

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560

 @pa_oca
 /pennoca

FAX (717) 783-7152
consumer@paoca.org

April 21, 2020

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

Re: Pennsylvania Public Utility Commission
v.
Pittsburgh Water and Sewer Authority
Docket Nos. R-2020-3017951 (Water)
C-2020-3019348
R-2020-3017970 (Wastewater)
C-2020-3019349

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceedings.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Christine Maloni Hoover
Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50026
E-Mail: CHoover@paoca.org

Enclosure

cc: The Honorable Mary D. Long (**email only**)
The Honorable Emily I. DeVoe (**email only**)
Certificate of Service

*286766

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission : Docket Nos. R-2020-3017951 (Water)
v. : C-2020-3019348
 : R-2020-3017970 (Wastewater)
Pittsburgh Water and Sewer Authority : C-2020-3019349

I hereby certify that I have this day served a true copy of the following documents, the Office of Consumer Advocate's Prehearing Memorandum, 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 21st day of April 2020.

SERVICE BY E-MAIL ONLY

Gina L. Miller, Esquire
John M. Coogan, Esquire
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Deanne M. O'Dell, Esquire
Daniel Clearfield, Esquire
Karen O. Moury, Esquire
Eckert, Seamans, Cherin, & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue
Suite 720 T
St. Louis, MO 63105

/s/ Christine Maloni Hoover
Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50026
E-Mail: CHoover@paoca.org

Lauren E. Guerra
Assistant Consumer Advocate
PA Attorney I.D. # 323192
E-Mail: LGuerra@paoca.org

Santo G. Spataro
Assistant Consumer Advocate
PA Attorney I.D. # 327494
E-Mail: SSpataro@paoca.org

Sharon E. Webb, Esquire
Erin K. Fure, Esquire
Daniel G. Asmus, Esquire
Office of Small Business Advocate
555 Walnut Street
1st Floor, Forum Place
Harrisburg, PA 17101-1923

Ria M. Pereira, Esquire
Elizabeth R. Marx, Esquire
John W. Sweet, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101

Erin L. Gannon
Senior Assistant Consumer Advocate
PA Attorney I.D. # 83487
E-Mail: EGannon@paoca.org

Counsel for:
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
Dated: April 21, 2020
*286726

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

| | | |
|--|---|------------------------------------|
| Pennsylvania Public Utility Commission | : | |
| | : | |
| v. | : | Docket Nos. R-2020-3017951 (Water) |
| | : | R-2020-3017970 (Wastewater) |
| | : | C-2020-3019348 (Water) |
| | : | C-2020-3019349 (Wastewater) |
| Pittsburgh Water and Sewer Authority | : | |

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333, and in response to the Prehearing Conference Order issued in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On March 6, 2020, the Pittsburgh Water and Sewer Authority (PWSA or the Authority) filed Supplement No. 1 to Tariff Water – PA P.U.C. No. 1 and Supplement No. 1 to Tariff Wastewater – PA P.U.C. No. 1 to become effective May 5, 2020. Through this filing, PWSA requests that the Commission approve its new tariffs pursuant to Act 65 of 2017, 66 Pa. C.S. § 3201 *et seq.* PWSA’s proposed tariffs propose multiyear increases to water and wastewater total annual operating revenues of approximately \$43.4 million for 2021 and an additional \$12.6 million for 2022. PWSA filed a request for waiver of certain provisions of Act 11 of 2012 to increase the DSIC cap to 10%, permit levelization/annualization of revenue recovery, and permit the Pay-As-You-Go method of financing. A Motion has been filed to consolidate this Petition with PWSA’s

water and wastewater base rate filings, to which no party has objected. On April 16, 2020, the Commission suspended the filing until December 5, 2020 and assigned the matter to the Office of Administrative Law Judge for the prompt scheduling of such hearings as may be necessary and issuance of a Recommended Decision.

PWSA 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 also conveys sewage for portions of 24 neighboring communities. PWSA's water and wastewater operations became subject to regulation by the Pennsylvania Public Utility Commission on April 1, 2018, pursuant to Act 65 of 2017, 66 Pa. C.S. § 3201 *et seq.*

Under the Authority's proposal, a typical residential water and wastewater conveyance customer using 3,000 gallons per month would see their total monthly bill increase from \$72.49 to \$86.31, an increase of \$13.82 or 19.1% in 2021. For the water portion of the bill, this includes an increase from \$49.35 to \$58.15, an increase of \$8.80 or 17.8%. For the wastewater conveyance portion of the bill, this includes an increase from \$23.14 to \$28.16, an increase of \$5.02 or 21.7%. The rate increase request includes a water and a wastewater DSIC each assessed at 10% of the respective, proposed base rates.

In 2022, the total bill for a customer using 3,000 gallons per month would increase from \$86.31 to \$91.71, an increase of 6.26%. For the water portion of the bill, this includes an increase from \$58.15 to \$61.11, an increase of \$3.01 or 5.18%. For the wastewater conveyance portion of the bill, this includes an increase from \$28.16 to \$30.60, an increase of \$2.44 or 8.66%. The rate

increase request includes a water and a wastewater DSIC each assessed at 10% of the respective, proposed base rates.

II. ISSUES

The OCA is currently conducting discovery in this proceeding. As soon as the OCA has received all of the discovery information and has had the opportunity to review it, the OCA anticipates that additional discovery and/or informal discovery meetings can be scheduled. At those meetings and discussions, the OCA will narrow the scope of additional information requests. Once the discovery process is complete, the OCA will file direct testimony which will set forth the specific issues it will address in this proceeding. At that time, the OCA will also make and quantify its specific recommendations.

The issues and sub-issues set forth below, and others that may develop during discovery, will be analyzed and presented as appropriate by the OCA with the assistance of its expert witnesses:

A. Accounting and Finance

1. The OCA will examine the Authority's claimed revenues and any adjustments to the level of revenues. The OCA will seek to ascertain whether PWSA's claimed expenses are supported, reasonable, and appropriate.

2. The OCA will examine the Authority's debt service coverage ratios in the future test year, fully projected future test year and for 2022 and will examine the Authority's cash on hand.

B. Rate Design and Cost Allocation

1. The OCA will examine the reasonableness of PWSA's proposed distribution of the revenue increase among customer classes.

2. The OCA will examine PWSA's cost of service studies, including the methodology used and the reasonableness of the allocations.

3. The OCA will examine PWSA's proposed rate design, including its proposed effects on residential customers and its ability to reflect the cost to serve different classes of customers.

C. Low-Income Programs

1. The OCA will analyze current and proposed PWSA operations, practices and procedures related to serving low-income customers.

2. The OCA will examine how PWSA's proposed rate increase and rate structure will affect low-income and/or low-usage customers.

3. The OCA will review the Authority's current Customer Assistance Program (CAP) and any proposed changes to the program.

D. Quality of Service

1. The OCA will review the Authority's quality of service to ensure that it is providing safe, adequate, and reliable service, and water that is useful for all household purposes, and that its wastewater collection and conveyance system is operating as required.

2. The OCA will review the Authority's program and practices for replacing lead service lines.

E. Tariffs

1. The OCA will examine the reasonableness and appropriateness of the Authority's proposed tariffs, including formatting and compliance with all applicable regulations.

F. Customer Service

1. The OCA will review the Authority's consumer protection policies and

programs in order to ensure compliance with Chapter 14 of the Public Utility Code and Chapter 56 of the Commission's regulations.

2. The OCA will examine the Authority's customer service, including internal training and management oversight policies and programs.

3. The OCA will examine the Authority's consumer education programs, particularly with regard to changes in billing and collection rights and remedies, and complaint processes.

G. Stormwater Tariff

1. The OCA will review the Authority's proposed stormwater tariff that it filed as part of this base rate case in compliance with the Commission's Final Implementation Order¹, including the Authority's decision not to include a stormwater fee with the proposed tariff, which it plans to implement in 2022 after further research is performed and data is obtained. The OCA will review the reasonableness of the Authority's proposed stormwater tariff, including whether it complies with applicable laws, regulations, and Commission orders.

H. DSIC and DSIC Cap Waiver

1. The OCA will review the Authority's proposed DSIC mechanisms and request for a 10% DSIC cap and waivers of other provisions of Act 11.

I. Cooperation Agreement

1. The OCA will review the Authority's Cooperation Agreement filed in December 2019, including the Commission's decision not to rule on it prematurely.

J. Capital Improvement Plan

¹ Implementation of Chapter 32 of the Public Utility Code Re Pittsburgh Water and Sewer Authority, Final Implementation Order (entered Mar. 15, 2018), Docket Nos. M-2018-2640802 (water) and M-2018-2640803 (wastewater), at 31.

1. The OCA will examine the Authority's Capital Improvement Plan (CIP), including its 2020 project summary related to water treatment, pumping and storage, distribution, wastewater, stormwater, and any other projects.

K. Multi-Year Rate Plan

1. The OCA will examine the Authority's multi-year rate plan to determine the reasonableness of the proposal.

L. I&E's Expedited Motion for Extension of the Statutory Suspension Period

1. After PWSA filed its water and wastewater base rate cases with the Commission on March 6, 2020, the COVID-19 caused a global pandemic resulting in Governor Wolf placing all Pennsylvania counties under stay-at-home orders and encouraging residents to practice social distancing to slow the spread of the virus. Due to these directives and resulting office closures, I&E filed an Expedited Motion for Extension of the Statutory Suspension Period in this proceeding on March 31, 2020. All statutory parties supported I&E's request to extend the suspension period. On April 13, 2020, PWSA filed an Answer opposing I&E's request and raising a new matter regarding revenue recovery if the extension is granted.

2. In response, Judge Long e-mailed the parties encouraging them to reach an agreement on the extension and indicating that the Motion will be discussed at the prehearing conference scheduled for April 22, 2020 at 10:00 a.m. The parties have engaged in discussions but have not reached agreement. The OCA is prepared to discuss the matter at the prehearing conference.

M. PWSA's Petition to Consolidate the Cooperation Agreement Proceeding

1. On April 17, 2020, PWSA filed a Petition seeking consolidation of the Cooperation Agreement Proceeding at Docket No. U-2020-3015258 with the water and

wastewater base rate proceedings. The OCA is prepared to discuss the matter at the prehearing conference.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witnesses in this proceeding. Each witness will present testimony in written form and will also attach various exhibits, documents, and explanatory information which will assist in the presentation of the OCA's case. In light of the COVID-19 emergency, the OCA requests that instead of hard-copy mail, the parties send responses to each appropriate consultant by e-mail as indicated below until the OCA's offices are open again:

Accounting/Regulatory Policy/Multi-year ratemaking:

Karl Pavlovic
PCMG and Associates LLC
22 Brookes Ave.
Gaithersburg, MD 20877
OCAPWSA2020@paoca.org
Dante Mugrace
PCMG & Associates
90 Moonlight Court
Toms River, NJ 08753
OCAPWSA2020@paoca.org

Rate Design/Cost Allocation/
Regulatory Policy:

Scott Rubin
333 Oak Lane
Bloomsburg, PA 17815
OCAPWSA2020@paoca.org

Quality of Service:

Terry Fought, P.E.
780 Cardinal Drive
Harrisburg, PA 17111
OCAPWSA2020@paoca.org

Tariffs/Customer Service:

Barbara R. Alexander
83 Wedgewood Drive

Winthrop, ME 04364
OCAPWSA2020@paoca.org

Low-Income Programs:

Roger D. Colton
Fisher, Sheehan & Colton
34 Warwick Road
Belmont, MA 02478
OCAPWSA2020@paoca.org

Policy/Bond Coverage:

David Habr
Habr Economics
213 Cornuta Way
Nipomo, CA 93444-5020
OCAPWSA2020@paoca.org

DSIC:

Jerome Mierzwa
Exeter Associates, Inc.
Suite 300
10480 Little Patuxent Parkway
Columbia, MD 21044
OCAPWSA2020@paoca.org

The OCA specifically reserves the right to call additional witnesses, as necessary. All parties of record will be notified as soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case.

IV. EVIDENCE

The OCA will rely on the direct, rebuttal, and surrebuttal testimony of its expert witnesses as well as the testimony of other parties to the proceeding. The OCA will also present relevant exhibits to support its own testimony, including but not limited to, materials obtained from the Authority through discovery and cross-examination.

V. SERVICE ON THE OCA

The OCA will be represented in this case by Senior Assistant Consumer Advocates Christine Maloni Hoover and Erin L. Gannon and Assistant Consumer Advocates Santo G. Spataro and Lauren E. Guerra. The OCA has created a group e-mail address provided below. This is the

only email address that is required for service on the OCA; it will provide the emailed materials to all members of the OCA team including the consultants listed above. Two copies of all documents should be served on the OCA by e-mail only until the OCA's offices are open again as follows:

Christine M. Hoover, Senior Assistant Consumer Advocate
Erin L. Gannon, Senior Assistant Consumer Advocate
Santo G. Spataro, Assistant Consumer Advocate
Lauren E. Guerra, Assistant Consumer Advocate
OCAPWSA2020@paoca.org

Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17101-1923

(717) 783-5048 (telephone)
(717) 783-7152 (facsimile)

VI. PUBLIC INPUT HEARINGS

In light of the complications posed by the pandemic, the OCA understands that holding traditional public input hearings within the Authority's service area may not be appropriate or possible. As such, the OCA respectfully requests that the Commission hold public input hearings by telephone or video conference, on multiple dates at varied times, in order to provide customers with an opportunity to be heard on the record pursuant to Act 65 of 2017, 66 Pa. C.S. § 3204(a). The OCA requests that the public input hearings be held as early in the proceeding as possible while allowing for sufficient notice of the public input hearings to PWSA customers. Additionally, the OCA is willing to work with the parties and the scheduling office to identify appropriate means of holding the public input hearings, and is open to exploring other ideas. In PWSA's 2018 base rate case, a total of four public input hearings were held on three different dates as follows: September 4, 2018 at 1 p.m. and 7 p.m., September 5, 2018 at 7 p.m. and September 6, 2018 at 7 p.m. In order to ensure customers with varied availability are able to participate, the OCA requests

a similar schedule for this case during the week of May 26, 2020.

The OCA also requests that the Authority be directed to extensively advertise these public input hearings. Newspaper notice must be advertised in the general readership sections of local newspapers, not in the legal section. Other methods of informing its customers of the public input hearings, including social media and the Company's website, should be utilized as well. In addition, the OCA requests the other parties involved in the proceeding be permitted to review these public input hearing announcements prior to their publication and distribution and have input into which publications the announcements are placed.

VII. PROPOSED SCHEDULE

Due to complications caused by the COVID-19 pandemic and I&E's outstanding Motion to extend the suspension period in this case, the parties have not reached an agreement on a litigation schedule. Per Judge Long's e-mail addressing I&E's Motion, the parties will discuss the request at the prehearing conference. A schedule that reflects the reply brief date of August 30, 2020, as provided by ALJ Long is attached.

VIII. DISCOVERY

To date, the OCA has served eleven (11) sets of interrogatories on the Authority. Going forward, the OCA proposes the following modifications to the Commission's discovery regulations. The OCA notes, however, that it anticipates using informal discovery in this case and will work with PWSA to ensure that discovery is completed efficiently and effectively.

- A. Answers to written interrogatories to be served in-hand within fifteen (15) calendar days of service of the interrogatories. However, PWSA will make best efforts to provide responses within ten (10) calendar days of service.
- B. Requests for admission be deemed admitted unless answered within ten (10) days or objected to within five (5) days of service.

- C. Answers to on-the-record data requests to be served in-hand within seven (7) calendar days of the request.
- D. All discovery due dates shall be “in-hand” and e-mail service on the due date will satisfy the “in-hand” requirement, while the PUC offices remain closed. After re-opening, the “in-hand” requirement will be met where e-mail service is followed, the next business day, by first-class mail service.

IX. SETTLEMENT

The OCA is willing to participate in settlement discussions.

Respectfully Submitted,

/s/ Christine Maloni Hoover
Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50026
E-Mail: CHoover@paoca.org

Erin L. Gannon
Senior Assistant Consumer Advocate
PA Attorney I.D. # 83487
E-Mail: EGannon@paoca.org

Santo G. Spataro
Assistant Consumer Advocate
PA Attorney I.D. # 327494
E-Mail: SSpataro@paoca.org

Lauren E. Guerra
Assistant Consumer Advocate
PA Attorney I.D. # 323192
E-Mail: LGuerra@paoca.org

Office of Consumer Advocate
555 Walnut Street, 5th Fl., Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

DATE: April 21, 2020

*286411

