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April 21, 2020

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: PA Public Utility Commission v. Pittsburgh Water and Sewer Authority
Docket Nos. R-2020-3017951, C-2020-3019348, C-2020-3019305 (water) and R-2020-
3017970 C-2020-3019349, C-2020-3019302 (wastewater) and

Petition of Pittsburgh Water and Sewer Authority For Waiver of Provisions of Act 11 to
Increase the DSIC CAP, to Permit Levelization of DSIC Charges, and to Authorize the
Pay-As-You-Go Method of Financing – P-2020-3019019

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the Pittsburgh Water and Sewer Authority's ("PWSA") Prehearing Memorandum with regard to the above-referenced matters. The undersigned certifies that this filing contains no averments or denials of fact subject to verification and penalties under 52 Pa. Code Section 1.36. Copies to be served in accordance with the attached Certificate of Service.

Sincerely



Deanne M. O'Dell

DMO/lww
Enclosure

cc: Hon. Mary D. Long w/enc.
Hon. Emily Devoe w/enc.
Cert. of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of PWSA's Prehearing Memorandum upon persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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Deanne M. O'Dell, Esq.

Dated: April 21, 2020

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, <i>et al</i>	:	R-2020-3017951
	:	C-2020-3019348
v.	:	C-2020-3019305
	:	
Pittsburgh Water and Sewer Authority - Water	:	

Pennsylvania Public Utility Commission, <i>et al</i>	:	R-2020-3017970
	:	C-2020-3019349
	:	C-2020-3019302
v.	:	
	:	
	:	
Pittsburgh Water and Sewer Authority - Wastewater:	:	

Petition of Pittsburgh Water and Sewer Authority	:	P-2020-3019019
For Waiver of Provisions of Act 11 to Increase	:	
The DSIC CAP, to Permit Levelization of DSIC	:	
Charges, and to Authorize the Pay-As-You-Go	:	
Method of Financing	:	

**PREHEARING MEMORANDUM OF
THE PITTSBURGH WATER AND SEWER AUTHORITY**

Pursuant to 52 Pa. Code §§ 5.221-5.224 and the Prehearing Order issued on April 17, 2020 by Administrative Law Judge Mary D. Long (“ALJ Long”), The Pittsburgh Water and Sewer Authority (“PWSA” or the “Authority”) submits this Prehearing Memorandum.

I. PROCEDURAL HISTORY

On March 3, 2020, PWSA filed a Petition for Authority for Waiver of Provisions of Act 11 to Increase the DSIC CAP, to Permit Levelization of DSIC Charges, and to Authorize the Pay-As-You-Go Method of Financing (“DSIC Petition”).

On March 6, 2020, PWSA 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 these filings, PWSA seeks approval of a multiyear rate plan to increase its rates for 2021 by \$43.4 million and for 2022 by \$12.6 million. The rate increase request includes a Distribution System Improvement Charge (“DSIC”) assessed at 10% of the base rates. The combined proposals submitted by PWSA would increase the typical residential water and wastewater bill (for a customer using 3,000 gallons per month) from \$72.49 to \$86.31 per month (19.1%) in 2021.

Also on March 6, 2020, PWSA filed: (1) a Petition for Consolidation of Water and Wastewater Rate Proceedings and for Authorization to Use Combined Water and Wastewater Revenue Requirements in the above-captioned proceedings (“Petition for Consolidation of Rate Proceedings”); and (2) a Petition to Consolidate DSIC Petition with Base Rate Case Filings for Both Water and Wastewater Conveyance (“Petition for Consolidation of DSIC Petition”).

On March 9, 2020, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance.

On March 13, 2020, the Authority filed a letter with the Commission seeking for the Commission to waive any requirement that parties file a separate answer to the DSIC Petition, grant the Petition for Consolidation, and direct that the merits of the DSIC Petition be adjudicated in the course of the General Rate Case. On this same date, I&E filed an Answer to the Authority’s Petition for Consolidation of Rate Proceedings.

On March 19, 2020, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance and Formal Complaint. The docket numbers for the OSBA complaints are C-2020-301-3019302 (water) and C-2020-3019305 (wastewater). On March 20, 2020, Pittsburgh UNITED filed a Petition to Intervene. On March 24, 2020, the Office of Consumer Advocate

(“OCA”) filed a Notice of Appearance and Formal Complaints. The docket numbers for the OCA complaints are C-2020-3019348 (water) and C-2020-3019349 (wastewater).

The Authority filed a letter with the Commission on March 25, 2020, indicating that it had elected not to answer any of the complaints in the rate proceedings.

The OSBA filed Answers to the Authority’s Petition for Consolidation of Rate Proceedings and Petition for Consolidation of DSIC Petition on March 26, 2020.

On March 31, 2020, I&E filed a Notice to Plead and Expedited Motion for Extension of the Statutory Extension Period of the Authority’s Water and Wastewater Base Rate Proceedings (“I&E Motion”). In its Motion, I&E requests that the Commission order the extension of the statutory suspension period by a period of time commensurate with the closure of the Commission’s office during the coronavirus pandemic.

On April 2, 2020, PWSA filed the Verified Statement of Julie Quigley demonstrating that PWSA provided public notice of its base rate filing as required by 52 Pa. Code § 53.45(h).

On April 6, 2020 Pittsburgh UNITED filed an Answer to the I&E Motion. The OCA filed an Answer to the I&E Motion on April 8, 2020. The Authority and OSBA filed Answers to the I&E Motion on April 13, 2020.

By Order entered April 16, 2020, (“Suspension Order”), the Commission instituted an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase. The Tariffs were suspended by operation of law until December 5, 2020, unless permitted by Commission Order to become effective at an earlier date.

On April 17, 2020, the Authority filed a Motion for Protective Order and a Petition to Consolidate Rate Case and Cooperation Agreement Proceedings.¹

¹ On December 20, 2019, the Authority filed a Cooperation Agreement between the City of Pittsburgh and the Authority with the Commission. The PWSA requested that the Commission’s review of the Cooperation Agreement be referred to the Commission’s Office of Administrative Law Judge (OALJ) for a formal on-the-record proceeding.

This matter was assigned to ALJs Long and ALJ Devoe. ALJ Long issued a Prehearing Conference Order on April 17, 2020, scheduling a prehearing conference in this case for April 22, 2020.

II. REPRESENTATION

PWSA's attorneys in this matter are:

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Daniel Clearfield is the designated primary speaker for purposes of the prehearing conference. PWSA prefers that documents be served electronically to the above email addresses and agrees to receive service of documents electronically in this proceeding. To the extent that materials are not available electronically, PWSA requests that only one hard copy of documents, if any, be served upon Deanne O'Dell at the above mailing address.

III. ISSUES

A. Pending Consolidation Petitions and Motion for Protective Order

PWSA respectfully requests that the following petitions be granted:

1. PWSA's March 6, 2020 Petition for Consolidation of Water and Wastewater Rate Proceedings and for Authorization to Use Combined Water and Wastewater Revenue Requirements;
2. PWSA's March 6, 2020 Petition to Consolidate DSIC Petition with Base Rate Case Filings for Both Water and Wastewater Conveyance;
3. PWSA's April 17, 2020 Motion for Protective Order; and,

4. PWSA's April 17, 2020 Petition to Consolidate Rate Case Proceeding and Cooperation Agreement Proceeding.

B. I&E's Pending Motion to Extend

Several informal discussions have occurred between PWSA, I&E, OCA, OSBA and UNITED toward the goal of reaching a settlement. At this time, no settlement has been reached. PWSA supports a discussion of the I&E Motion during the Prehearing Conference.

C. Commission's March 26, 2020 Final Order Regarding PWSA's Compliance Plan Stage 1

In the Commission's Final Order in the Authority's Stage 1 Compliance Plan Proceeding at Docket Nos. M-2018-2640802, *et. al.*, the Commission directed PWSA to include in its next base rate case a pro forma tariff or tariff supplement with changes necessary to conform PWSA's processes and procedures regarding the replacement of customer-owned lead service lines with the requirements of Act 120. The Commission further directed the Authority to include this information either in direct testimony or supplemental direct testimony. The Final Order addressed other issues related to the City of Pittsburgh that implicate issues in this rate proceeding. While PWSA and other parties have filed Petitions for Reconsideration/Clarification and/or Amendment of the Final Order, PWSA anticipates supplementing its direct testimony to address issues raised by the Final Order. **PWSA anticipates filing this supplemental testimony on or before May 15, 2020.** Also, to the extent the City Cooperation Proceeding is consolidated with this docket, the Supplemental Testimony will include supporting information.

D. Substantive Issues from the Rate Case Filing

The primary issue in this proceeding is what level of base rate increase is just and reasonable for PWSA pursuant to the "Cash Flow" method of ratemaking. As explained in detail in PWSA's filings and the supporting materials, the requested increase in revenues is necessary, reasonable, and in the public interest. The proposed increase in revenues is the minimum

amount necessary to enable PWSA to appropriately invest in the infrastructure needed to maintain and improve the adequacy and safety of its operations. The Authority's extensive Capital Improvement Program, which includes the refurbishment and replacement of a significant portion of PWSA's water supply system, cannot be accomplished without additional rate relief.

Additional issues in this proceeding include the appropriate allocation of the rate increase among the customer classes and the reasonableness of the rules set forth in PWSA's Tariffs relating to the provision of water and wastewater conveyance services. It should be noted that issues having to do with the Authority's compliance with the Public Utility Code, PUC rules and regulations and/or PUC Orders are being addressed in PWSA's Compliance Plan proceeding. As such, to the extent compliance-related issues are raised by other parties in this proceeding, the Authority submits that these issues are appropriately deferred for development and resolution to PWSA's compliance plan process.

IV. WITNESSES

PWSA served the following testimonies with its rate case filings:

Witness	St No.	Topics
Robert A. Weimar	1	Overview of Filing; Description of PWSA and Process of Transition; Organizational Structure, Management Quality Updates; and Accomplishments Since Last Rate Case
Debbie M. Lestitian	2	Status of Various Contracts; PWSA Staff Recruitment Efforts
Jennifer Presutti	3	Support for Proposal; Budgeting Process; Financial Results; Multiyear Rate Increase; Settlement Commitments; Allocation of Water and Wastewater Costs
Barry King	4	Capital Projects; Infiltration Remediation; Highland Membrane Filtration Plant
Edward Barca	5	Support of Proposal; Capital Improvement Plan; DSIC; Debt Portfolio; Financial Metrics
Thomas F. Huestis	6	Financial Policies and Goals; Capital Markets Consideration; Peer Review of Financial Metrics; Impact of Multiyear Rate Adjustment
Harold J. Smith	7	Cost of Service Study; Cost Allocation; Rate Design
Julie Quigley	8	Customer Impacts, Customer Service, Low Income Customer Assistance Programs, Water and Wastewater Tariffs
Beth Dutton	9	Stormwater

These testimonies and accompanying exhibits fully support PWSA's proposed rate increase, allocation of its rate increase among customer classes, and the Authority's proposed rate design.

PWSA reserves its right to add additional witnesses or change the identity of its witnesses at any time upon appropriate notice to the Presiding Officer and the parties.

V. PROCEDURAL SCHEDULE

PWSA proposes the following litigation schedule based on a December 5, 2020 end of suspension:

Statutory Period Ends On December 5, 2020	
Description	Date
Public Input Hearings	Last Full Week of May [May 26 to 28]
Other Parties' Written Direct Testimony	June 10, 2020
Written Rebuttal Testimony – PWSA and Other Parties	July 10, 2020
Written Surrebuttal Testimony – PWSA and Other Parties	July 24, 2020
Evidentiary Hearing for oral rejoinder (if any) from PWSA witnesses and cross-examination (if any) of all witnesses	July 28, 2020 July 29, 2020 July 30, 2020
Main Briefs – All Parties	August 19, 2020
Reply Briefs – All Parties	August 31, 2020 ²
Recommended Decision (Projected)	September 30, 2020
Exceptions	October 20, 2020
Reply Exceptions	November 2, 2020
Public Meeting (Scheduled)	December 3, 2020
End of Suspension Period	December 5, 2020

Under the proposed schedule, all dates are in-hand delivery, and electronic mail for receipt and distribution will satisfy in-hand service dates.

² While PWSA recognizes that the reply brief date has been set at August 30, 2020. Therefore, PWSA respectfully requests that the reply brief date be moved to August 31, 2020.

VI. DISCOVERY

As of April 20, 2020, PWSA has received eighteen sets of discovery and has either responded to, or is in the process of responding to, over 800 interrogatories/data requests. PWSA has established a cloud-based, secure site for the assistance of the parties in handling discovery. Discovery responses including attachments are available at ESCM Share File site. For a party to receive access, please contact Deanne O'Dell (dodell@eckertseamans.com) or 717-255-3744 and provide the name and email address of the person seeking access. PWSA also encourages the use of informal discovery to expedite the discovery process.

PWSA is willing to discuss any proposed discovery modifications. PWSA, however, proposes that the time for initial discovery (until the filing of other parties' direct testimony) remain at 15 days. PWSA will commit to answering discovery as quickly as possible.

VII. SETTLEMENT

PWSA is willing to discuss the settlement of its claims and has initiated settlement discussions with the parties.

Respectfully submitted,



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Dated: April 21, 2020