in support of its Compliance Plan and LTIP.

² OCA and Pittsburgh UNITED each submitted Petitions for Clarification and/or Reconsideration of the November Secretarial Letter, which were subsequently denied in a Reconsideration Order entered December 20, 2018.

On April 5, 2019, the OCA submitted the Direct Testimonies of: Ashley E. Everette,³ OCA Statement 1; Scott J. Rubin,⁴ OCA Statement 2; Barbara R. Alexander,⁵ OCA Statement 3; Roger D. Colton,⁶ OCA Statement 4; and Terry L. Fought,⁷ OCA Statement 5. On May 6, 2019, the OCA submitted the Rebuttal Testimony of Ashley E. Everette, OCA Statement 1R. On May 17, 2019, the OCA submitted the Surrebuttal Testimonies of: Ashley E. Everette, OCA Statement 1S; Barbara R. Alexander, OCA Statement 3S; Roger D. Colton, OCA Statement 4S; and Terry L. Fought, OCA Statement 5S.

On May 13, 2019, the parties submitted an Expedited Motion for Extension of Commission-Created Deadlines (Expedited Motion) which requested a three month extension of Commission-created deadlines to allow the parties additional time to engage in settlement discussions, and to move consumer-related issues from Stage 1 to Stage 2 of this proceeding to enable the parties to discuss these issues in workshops with the Commission's Bureau of Consumer

³ Ms. Everette is a Regulatory Analyst for the OCA since 2012. She received a Master's degree in Business Administration and a Bachelor's degree in Economics both from the University of Illinois. She has testified in numerous proceedings before the Commission with a primary specialty in accounting and finance issues. Ms. Everette's qualifications are attached OCA Statement 1 as Appendix A.

⁴ Mr. Rubin is an independent attorney and public utility industry consultant under contract with the OCA who has testified as an expert witness before utility commissions and courts in twenty states and the District of Columbia and province of Nova Scotia. OCA St. 2 at 1-2. Since 1994, Mr. Rubin has provided legal and consulting services to a variety of parties interested in public utility regulatory proceedings. A complete description of Mr. Rubin's qualifications is provided in OCA Statement 2, Appendix A.

⁵ Ms. Barbara R. Alexander is a Consumer Affairs Consultant who runs her own consulting practice, Barbara Alexander Consulting LLC. She received her Bachelor of Arts degree from the University of Michigan and her J.D. from the University of Maine School of Law. Ms. Alexander's professional experiences and qualifications are provided in OCA Statement 3, Exhibit BA-1.

⁶ Mr. Colton is a Principal of Fisher Sheehan & Colton, Public Finance and General Economics in Belmont, Massachusetts. He provides technical assistance to public utilities and primarily works on low income utility issues. Mr. Colton has devoted his professional career to helping public utilities, community-based organizations, consumer advocates, and state and local governments design, implement and evaluate energy assistance programs to help low income households better afford their home energy bills. He has been involved with the development of the vast majority of ratepayer-funded affordability programs in the nation. An abbreviated list of Mr. Colton's prior testimony is provided in OCA Statement 4, Appendix A.

⁷ Mr. Fought is a consulting engineer with more than forty years' experience as a civil engineer. Mr. Fought is a registered Professional Engineer in Pennsylvania, New Jersey and Virginia and is a Professional Land Surveyor in Pennsylvania. Mr. Fought has prepared studies related to and designed water supply, treatment, transmission, distribution and storage for private and municipal wastewater agencies. He has also served as a consultant to the OCA for numerous water and sewer matters since 1984. Mr. Fought's background and qualifications are attached to OCA Statement 5 as Appendix A.

Services. The requests in the Expedited Motion were granted via a May 15, 2019 Secretarial letter and a subsequent Order issued on June 18, 2019 amending the litigation schedule.

During May, June and July 2019, the parties engaged in extensive settlement conferences and reached agreement on many issues in this proceeding. On August 2, 2019, PWSA submitted Supplemental Direct Testimony providing updates on issues that had evolved since earlier testimony was submitted, in particular on PWSA's lead service line replacement policy and the Cooperation Agreement with the City of Pittsburgh. On August 14, 2019, the OCA submitted the Supplemental Rebuttal Testimonies of: Ashley E. Everette, OCA Statement 1R-Supp; Scott J. Rubin, OCA Statement 2R-Supp; and Barbara R. Alexander, OCA Statement 3R-Supp.

The testimonies and accompanying exhibits of OCA witnesses Everette, Rubin, Alexander, Colton and Fought, as identified above, were submitted into the record by stipulations of the parties at the hearing on August 21, 2019. Cross examination of all witnesses was waived by all parties.

Prior to the hearing, the parties entered into a partial settlement in principle in this proceeding. The parties submitted the Joint Petition for Partial Settlement to the ALJs on September 13, 2019.

II. OVERALL REASONS IN SUPPORT OF PARTIAL SETTLEMENT

Pursuant to the Commission's policy of encouraging settlements that are in the public interest, the Joint Petitioners held numerous settlement discussions during the course of this proceeding. These discussions resulted in this Partial Settlement, which addresses many of the complex issues raised in this case. The OCA submits that the Partial Settlement is in the public interest and makes significant progress toward bringing PWSA into compliance with the Public Utility Code and Commission Regulations, and should be approved without modification.

The terms and conditions of the Settlement satisfactorily addresses many issues raised in

the OCA's analysis of the Authority's Compliance Plan and LTIIP. The OCA submits that this Settlement, taken as a whole, is a reasonable compromise in consideration of likely litigation outcomes before the Commission. While the Settlement does not reach all the recommendations proposed by the OCA, the OCA recognizes that the Settlement is a product of compromise. Additionally, the OCA recognizes that this matter is the first of two stages of PWSA's Compliance Plan proceeding, and the upcoming Stage 2 as well as future proceedings will make additional steps toward compliance with Commission regulations and applicable laws. The balance of compromises struck by the settling parties is critical to achieving settlement. Accordingly, the OCA urges the Commission to consider the Settlement as a whole.

In this Statement in Support, the OCA addresses those areas of the Settlement that specifically relate to important issues that the OCA raised in this case. The OCA expects that other parties will discuss how the Settlement's terms and conditions address their respective issues and how those parts of the Settlement support the public interest standard required for Commission approval.

For these reasons and those that are discussed in greater detail below, the OCA submits that the Settlement is in the public interest and the best interest of the Authority's ratepayers, and should be approved by the Commission without modification.

III. REASONS FOR SUPPORT OF SPECIFIC ISSUES

A. Financial, Accounting Practices, and Commission Required Reports (Settlement ¶¶ III.A through F)

1. System of Accounts (52 Pa. Code § 65.16) (Settlement ¶ III.A)

PWSA witness Presutti described the Authority's proposal to transition to the NARUC Uniform System of Accounts (USOA) in order to comply with 52. Pa. Code Section 65.16. PWSA St. No. C-3 at 6-10. PWSA's two step plan includes mapping its current charge of accounts to the

NARUC USOA to provide the required reporting to the Commission for 2019, while also procuring a new Enterprise Resource Planning (ERP) system to allow the Authority to fully convert to the NARUC chart of accounts. Id. at 7. OCA witness Everette did not oppose PWSA's proposed process for converting to the USOA, but due to uncertainty as to the timeline for completing this project, Ms. Everette requested that PWSA provide semi-annual progress reports to the parties. OCA St. 1 at 6. In Rebuttal Testimony, PWSA witness Presutti agreed that PWSA would "report on its progress in fully converting to USOA NARUC at the same time that it is required to update the Commission on its progress implementing the rest of its approved plan." PWSA St. No. C-3R at 4; OCA St. 1S at 2.

The Settlement memorializes this agreement as discussed in testimony. The Settlement describes the two phase process for PWSA to fully convert to the NARUC USOA. Settlement ¶ III.A.1. Further, PWSA will provide quarterly reports on its progress as part of its PWSA Compliance Plan Progress reports, including the date when a Request for Proposal is issued, when an ERP contractor is selected, the contractor's projected ERP system cost, and a detailed implementation schedule. Settlement ¶ III.A.2. This will allow the OCA and other parties to track PWSA's progress toward compliance on this item.

2. Annual Depreciation Reports (52 Pa. Code § 73.3) (Settlement ¶ III.B)

PWSA witness Presutti testified that PWSA does not currently have complete or accurate records of its fixed assets so it is unable to provide a full depreciation report as required by 52 Pa. Code § 73.3. PWSA St. No. C-3 at 8. PWSA stated that it would commission a fixed asset study to be completed by 2021. PWSA proposed to file partial depreciation reports until full depreciation reports are available. Id. at 8-10. OCA witness Everette agreed with PWSA's approach and

recommended that PWSA file annual partial depreciation reports showing known and newly constructed assets until the depreciation study is completed. OCA St. 1 at 7.

The Settlement reflects this agreement. It provides that PWSA will fully comply with the annual depreciation reporting requirements by 2024, in reports reflecting 2023. Settlement ¶ III.B.1. In the interim, PWSA will file partial depreciation reports starting in 2020 and will detail only known and newly constructed plant additions and retirements. Settlement ¶ III.B.2. Further, PWSA will work with a professional consultant to assist in meeting these reporting requirements. Settlement ¶ III.B.2.b and c.

3. Capital Investment Plan Report (52 Pa. Code §§ 73.7-73.8) (Settlement ¶ III.C)

PWSA initially proposed to comply with the requirement to file a Capital Investment Plan (CIP) report every 5 years through the filing of its LTIIP in lieu of the CIP Report. Compliance Plan at 90. OCA witness Everette pointed out a number of reasons why this approach may not be adequate. For example, the LTIIP only addresses DSIC-eligible property rather than all “plans for major project expansion, modification or other alteration of current and proposed facilities” as required by 52 Pa. Code § 73.8(1)-(3). OCA St. 1 at 7-8. Additionally, PWSA may not file an LTIIP every 5 years. Id. Thus, PWSA’s plan to substitute the LTIIP for the CIP Report may not be adequate to comply with the requirements in 52 Pa. Code §§ 73.7-73.8.

The Settlement resolves this by providing that “PWSA will file the Capital Investment Plan Reports pursuant to 52 Pa. Code 73.7 and 73.8 starting in 2020 and every five years thereafter.” Settlement ¶ III.C.1. Thus, PWSA will provide a stand-alone CIP report every five years that will fully address all elements required by the regulations.

4. PWSA Risk and Resilience Assessment and Updated Emergency Response Plan as required by the American Water Infrastructure Act (AWIA) (42 U.S.C. § 300i-2) (Settlement ¶ III.D)

The OCA did not address this issue in this proceeding.

5. Security Planning and Readiness (52 Pa. Code §§ 101.1 to 101.7) (Settlement ¶ III.E)

The OCA did not address this issue in this proceeding.

6. Notices Regarding Accident, Death, Service Interruptions/Outage, Physical or Cyber Attack and Low Pressure Incidents Required to be Reported to DEP (52 Pa. Code §§ 65.2, 65.5, 67.1, and 69.1601-69.1603) (Settlement ¶ III.F)

The OCA did not address this issue in this proceeding.

B. Metered Service and Meter Testing (52 Pa. Code §§ 65.7, 65.8) (Settlement ¶¶ III.G through J)

1. Plan To Identify Unmetered/Unbilled and Flat Rate Properties (52 Pa. Code § 65.7) (Settlement ¶ III.G)

PWSA has entered into a contract with Buchart Horn to identify unmetered properties. PWSA will search for additional unmetered properties that will be added to the list of properties requiring meters. Settlement ¶ III.G.1.a.i. PWSA has started site inspections of the unmetered properties. Settlement ¶ III.G.1.a.ii. PWSA will prepare status reports in its Compliance Plan Quarterly Reports and will identify all unmetered/unbilled locations by June 29, 2020. Settlement ¶ III.G.1.b. PWSA estimates that there are 200-400 unmetered municipal buildings, 300-400 municipally-owned fountains, pools, and other similar facilities, and 500 flat rate customers. Settlement ¶ III.G.2.a. It agrees that it will install meters at all unmetered properties where meters can be installed. Id. PWSA will hire plumbers, outside contractors and assign a project manager to run the metering project with the goal to complete the metering within 5 years or by December 31, 2024 or sooner if possible. Settlement ¶ III.G.2.b. PWSA will pay for the meter and

installation for non-municipal properties⁸, while customers will be required to pay for any plumbing changes. Settlement ¶ III.G.3.a.

The OCA does not disagree with the metering plan, as set forth by PWSA. The steps outlined in the plan, if executed as proposed, should ensure that a maximum number of accounts will be metered in accordance with the Commission's regulation. PWSA's inclusion of progress reports will allow the OCA to monitor the status of the project and ensure that it stays on track.

2. Implementing Rates for Unmetered and/or Unbilled Properties That Are Not Municipal Properties Located Within the City of Pittsburgh (Settlement ¶ III.H)

PWSA plans to bill a metered rate for unmetered or unbilled non-municipal properties as soon as a meter is installed. Settlement ¶ III.H.1.a. Until a meter is installed, PWSA will bill a flat rate (based on estimated usage) and customer charge to the non-municipal customers. Settlement ¶ III.H.1.b. If a property is not able to be metered (see Settlement ¶ III.G.2.a.), PWSA will bill at the appropriate flat rate and will provide the characteristics of these properties in future rate proceedings where the reasonableness of the flat rate being charged will be reviewed. Settlement ¶ III.H.1.c.

The OCA does not oppose this process for billing non-municipal accounts after a meter is installed or in instances where a meter cannot be installed. Further, the OCA will be able to review the unmetered properties in future rate cases to determine whether those properties are appropriately classified as flat rate.

3. PWSA's Meter Replacement and Testing Plans (Settlement ¶ III.J)

PWSA witness Weimar testified that PWSA had 50,000 meters that are out of compliance with the Commission's meter testing requirements and indicated it is PWSA's goal to be in

⁸ For municipal properties, the issue is in the City Cooperation Agreement and is being briefed by the parties. Settlement ¶ III.G.3.b.

compliance by June 30, 2024. OCA St. 5 at 6. In response to OCA Set V-3, the Authority indicated that additional research is necessary to determine how many additional meters will be out of compliance during the five years until June 30, 2024. See Exhibit TLF-4. OCA witness Fought recommended that PWSA should do whatever research necessary to locate the meters that need to be tested and/or replaced so that it can be done in an efficient manner. OCA St. 5 at 6.

The Settlement provides that PWSA will undertake a comprehensive metering program to identify and replace non-working meters of all sizes, upgrade testing processes and equipment and ensure that PWSA can reasonably accommodate customer requests for testing. Settlement ¶ III.J.1. The OCA submits that these commitments will bring PWSA into compliance with the Commission's regulations regarding meter testing and replacement. 52 Pa. Code § 65.8. The Settlement also addresses the Commission's question regarding a meter testing triage plan and steps PWSA has taken to implement its Meter Replacement and Testing Plan. Settlement ¶¶ III.J.3-5.

The OCA submits that the Settlement provisions provide a reasonable plan for meter replacement and testing and are in the interest of the customers.

C. Allocation of Public Fire Hydrant Costs (Does Not Include The Billing Plan for Public Fire Hydrants Within the City of Pittsburgh) (Settlement ¶ III.I)

PWSA agrees that it will provide a class cost of service study reflecting all public hydrant costs in its next rate case. Settlement ¶ III.I.1. PWSA also agrees that it will present a rate design that reflects an allocation of 25% of public fire hydrant costs to the City. Id. PWSA reserves the right to propose a phase in of those costs in its next rate case. Id. This provision requires PWSA to file its next rate case to comply with Section 1328 of the Public Utility Code. Although PWSA reserves the right to propose a phase in, the OCA and other parties will have the information that will aid in developing a position regarding the public hydrant charges going forward. The OCA

submits that the provision is reasonable and consistent with the requirements of the Public Utility Code.

D. Water Conservation Measures, Unaccounted-For Water And Leak Detection (52 Pa. Code §§ 65.11 and 65.20) (Settlement ¶¶ III.K through O)

1. Water Conservation Measures (Settlement ¶ III.K)

The OCA did not address this issue in this proceeding.

2. Standards of Design – 52 Pa. Code § 65.17(b) (Settlement ¶ III.L)

The OCA did not address this issue in this proceeding.

3. Unaccounted-for (Non-Revenue) Water – 52 Pa. Code § 65.20(4) (Settlement ¶ III.M)

Section 65.20(4) of the Commission's regulations states that levels of unaccounted-for water should be kept within reasonable amounts and that levels above 20% have been considered by the Commission to be excessive. 52 Pa. Code § 65.20(4).

OCA witness Fought testified that calculating the amount of unaccounted-for water is important in determining the amount of non-revenue water in a distribution system caused by leaks and inaccurate meter readings. OCA St. 5 at 3. He further testified, and PWSA agreed, that the accuracy of calculating unaccounted-for water depends on reliable estimates of unavoidable non-metered water uses such as flushing, firefighting, normal pipe leakage, and repaired main breaks, among other uses. OCA St. 5 at 3; PWSA St. No. C-1R at 30. Additionally, Mr. Fought noted that both the PUC and American Waterworks Association (AWWA) methods of calculating unaccounted-for/non-revenue water provide water utilities with information needed to improve operational efficiency and ensure amounts of unaccounted-for water remain below 20%. OCA St. 5 at 4.

Mr. Fought also testified, and PWSA noted, that these estimates should be made and recorded shortly after their occurrences, and PWSA should determine the lengths of water mains and service connections and average pressure in each pressure zone to estimate its amount of “Unavoidable Losses.” OCA St. 5 at 5-6; PWSA St. No. C-1R at 30. In its Rebuttal Testimony, PWSA testified that it is “refurbishing the existing flow meters in the Bruecken and Aspinwall pump stations to establish several points to measure water flows, and to assess water losses in the pump station suction lines,” and it will report when this is completed. PWSA St. No. C-1R at 35. It further stated that PWSA’s Plan includes new metering devices at each of its intakes on the Allegheny River and at the Bruecken and Aspinwall pump stations. PWSA St. No. C-1R at 31.

In response, Mr. Fought testified in his Surrebuttal Testimony that the “DEP [Pennsylvania Department of Environmental Protection] Annual Chapter 110 Reports and the AWWA Non-Revenue Water methods require knowing the volume of water withdrawn from the water sources,” in this case the Allegheny River. OCA St. 5S at 4. Mr. Fought further stated that he believed that much of the information required for a meaningful water audit is not available as “(1) the volume of water withdrawn from the Allegheny River is not metered; (2) the volume of water delivered to the distribution system is not metered; (3) the volume of unmetered water used for non-revenue uses has not been estimated and recorded; and (4) the volume of water sold to unmetered customers may not be estimated.” OCA St. 5S at 3, 6.

As part of the Settlement, PWSA has agreed to use the AWWA definition of “non-revenue water” which includes fire-fighting, testing and flushing under the heading of “unbilled authorized consumption” and the AWWA Water Loss Control Methodology and free software to evaluate non-revenue water. Settlement ¶ III.M.1.a.

PWSA has agreed to submit its first AWWA Audit to the Commission before April 30, 2022. PWSA St. No. C-1 at 39; Settlement ¶ III.M.1.b. Where actual information is not available, the AWWA Audit will be based on information known at the time to develop the procedures for estimating and recording accurate data when it becomes available. Settlement ¶ III.M.1.b.i. As part of PWSA's Water Distribution System Plan, PWSA intends to finalize its plan for annual AWWA Audits based upon metered withdrawals from the river, metered treated water delivered to the distribution system, and estimates of non-revenue water. Settlement ¶ III.M.1.b.ii.

PWSA's efforts to accurately meter all water uses address OCA witness Fought's concerns regarding whether adequate information will be available for a meaningful water audit. OCA St. 5S at 3, 6. Additionally, PWSA's plans allow it to conform to the DEP Annual Chapter 110 Reports and the AWWA Non-Revenue Water methods which require knowledge of the volume of water withdrawn from water sources. OCA St. 5S at 4

Additionally, PWSA testified that it was working with the City of Pittsburgh's Department of Public Works to determine appropriate sites for meters for filling street sweeping vehicles as well as reporting protocols. PWSA St. No. C-1R at 22. It stated that it had a stock of hydrant meters that it was assigning to paving and street sweeping project uses. PWSA St. No. C-1R at 22. As part of the Settlement, PWSA stated that it has instructed Pittsburgh's Department of Public Works (DPW) to install meters on hydrants to record each and every water use. Settlement ¶ III.M.2.a. Further, PWSA stated that to the extent possible, it has begun estimating and recording non-revenue water used for blow-offs, street sweeping, flushing, firefighting, main breaks, tank overflows, and more. Settlement ¶ III.M.2.a.i. For flushing, PWSA stated that crews will record the time flushed and use flow gauges to estimate water discharge rates. PWSA St. No. C-1R at 31; Settlement ¶ III.M.2.a.ii. PWSA expects to document its valve operation, flushing and hydrant

inspection program in an SOP by October 2019. PWSA St. No. C-1R at 31; Settlement ¶ III.M.2.b. Further, PWSA stated that it is currently implementing a Pennsylvania DEP-permitted flushing program to facilitate its orthophosphate addition program. PWSA St. No. C-1R at 31; Settlement ¶ III.M.2.c.

PWSA's efforts to accurately estimate its unavoidable non-metered water uses as stated above are in the public interest as it will assist PWSA in reducing its amount of unaccounted-for water to levels below 20% as recommended by the Commission. OCA St. 5 at 3. This will help bring PWSA into compliance with Commission requirements, improve PWSA's ability to identify leaks, and limit expenses which would otherwise have been passed to consumers.

4. Leak Detection and Leak Survey – 52 Pa. Code § 65.20(5) (Settlement ¶ III.N)

Section 65.20(5) of the Commission's regulations states that water utilities should use a system of leak detection on a regular basis to repair leaks as expeditiously and economically as possible. 52 Pa. Code § 65.20(5).

OCA witness Fought testified that monitoring unaccounted-for water gives a water utility an understanding of unknown leaks in the distribution system so that informed decisions may be made on the necessity of finding and repairing leaks. OCA St. 5 at 3. As part of its compliance efforts, PWSA's Operations Department is currently working to ensure continuity of system knowledge and operating procedures as it restructures staff and improves its leak detection program. PWSA St. No. C-1SD at 15; Settlement ¶ III.N.1. PWSA hired a new Senior Manager of Leak Detection to assist with data gathering and analysis as well as providing staff training on newer leak detection methods. PWSA St. No. C-1 at 41. PWSA testified that staff will be provided with equipment necessary for the program. PWSA St. No. C-1 at 41. Additionally, PWSA states that it has hired a consultant to assist with a Water Study which includes assessment of service

zone water use. PWSA St. No. C-1 at 41. The Authority plans to utilize the metering systems in its high service pump stations and monitor storage tank levels during early morning hours to compare estimated water use by population served with the amount of water delivered to the system zone. PWSA St. No. C-1 at 41. PWSA states that its leak detection program will be consistent with AWWA standards and procedures by 2020, and is estimated to be fully operational in three to four years. PWSA St. No. C-1 at 40; Settlement ¶ III.N.1.d. Until it is fully implemented, PWSA agrees to provide an annual breakdown of historical costs related to the program, and an updated timeline for full implementation of the program. Settlement ¶¶ III.N.1.e.i. and ii.

The Settlement terms regarding leak detection are in the public interest as they demonstrate the Authority's commitment to improving its leak detection efforts and thus, reducing its amounts of non-revenue water. These efforts will limit the amount of water lost through leaks and will help PWSA identify and address future leaks in the system.

5. Source of Supply Measurement – 52 Pa. Code §§ 65.14 and 65.20(6) (Settlement ¶ III.O)

The Commission's regulations require utilities to install and maintain a comprehensive metering program which measures all sources of supply and service to customers. 52 Pa. Code §§ 65.14 and 65.20(6).

OCA witness Fought testified that the DEP "Annual Chapter 110 Reports and the AWWA Non-Revenue Water methods require knowing the volume of water withdrawn from the water sources," (in this case, the Allegheny River). OCA St. 5S at 4. Additionally, "the volume of water delivered to the distribution system is necessary to allow for reasonable estimates of distribution system water losses due to pipe leakage and main breaks." OCA St. 5S at 4. Mr. Weimar states that the Water Distribution System Master Plan that is expected to be completed in late 2019

includes plans to address master metering and non-revenue water and will include an AWWA Water Audit using available data. PWSA Supplemental St. No. C-1R at 31; OCA St. 5S at 4.

The Settlement reflects that PWSA's Water Distribution System Master Plan is expected to identify where additional meters may be needed and evaluate further capital projects related to meter operability and measurement. Settlement ¶ III.O.1. PWSA anticipates its flow metering program to include testing and calibration plans for all facility flow meters, rehabilitation and calibration of flow meters at existing pump stations, installation of district flow meters at locations recommended by the Water Distribution System Master Plan within the distribution system, and installation of flow meters at existing booster chlorination facilities as part of a booster chlorination system rehabilitation project. PWSA Supplemental St. No. C-1SD at 17; Settlement ¶ III.O.3.d.

PWSA's testimony and the terms of Settlement regarding the Authority's efforts to measure all sources of supply are in the public interest because PWSA will be better able to identify and reduce amounts of unaccounted-for water saving PWSA costs that may otherwise have been passed to consumers as part of PWSA's future base rate proceedings.

E. Contracts/Agreements With Customers, Other Municipalities & City (Settlement ¶¶ III.P through U)

1. City Cooperation Agreement (Settlement ¶ III.P)

The Cooperation Agreement between PWSA and the City of Pittsburgh (City) describes the relationship between these two entities, including services and payments that PWSA and the City provide to each other. The existing agreement was entered into in 1995; however, PWSA and the City are currently renegotiating the Cooperation Agreement which is slated to replace the 1995 Agreement as of October 4, 2019. OCA witness Everett testified that:

the Cooperation Agreement needs to be updated so that the agreement accurately reflects the cost of services provided to the City and by the City. If PWSA enters into a new agreement with the City, that agreement should reflect the cost of

services that are provided by the City to PWSA and vice versa. In order to include the cost of services provided by the City in PWSA's rates, the costs charged to PWSA must be supported by documentation so that the costs can be reviewed in each rate case.

OCA St. 1 at 9. PWSA witness Debbie Lestitian provided an update on the status of the Cooperation Agreement negotiations in her Supplemental Direct Testimony. PWSA St. No. C-2SD at 3-6; see also Settlement ¶ III.P.3.

Because the Cooperation Agreement is still being negotiated at this time, the Settlement provides a process for review and establishes principles that should apply to that review once the new agreement has been finalized. The Settlement provides the following process:

Once a newly negotiated Cooperation Agreement is approved by the City of Pittsburgh and signed by the Mayor, the new Cooperation Agreement will be filed with the Commission and subject to the Commission's review and approval process in accordance with 66 Pa. C.S. §§ 507 and 508. The parties agree such process will not be part of this Compliance Plan proceeding, and will be part of a future proceeding to be referred to the Office of Administrative Law Judge for a formal on-the-record proceeding. PWSA will make such a request for a formal on-the-record proceeding with its §507 filing, which will be filed no later than upon PWSA's next base rate filing.

Settlement ¶ III.P.1. This term provides for the required review by the Commission, while ensuring that the parties will be able to fully address the Cooperation Agreement and its compliance with applicable laws and regulations as part of a formal, on-the record proceeding.

The Settlement also reflects guiding principles for the new Cooperation agreement, which include the following:

- a. Any payments to the City must be just, reasonable and substantiated.
- b. The City and PWSA's relationship should be conducted on an arm's length "business-like" basis.

- c. Services provided by the City to PWSA and vice versa should be identified with detailed breakdown and be charged based on the related cost of service.

Settlement ¶ III.P.5.a-c. These basic principles will help to ensure that interactions between PWSA and the City are appropriate now that PWSA is a regulated utility and must comply with the Public Utility Code and the Commission's regulations.

As part of the current proceeding, the parties agreed to address their views of the 1995 Cooperation Agreement in briefs. OCA M.B. at 9-10; Settlement ¶ III.P.4. Importantly, the parties also reserved their right to "raise issues related to the ratemaking aspects of the agreement in any future base rate proceeding." Settlement ¶ III.P.2. Thus, even if the new Cooperation Agreement is approved by the Commission, the ratemaking impact will continue to be subject to review in future base rate proceedings as would be any other expenses incurred by the utility.

The OCA submits that these terms are in the public interest because they preserve the parties' rights to review and analyze the appropriateness of PWSA's relationship with the City going forward, as well as guide PWSA in establishing an agreement that will comply with the Public Utility Code.

2. Capital Lease Agreement (Settlement ¶ III.Q)

As explained by PWSA witness Lestitian, PWSA's 1995 Lease Agreement with the City provided for a 30-year lease of the water and sewer system until 2025, when PWSA would have the option to purchase the system from the City for one dollar. PWSA St. No. C-2 at 13. Ms. Lestitian indicated that PWSA intends to follow through with the system purchase in 2025. Id. The Settlement memorializes this by stating that "PWSA will purchase the system for \$1 when eligible in 2025, unless a new arrangement is renegotiated and approved by the Commission prior to that time." Settlement ¶ III.Q.1.

The OCA submits that it is in the public interest for PWSA to purchase the system. Now that PWSA is a regulated utility, it is not appropriate for another entity to own its water distribution and wastewater collection systems. PWSA is investing significant ratepayer dollars in system improvements and PWSA should own the system going forward.

3. Bulk Water: Sales for Resale (Settlement ¶ III.R)

PWSA has contracts in place for the sale of water to other water utilities or public authorities. Compliance Plan at 123. PWSA stated in its Compliance Plan that any new or revised agreements would be filed for Commission approval under Section 507 of the Public Utility Code, 66 Pa. C.S. § 507. OCA witness Rubin testified that “PWSA should be required to file with the Commission under Section 507 any contracts or other agreements that it enters into for the provision of wholesale water or wastewater service to other municipalities or public authorities.” OCA St. 2 at 16 (emphasis added). Mr. Rubin explained that PWSA could also “amend its tariff in an appropriate proceeding to provide specific rates under which it offers to provide sales for resale service.” OCA St. 2 at 16-17. However, PWSA’s tariff currently does not include such rates so all wholesale water agreements must be filed with the Commission pursuant to Section 507. OCA St. 2 at 14-17.

Through the Settlement, PWSA has agreed to file all wholesale agreements with the Commission as follows:

Within 120 days of the final Commission Order in this proceeding pursuant to 66 Pa. C.S. § 507, PWSA will file with the Commission in a separate docket all bulk water sales contracts entered into with municipalities and other public utilities (both prior to and after April 1, 2018). No party is waiving its right to present its position regarding the Commission’s legal authority to vary, reform or revise these contracts entered into prior to the Commission assuming jurisdiction over PWSA on April 1, 2018.

Settlement ¶ III.R.1; see also Settlement ¶ III.R.2 (stating that PWSA will file all future contracts with the Commission as required by Section 507 and 508 of the Public Utility Code). Further, as part of its next base rate case, PWSA agreed to propose a resale rate or rates to be included in its tariff and charged to new bulk water sales, and to include the cost of providing wholesale service as part of its next cost of service study and seek any necessary updates to rates to reflect the current cost of service. Settlement ¶¶ III.R.3 and 4. These settlement terms ensure that PWSA's wholesale water agreements are reviewed by the Commission in compliance with the Public Utility Code, and that, in the future, wholesale agreements are based on the cost to serve wholesale customers.

4. Bulk Wastewater Conveyance Agreements (Settlement ¶ III.S)

Similar to the discussion above in Section III.E.3 regarding bulk water sales for resale, PWSA has contracts in place for the conveyance of wastewater from other water utilities or public authorities, through PWSA's conveyance system to the Allegheny County Sanitary Authority (ALCOSAN) for treatment. Compliance Plan at 124. PWSA stated in its Compliance Plan that any new or revised agreements would be filed for Commission approval under Section 507 of the Public Utility Code, 66 Pa. C.S. § 507. OCA witness Rubin testified that "PWSA should be required to file with the Commission under Section 507 any contracts or other agreements that it enters into for the provision of wholesale water or wastewater service to other municipalities or public authorities." OCA St. 2 at 16 (emphasis added). Mr. Rubin explained that PWSA could also "amend its tariff in an appropriate proceeding to provide specific rates under which it offers to provide sales for resale service." OCA St. 2 at 16-17. However, PWSA's tariff currently does not include such rates so all wastewater conveyance agreements must be filed with the Commission pursuant to Section 507. OCA St. 2 at 14-17.

Through the Settlement, PWSA has agreed to file all bulk wastewater conveyance agreements with the Commission as follows:

Within 120 days of the final Commission Order in this proceeding pursuant to 66 Pa. C.S. § 507, to the extent PWSA can locate them, PWSA will file with the Commission in a separate docket all bulk wastewater conveyance agreements that it has entered into with municipalities and other public utilities (both prior to and after April 1, 2018). No party is waiving its right to present its position regarding the Commission's legal authority to vary, reform or revise these contracts entered into prior to the Commission assuming jurisdiction over PWSA on April 1, 2018.

Settlement ¶ III.S.1; see also Settlement ¶ III.S.2 (stating that PWSA will file all future wastewater conveyance contracts with the Commission as required by Section 507 and 508 of the Public Utility Code). Further, as part of its next base rate case, PWSA agreed to propose a rate or rates to be included in its tariff and charged to new bulk wastewater conveyance arrangements. Settlement ¶ III.S.3. Given that many of these agreements are quite old, if PWSA is unable to locate any bulk wastewater conveyance agreement, PWSA will include the rate in its tariff. Settlement ¶ III.S.4. Finally, going forward, PWSA will provide notice to the Commission in the event that ALCOSAN assumes responsibility for any existing wastewater conveyance agreements. Settlement ¶ III.S.5. These settlement terms ensure that PWSA's bulk wastewater conveyance agreements are reviewed by the Commission or are otherwise reflected in PWSA's wastewater tariff in compliance with the Public Utility Code.

5. Pennsylvania American Water Company (PAWC) Contract (Settlement ¶ III.T)

Certain customers in PWSA's service territory receive only wastewater service from PWSA, while Pennsylvania-American Water Company (PAWC) provides water service. See OCA St. 1 at 12. In a 1973 agreement, the City agreed to pay a rate subsidy to PAWC that offsets the difference between PAWC's rates and PWSA's rates such that these customers pay the same

rates that they would if they were PWSA water customers. See PWSA St. No. C-2SD. The existing 1995 Cooperation Agreement requires PWSA to pay for this expense. Id. In this proceeding, PWSA proposed to eliminate the subsidy in its next base rate case. The OCA supported eliminating this discount, while noting that PAWC should provide advance notice to the affected customers since it would affect those customer's bills.

Through the Settlement, the parties agreed that PWSA will eliminate the PAWC discount by December 31, 2019. Settlement ¶ III.T.1. As noted in PWSA's Supplemental Direct Testimony, "[b]ased on the May 2019 billing data, over 80% of residential customers are receiving a discount of \$1 or less; over one-third of the residential customers are receiving no discount; and the average discount customers are receiving is less than 50 cents per month." PWSA St. No. C-2SD at 7; Settlement ¶ III.T.2. The settlement also provides that "PAWC will provide notice to customers before the discount is eliminated, over the course of two billing cycles." Settlement ¶ III.T.3. This will provide affected customers with adequate notice that the discount will be ending. The OCA submits that ending this payment is in the interest of PWSA's ratepayers and helps bring PWSA in line with the practices of other regulated utilities, while having minimal impact on affected PAWC customers.

6. Billing Arrangement for ALCOSAN Charges (Settlement ¶ III.U)

PWSA collects wastewater and conveys it to ALCOSAN for treatment. Compliance Plan at 13. PWSA witness Lestitian explained that "ALCOSAN bills each PWSA wastewater conveyance customer a charge for wastewater treatment; this charge is passed through to customers on PWSA's monthly bill." PWSA St. No. C-2R at 19. Further, "[c]osts that are not recovered through the volumetric surcharge (e.g. uncollectible ALCOSAN charges) are recovered by PWSA through base rates . . ." OCA St. 1 at 10. As part of the Compliance Plan, PWSA

proposed a separate surcharge to recover billing costs and uncollected revenue related to ALCOSAN charges. Compliance Plan at 112-113; PWSA St. C-2 at 17-18. As OCA witness Everett discussed, this surcharge would move the uncollectible expense from base rates and into a surcharge; this change would be revenue neutral. OCA St. 1 at 12.

The OCA opposed this ALCOSAN surcharge for a variety of reasons, including that PWSA did not demonstrate that it would be better able to recover uncollectible expenses through a surcharge, and that Section 1408 of the Public Utility Code prohibits the recovery of uncollectible expenses through a surcharge mechanism. OCA St. 1 at 11-12; OCA St. 1S at 5-7. Though PWSA reframed this as a “service charge” rather than a surcharge (PWSA St. C-2R at 21-22), this did not address the OCA’s concerns.

Through the Settlement, PWSA has withdrawn its proposal to include an ALCOSAN uncollectible surcharge or service charge. Rather, PWSA reserves the right to propose an ALCOSAN service charge in its next wastewater base rate case, and all other parties reserve the right to challenge or otherwise address any future proposal. Settlement ¶ III.U.1.

F. Tariff And Other Miscellaneous Issues (Not Addressed Elsewhere) (Settlement ¶¶ III.V through BB)

1. Limitations on Liability (52 Pa. Code § 67.87) (Settlement ¶ III.V)

The OCA did not address this issue in this proceeding.

2. Residential Fire Protection and Standby Charges (52 Pa. Code § 69.169) (Settlement ¶ III.X)

In its Compliance Plan, PWSA claimed that it is currently in compliance with Section 1326 of the Public Utility Code and that it does not charge a standby charge to customers with private fire protection. PWSA Compliance Plan at 74-75. In direct testimony, Mr. Rubin did not agree with PWSA’s conclusion that it is complying with Section 1326 of the Code. OCA St. 2 at 8-9.

The Commission has a Policy Statement interpreting the terms “residential structure” and “standby charge.” 52 Pa. Code § 69.169. It defines a “standby charge” as “the charge for availability of water supply during fire emergencies.” The definition also notes that costs for upsizing meters or service lines, installing separate meters or service lines, or installing backflow prevention devices are not considered to be standby charges. See also Pa. PUC v. Superior Water Co., 2000 Pa. PUC LEXIS 14; 199 P.U.R.4th 603 (2000). Mr. Rubin explained that the Commission noted in Superior Water that the utility had provided evidence that its private fire protection charge for residential customers was based on “separate and distinct investments to provide the service.” OCA St. 2 at 8-9. For example, the utility showed that it had “installed in each residence two (2) shutoff valves and two (2) separate service lines one (1) for normal residential usage and one (1) for fire protection service.” 2000 Pa. PUC LEXIS 14 at *21. Mr. Rubin noted that PWSA’s tariff charge for private fire does not distinguish between residential and non-residential private fire. OCA St. 2 at 9. In rebuttal, Ms. Quigley testified that the Authority has stopped billing residential customers for private fire protection service. She also stated that PWSA is processing refunds to the residential customers that have been improperly charged for private fire protection service. Finally, she provided a proposed amendment to the Authority’s tariff to clarify that private fire protection charges will be levied only on non-residential customers.

Taken together, and as reflected in Paragraph III.X of the Settlement, these actions will place the Authority in compliance with Section 1326 of the Public Utility Code, 66 Pa. C.S. § 1326. OCA St. 2R-Supp at 1. The Settlement also requires PWSA to provide certain information in its next base rate case, as well as a separate rate for residential, private fire protection service that excludes all standby costs. Settlement at ¶ III.X.3. The OCA submits that the Settlement

provision is reasonable and reflects the necessary tariff changes to bring PWSA's tariff into compliance with the Public Utility Code.

3. Ownership of Wastewater Laterals (Settlement ¶ III.Z)

OCA witness Fought explained that Paragraph 7 of Wastewater Tariff Original Page 35 requires the property owner to own and maintain the customer's sewer lateral up to and including the connection to the Sewer Main. See OCA St. 5 at 7; Exhibit TLF-5. He explained that other PUC-regulated wastewater utilities do not require the property owner to own and maintain the sewer laterals within public rights of way and easements. OCA St. 5 at 8-9. He explained the issues with PWSA's approach and recommended that the Authority should study the feasibility of owning and maintaining sewer laterals within public rights-of-ways and easements, as is the norm for other wastewater utilities. OCA St. 5 at 8. Ownership and maintenance of sewer laterals would then be similar to customer water service lines. Mr. Fought recommend that the study be completed and provided to the Commission and the parties no later than January 15, 2020. OCA St. 5 at 9.

The Settlement provides that PWSA will conduct a study to investigate the legal, economic, and operational feasibility of owning and/or maintaining wastewater laterals within public easements. Settlement ¶ III.Z.1. The Settlement also provides that PWSA will include the cost, feasibility and appropriateness of alternatives and that it will provide an update of the status of the study in its Compliance Progress /Reports, with a final report by January 15, 2021. Settlement ¶¶ III.Z.2-3.

The OCA submits that the Settlement provisions are consistent with Mr. Fought's recommendations, will provide a study of how to bring PWSA's tariff provision to consistency with other regulated wastewater utilities, and the provisions are in the public interest.

4. Commission Staff Requested Documents (Settlement ¶ III.AA and BB)

The OCA did not address this issue in this proceeding. However, the OCA supports the agreement for PWSA to provide all documents requested by the Commission to ensure that a full and complete record has been developed in this proceeding.

G. Capital Projects/Construction/Bidding Processes (Settlement ¶¶ III.CC through FF)

1. Construction Project Tracking and Evaluation (Settlement ¶ III.CC)

The OCA did not address this issue in this proceeding.

2. Selection Processes and Existing Contractors (Settlement ¶ III.DD)

The OCA did not address this issue in this proceeding.

3. Open and Active Project Information (Settlement ¶ III.EE)

The OCA did not address this issue in this proceeding.

4. Clearwell Improvement Projects (Settlement ¶ III.FF)

The OCA did not address Clearwell improvement projects in this proceeding. However, the OCA supports PWSA's efforts to improve and rehabilitate the Clearwell, which is essential to providing consistent service to PWSA's customers. The OCA also supports these settlement terms to the extent they are consistent with PWSA's September 6, 2019 Consent Order and Agreement with the Pennsylvania Department of Environmental Protection (PA DEP). See PWSA Hearing Exh. No. 6.

H. Long-Term Infrastructure Improvement Plan (LTIIP) (52 Pa. Code Chapter 121) (Settlement ¶¶ III.GG through LL)

1. Materials Report, Valves, Prioritization (Settlement ¶ III.GG)

The OCA's Comments on PWSA's LTIIP noted that PWSA's prioritization of water main replacement projects, other than lead pipe, appeared to be based on size without consideration of

the type of pipe. OCA St. 1 at 15-16. Mr. Weimar stated that PWSA is currently unable to produce a report showing the material makeup of water and sewer mains (TUS-I-I), but does intend to consider pipe material in the pipe evaluation program. Mr. Weimar states that the material makeup of pipes is “a critical element” in main replacement, and PWSA’s master plans will formalize the prioritization program. PWSA expects the master plans to be completed in 2019 (TUS-I-2). This agreement to provide the information in future reports addresses the OCA’s concerns. Settlement ¶ III.GG.

2. Customer Owned Lead Service Lines (Settlement ¶ III.HH)

The OCA agrees that the information regarding the replacement costs of customer-owned lead service lines should be included in PWSA’s LTIP and that inclusion of the information is consistent with information that should be included in the LTIP. The information provided will ensure that PWSA is in full compliance with the Commission’s LTIP requirements.

3. Metering Unmetered Properties (Settlement ¶ III.II)

The OCA agrees that the information regarding the metering costs related to metering unmetered properties should be included in PWSA’s LTIP and that inclusion of the information is consistent with information that should be included in the LTIP.

The information provided will ensure that PWSA is in full compliance with the Commission’s LTIP requirements.

4. Workforce Development (Settlement ¶ III.JJ)

The OCA agrees that the information regarding workforce development should be included in PWSA’s LTIP and that inclusion of the information is consistent with information that should be included in the LTIP.

The information provided will ensure that PWSA is in full compliance with the Commission's LTIP requirements.

5. Construction Coordination with Other Utilities and Municipalities (Settlement ¶ III.KK)

The OCA agrees that the information regarding construction coordination with other utilities and municipalities should be included in PWSA's LTIP and that inclusion of the information is consistent with information that should be included in the LTIP.

6. Distribution System Improvement Charge (DSIC) (Settlement ¶ III.LL)

In its testimony, PWSA witness Presutti outlined the DSIC that PWSA may propose, describing a DSIC mechanism that is similar to the cash-flow DSIC currently used by Philadelphia Gas Works (PGW). The OCA raised a concern regarding the need for PWSA to first seek a waiver before it could propose that type of DSIC. OCA St. 1 at 4-5. Through the Settlement, PWSA agrees that it will seek any necessary waivers. Settlement at ¶ III.LL.1. The Settlement provides that if the waivers are granted, PWSA will separately track and account for all DSIC proceeds and expenditures in a separate accounting mechanism and that all DSIC revenues will be designated for future DSIC-related spending or refunds. Settlement at ¶ III.LL.2. The Settlement also provides that no party waives any right to challenge any provisions of a future DSIC. Settlement at ¶ III.LL.3-4. Importantly, the Settlement preserves the principle that inclusion of costs in the LTIP does not mean that PWSA can recover those costs through the DSIC. Id. With the reservation of rights to challenge any claims, these provisions are reasonable.

I. Customer Service, Collections And Customer Assistance Program (Settlement ¶¶ III.MM and NN)

1. Issues Deferred to Stage 2 (Settlement ¶ III.MM)

As part of the May 13, 2019 Expedited Motion discussed above, the parties requested to move consumer-related issues from Stage 1 to Stage 2 of this proceeding to enable the parties to discuss these issues in workshops with the Commission's Bureau of Consumer Services (BCS). The requests in the Expedited Motion were granted via a May 15, 2019 Secretarial letter. The Settlement lists the issues moved from Stage 1 to Stage 2, which include the following:

- a. The language, format and method of providing suspension and termination notice pursuant to Chapter 14 of the Public Utility Code and Chapter 56 of the Commission's regulations.
- b. PWSA's compliance with the Discontinuance of Service to Leased Premises Act ("DSLPA"), 66 Pa. C.S. §§ 1521-1533.
- c. PWSA's plan for collections (to include strategies to reduce overall uncollectibles and to ensure collections practices for residential customers are consistent with legal requirements).
- d. Personal Contact Requirements of 52 Pa. Code §§ 56.94 and 56.336.

Settlement ¶ III.MM.a-d. These items represent significant consumer protections that PWSA must provide to its customers. The OCA supported moving these issues to Stage 2 as the parties believed it would be helpful to have open discussions with BCS on how PWSA should comply with the regulations, which would not be possible if these issues were subject to ongoing litigation.

The OCA is particularly concerned that PWSA is not in compliance with the Commission's regulations regarding personal contact prior to termination pursuant to 52 Pa. Code §§ 56.94 and 56.336. See OCA St. 3 at 3-10; OCA St. 3S. In order to move the personal contact issue to Stage 2, the parties agreed on an interim process that PWSA would implement until this issue is resolved

either through the BCS workshops or through the Stage 2 proceeding. This process is described on page 8 of the Expedited Motion, and states that:

On an interim basis, PWSA will place a phone call the day . . . immediately prior to residential customer service termination. Calls will be made by the service technician performing the termination or by a live customer service representative who is able to communicate directly with the service technician to stop a termination from occurring if warranted by the circumstances.

Expedited Motion at 8. The interim process further specifies the information PWSA must provide to a customer as part of these calls, data that PWSA must track regarding the calls, and steps PWSA and the parties will take going forward. Id. at 8-9.

The Settlement memorializes this interim process, which PWSA states that it has now fully implemented. Settlement ¶ III.MM.2.a. PWSA will continue to collect specific data related to the interim process, which will be provided to the parties as part of PWSA's quarterly Compliance Plan Progress Reports. Settlement ¶ III.MM.2.a.iii. Further, PWSA has agreed to continued discussion regarding its compliance with the personal contact requirements with the parties and BCS. Settlement ¶ III.MM.2.a.iv-vi. The Settlement sets benchmark dates for these discussions and provides that if a collaborative resolution has not been reached by January 25, 2020 and the parties have not agreed to an extension of time, then "any party has the option to petition the Commission on this issue and PWSA agrees (to the extent necessary) to seek any waiver that may be deemed necessary." Settlement ¶ III.MM.2.a.vi.

While the interim personal contact process is not fully compliant with 52 Pa. Code §§ 56.94 and 56.336, it serves to provide a minimal level of contact with customers while the parties and PWSA work to resolve this issue. Personal contact immediately prior to termination is a vital consumer protection that provides customers with a final chance to take necessary steps to

maintain utility service to their home. The OCA supports this process only on an interim basis until PWSA is fully compliant with the Commission's regulations.

The Settlement also outlines how PWSA will work with BCS and the parties to address its collections policies and procedures (Settlement ¶ III.MM.2.b) as well as data and status updates that PWSA will provide going forward. Settlement ¶ III.MM.3. This will allow the OCA and the parties to monitor PWSA's progress and have current information available to address these issues both in BCS workshops and in the Stage 2 proceeding.

2. PWSA Low-Income Customer Assistance Program (Settlement ¶ III.NN)

OCA witness Roger D. Colton testified regarding the appropriateness and proper design of PWSA's programs to assist low-income customers in affording their water and wastewater bills. OCA St. 4; OCA St. 4S. Mr. Colton also identified fundamental principles that should guide PWSA as they develop a future "detailed plan" for providing universal service to low-income customers. OCA St. 4 at 22-25.

Through the Settlement, the parties have agreed on a collaborative process to develop PWSA's low-income assistance programs. First, PWSA is developing an affordability analysis and is presenting updates on this process to PWSA's Low Income Assistance Advisory Committee (LIAAC). Settlement ¶ III.NN.1. This analysis will help PWSA and LIAAC understand what constitutes an affordable bill for PWSA's customers so that low-income assistance programs can be designed in a way that achieves an affordable bill for participating customers. PWSA will also continue collecting and reporting data to the parties as agreed in the Settlement of PWSA's 2018 Base Rate Case. Settlement ¶ III.NN.1.b; 2018 Rate Case Settlement at ¶ F.3 (Docket Nos. R-2018-3002645, R-2018-3002647). The LIAAC, which was also created in the 2018 Rate Case Settlement, will be continued through at least 2026 and will operate in an advisory capacity,

meeting monthly from August to October 2019, then quarterly from January 2020 forward. Settlement ¶ III.NN.2.

PWSA will work with LIAAC and the Commission's Bureau of Consumer Services (BCS) in developing a Low Income Assistance Program Plan, as required by the settlement in the 2018 base rate proceeding. Settlement ¶ III.NN.3. The Settlement provides a timeline for PWSA to provide a draft of its plan and for LIAAC members to provide feedback. Settlement ¶ III.NN.3.b. PWSA will ultimately include its Low Income Assistance Program Plan as part of its next base rate proceeding. Id. PWSA has also committed to working with LIAAC and others to develop an outreach plan to help enroll more eligible customers in its low-income assistance programs, and will include the outreach plan as part of its larger Low Income Assistance Program Plan in its next base rate filing. Settlement ¶ III.NN.4.

The OCA submits that this process is in the public interest as it gives PWSA, BCS and the parties the opportunity to work collaboratively to develop PWSA's low-income assistance program. This will help to ensure that a well-designed program is in place to help eligible customers afford their water and wastewater bills, while ideally also limiting the amount of litigation regarding this plan in PWSA's next base rate proceeding.

J. Lead Service Line Remediation (Settlement ¶¶ III.OO through YY)

In this proceeding, the OCA argued that PWSA must develop a comprehensive plan for removing lead service lines from its water system, and to remove lead service lines in the most efficient manner possible. OCA St. 2 at 13-14; OCA St. 2R-Supp at 1-7. Specific issues related to lead service lines are being litigated in this proceeding, including PWSA's income-based reimbursement policy for private-side only lead service line replacements, the discontinuation of PWSA's neighborhood-based lead service line replacement program, and the replacement of non-

residential lead service lines. However, as part of the Settlement, the parties have agreed to a number of detailed terms regarding lead service line remediation. The OCA submits that the settlement terms relating to lead ensure that PWSA makes meaningful progress toward removing lead from the water system and provides customers with meaningful measures to address lead in drinking water. As such, the OCA submits that these terms are in the public interest and should be approved.

The Settlement outlines how PWSA will inventory the lead service lines in the system. Settlement ¶ III.QQ. This includes working with the University of Pittsburgh to develop a machine-learning model to predict the location of lead service lines. Settlement ¶ III.QQ.1. PWSA will complete its inventory by December 31, 2020 and will “formulate a plan and timeline for removing the known public-side and private-side lead service lines connected to a residential structure that will not be replaced by PWSA’s other lead service line replacement efforts...” by March 31, 2021. Settlement ¶ III.QQ.2.a and b. PWSA’s current target is to replace all lead service lines by December 31, 2026, but this could be modified if not feasible pursuant to the process laid out in the Settlement. Settlement ¶ III.QQ.2.c. Further, the parties recognize that it may not be feasible to replace all lead service lines, due to operational difficulties, lack of permission from a property owner, or the inability to identify the line. Settlement ¶ III.QQ.2.d. PWSA will provide updates each year to the Community Lead Response Advisory Committee (CLRAC) on PWSA’s plan for areas where small diameter water main replacements will occur in the following program year, as well as an inventory including lead service lines replaced in the preceding year. Settlement ¶ III.QQ.3.

Through the Settlement, PWSA agreed to inspect the interior plumbing adjacent to a water meter when it replaces a residential water meter, or when it replaces a private-side lead service

line without replacing the water meter, and inform the customer of the type of material and the associated risk of lead release. Settlement ¶ III.RR. The Settlement also details water testing procedures, a review process for results, and provision of water filters in certain circumstances after PWSA replaces a water meter at a residence with a private-side lead or galvanized service line or interior plumbing adjacent to the water meter. Settlement ¶ III.SS. Additional sections of the Settlement explain when PWSA will provide free lead testing kits to residents and under what circumstances PWSA will provide free water filters and cartridges to residents. Settlement ¶ III.TT. This includes the provision of free filters and six months of filter cartridges under certain circumstances for customers enrolled in PWSA's Customer Assistance Program or tenants who would be eligible for such programs if they were a customer. Settlement ¶ III.TT.2. Further, the Settlement explains that PWSA will provide bottled water if the tap water lead test shows results above 50 parts per billion until PWSA completes a meter drop and flush. Settlement ¶ III.UU.

Regarding lead service line replacement, the Settlement states that PWSA will replace a private-side lead service line at no direct cost to the property owner when PWSA replaces a public-side lead service line to which the private-side lead service line is connected (Settlement ¶ III.VV.1.a.i) as well as:

At any residence with a private-side only lead service line located within a work order area of a neighborhood-based lead service line replacement program where lead service line replacements are performed after completion of the 2019 Lead Service Line Replacement program which is currently scheduled to be completed by September 2020.

Settlement ¶ III.VV.1.a.ii. The Settlement also provides that PWSA may only conduct a partial lead service line replacement in specific circumstances, such as when the property owner refuses to grant permission or when it is technically infeasible. Settlement ¶ III.VV.1.b. PWSA has

committed to continued efforts to identify additional funding sources other than rates to fund lead service line replacements. Settlement ¶ III.VV.1.c.

The Settlement sets a goal of replacing a minimum of ten miles per year of small diameter water main in Priority Lead Neighborhoods from January 1, 2021 forward, and describes how Priority Lead Neighborhoods will be identified. Settlement ¶ III.VV.2. It also sets parameters for any future neighborhood-based lead service line replacement program. Settlement ¶ III.VV.3.

The Settlement in PWSA's 2018 rate case created the Community Lead Response Advisory Committee (CLRAC). Under the Settlement in this proceeding, the CLRAC's term will extend through the end of 2026. Settlement ¶ III.WW.1. It also provides further detail on the CLRAC's operations including how the CLRAC may be terminated, how membership positions are filled, and that at least one member must be a public health expert. Settlement ¶ III.WW.1-3. The CLRAC will meet at least quarterly regarding PWSA's lead remediation efforts, and the Settlement lists a wide range of items on which PWSA will consult with the CLRAC. Settlement ¶ III.WW.4. The CLRAC gives the parties and community members an important advisory role to help ensure positive outcomes from PWSA's lead remediation program. Regarding PWSA's orthophosphate corrosion control program, PWSA has agreed to provide the parties, the Commission and the CLRAC with quarterly progress reports concurrent with its reporting requirements to PA DEP. Settlement ¶ III.XX.

Finally, regarding ratemaking treatment for lead service line replacement costs, the Settlement provides that PWSA will separately identify these costs in future rate filings, and will include them in the appropriate sub-account once PWSA has fully transitioned to the NARUC Uniform System of Accounts. Settlement ¶ III.YY.1, 3. PWSA will continue quarterly reports to the parties on actual costs. Settlement ¶ III.YY.2.

The discussion here provides a summary of the very detailed lead service line remediation terms included in the Settlement. While some aspects of PWSA's lead service line replacement program have been carved out for litigation in this proceeding, the OCA submits that the terms agreed to provide significant benefits to the public in reducing potential lead exposure and provide a framework for additional future progress. As such, the OCA respectfully requests that the Commission approve these terms.

K. PWSA Compliance Plan Progress Reports (Settlement ¶¶ III.ZZ through CCC)

As outlined in Settlement ¶¶ III.ZZ through CCC, PWSA has agreed to submit Compliance Plan Progress Reports to update the parties on the status of its compliance with various requirements. Settlement ¶¶ III.ZZ through CC. PWSA agrees to submit Progress Reports quarterly or annually as outlined below. Settlement ¶ III.ZZ. PWSA included with its Supplemental Testimony of August 2, 2018 a Second Compliance Plan Program Report, marked as PWSA Exh. RAW/C-28(A), which includes information available through July 31, 2019. Settlement ¶ III.ZZ.1. On a quarterly basis beginning on or before October 31, 2019, PWSA will file an updated PWSA Compliance Plan Progress Report formatted similarly to that of PWSA Exhibit RAW/C-28. Settlement ¶ III.ZZ.2. Subsequent PWSA Compliance Plan Progress Reports shall be filed on or before January 30, April 30, July 30, and October 31 through October 31, 2025 unless the Commission extends the date or the Parties agree otherwise. Settlement ¶ III.ZZ.3. In addition to the information presented in PWSA's Exhibit RAW/C-28, the Compliance Plan Progress Reports will include updates regarding the following, and on the following bases:⁹

⁹ Settlement ¶ III.ZZ.4.

Item description	Cross reference	Frequency of update
Conversion of accounting to full NARUC USOA	Partial Settlement at Section III.A.2	Quarterly
Status of Risk and Resilience Assessment and Updated Emergency Response Plan	Partial Settlement at Section III.D.5	Quarterly, until completed
Security Planning and Readiness Plans	Partial Settlement at Section III.E.3.b	Quarterly, until completed
Notices Regarding Accident, Death, Service Interruptions/Outage, Physical or Cyber Attack and low pressure incidents required to be reported to DEP	Partial Settlement at Section III.F.1.b	Quarterly, until completed
Metering of Unmetered Properties	Partial Settlement at Section III.G.1.b.ii	Quarterly, until all newly-metered and/or previously unbilled properties to be identified are completed
Water Conservation Measures	Partial Settlement at Section III.K.3	Quarterly, until completed
Replacement of 4-Inch Diameter Water Mains	Partial Settlement at Section III.L.2	Quarterly
Status of Investigation Regarding Ownership of Wastewater Laterals	Partial Settlement at Section III.Z.3	Quarterly, until January 15, 2021 when final report shared with Parties
Construction Project Tracking and Evaluation	Partial Settlement at Section III.CC	Quarterly, with starting date to be mutually agreed upon by I&E and PWSA
Design Engineer and Company Affiliation for Capital Projects	Partial Settlement at Section III.DD.2	Quarterly
Funding Sources for Capital Projects	Partial Settlement at Section III.EE.2	Quarterly
Computerized Maintenance Management System (CMMS) Implementation Progress	Partial Settlement at Section III.GG.3	Quarterly, until completed
Data regarding PWSA's Interim Process Regarding Personal Contact Requirements of	Partial Settlement at Section III.MM.2.a.iii	Quarterly, beginning with PWSA Exh. RAW/C-28(A)

52 Pa. Code §§ 56.94 and 56.336		
Customer Assistance Program Data Collected Pursuant to PWSA Rate Case Settlement (Docket No/ R-2018-3002645)	Partial Settlement at Section III.NN.1.b	Quarterly, beginning with PWSA Exh. RAW/C-28(A)
Update on Orthophosphate Program	Partial Settlement at Section III.XX.1	Quarterly, until no longer required to provide updates to PA DEP
PWSA Leak Detection Program	Partial Settlement at Section III.N.1.e	Annually
Report of Non-Competitively Bid Construction Contracts	Partial Settlement at Section III.DD.1.c	Annually

If PWSA anticipates its inability to meet a deadline, it agrees to provide notice of such in its Compliance Plan Progress Report, along with the following information: a) details as to why the deadline is not possible; b) the new timeline for compliance; and c) an explanation of its efforts to accommodate the new deadline. Settlement ¶¶ III.AAA.2.a through c.

In its Supplemental Direct Testimony, PWSA included the following information in support of the Partial Settlement: unscheduled/emergency service disruptions and low pressure incidents required to be reported to DEP, status of PWSA's metering plan, and leak detection program details, among other issues. PWSA Supplemental St. No. C-1SD at 11, 15, 19; Settlement ¶¶ III.BBB.1 and BBB.2. Additionally, this testimony included information regarding workforce development and construction coordination with other utilities and municipalities to be included in PWSA's LTIIP. Settlement ¶ III.CCC.2.

The testimony provided by PWSA and reporting requirements listed above will facilitate the parties' efforts to bring PWSA into full compliance with Commission regulations.

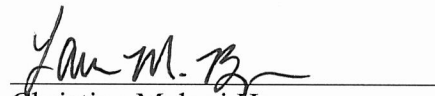
L. Other Issues

The OCA has no further issues to address regarding the Settlement.

IV. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of this Stage 1 Compliance Plan proceeding, taken as a whole, represent a fair and reasonable resolution of the issues raised by the OCA in this proceeding. Therefore, the OCA submits that the Settlement should be approved by the Commission without modification as being in the public interest.

Respectfully Submitted,



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