

COMMONWEALTH OF PENNSYLVANIA



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October 7, 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

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
Docket No. P-2020-3019019

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Statement in Support of the Joint Petition for Settlement 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
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Enclosures:

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

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CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission : Docket Nos. R-2020-3017951 (Water)
v. : C-2020-3019348
: R-2020-3017970 (WW)
Pittsburgh Water and Sewer Authority : C-2020-3019349
:
Petition of Pittsburgh Water and Sewer :
Authority for Waiver of Provisions of Act 11 : Docket No. P-2020-3019019
to Increase the DSIC CAP, to Permit :
Levelization of DSIC Charges, and to :
Authorize the Pay-As-You-Go Method of :
Financing :

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 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 7th day of October 2020.

SERVICE BY E-MAIL ONLY

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Dated: October 7, 2020
*297559

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

| | | | |
|---|---|-------------|----------------|
| Pennsylvania Public Utility Commission, <i>et. al.</i> | : | Docket Nos. | R-2020-3017951 |
| | : | | C-2020-3019348 |
| v. | : | | C-2020-3019305 |
| | : | | C-2020-3020747 |
| Pittsburgh Water and Sewer Authority - Water | : | | C-2020-3021067 |
| | | | |
| Pennsylvania Public Utility Commission, <i>et. al.</i> | : | Docket Nos. | R-2020-3017970 |
| | : | | C-2020-3019348 |
| v. | : | | C-2020-3019302 |
| | : | | C-2020-3020538 |
| Pittsburgh Water and Sewer Authority - Wastewater | : | | C-2020-3021065 |
| | | | |
| 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 | : | Docket No. | P-2020-3019019 |

OFFICE OF CONSUMER ADVOCATE
STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT

I. INTRODUCTION

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement (Settlement), finds the terms and conditions of the Joint Petition for Settlement (Settlement) to be in the public interest and in the interest of Pittsburgh Water and Sewer Authority (PWSA or Authority) for the reasons set forth below.

II. OVERALL REASONS IN SUPPORT OF SETTLEMENT

The terms and conditions of the Settlement satisfactorily address issues raised in the OCA's analysis of PWSA's water and wastewater rate filing. The OCA presented the testimony of eight expert witnesses.¹ See OCA Hearing Exhibit 1. The OCA submits that this Settlement, taken as

¹ Mr. Rubin is an independent attorney and public utility industry consultant 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. Since 1984, 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 1, Appendix A.

Mr. Dante Mugrace is a Senior Consultant with the Economic and Management Consulting Firm of PCMG and Associates, LLC. Mr. Mugrace has been a consultant since 2013. Prior to that he was employed by the New Jersey Board of Public Utilities from 1983 to 2011. Mr. Mugrace provides expert testimony on the regulation of electric, gas, water and wastewater utilities. A more complete description of Mr. Mugrace's education and experience is provided in OCA Statement 2, Appendix A.

Dr. David S. Habr is the owner of Habr Economics, a consulting firm he founded in January 2009. The firm focuses on cost of capital and mergers and acquisitions. Dr. Habr began a career in utility regulation in 1981 with the Iowa State Commerce Commission (n/k/a Iowa Utilities Board) before joining the Iowa Office of Consumer Advocate where he remained until 2008. A more complete description of Dr. Habr's education and experience is provided in OCA Statement 3, Exhibit DSH-1.

Dr. Karl R. Pavlovic is the Managing Director of and a Senior Consultant with PCMG and Associates LLC. For over thirty five years, he has performed analyses and submitted testimony regarding electric, gas and water utility operations, cost of service, rate design, and regulatory policy. OCA Statement 4, Exhibit KRP-1 contains a complete list of his engagements as an expert and/or expert witness in matters before state and federal regulatory agencies.

Mr. Jerome D. Mierzwa is a principal with and the President of Exeter Associates, Inc. Mr. Mierzwa began his career in utility regulation with a natural gas distribution company before joining Exeter Associates in 1990. Since joining Exeter Associates he has specialized in revenue requirement analysis, evaluating the gas purchasing practices and policies of natural gas utilities, utility class cost of service and rate design analysis, sales and rate forecasting, performance-based incentive regulation, the unbundling of utility services, and the evaluation of customer choice natural gas transportation programs. A more complete description of Mr. Mierzwa's education and experience is provided in OCA Statement 5, Appendix A.

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 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. A more complete description of Mr. Colton's education and experience is provided in OCA Statement 6, Appendix A.

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 7, Exhibit BA-1.

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

a whole, is a reasonable compromise in consideration of likely litigation outcomes before the Public Utility Commission (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 Authority's second base rate proceeding under Commission jurisdiction, and that the ongoing Compliance Plan proceeding, including Stage 1 and the upcoming Stage 2, will provide further steps in the process of bringing PWSA into full compliance with Commission regulations. See Settlement, Appendix A at 3. 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.

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 8 as Appendix A.

III. REASONS FOR SUPPORT OF SPECIFIC ISSUES

A. Revenue Requirements (Rates, DSIC, Multi-Year Rate Plan) (Settlement ¶ III.9.A)

As stated above, in its filing, PWSA proposed a multi-year increase to its combined water and wastewater rates of \$43.8 million,² a 25.4% increase for 2021 (including the requested 10% Distribution System Improvement Charges (DSICs)) and an additional \$12.6 million, a 6.4% increase, for 2022. Settlement, Appendix A. ¶ 5. PWSA stated that its proposal was driven by several factors, including salaries and benefits, debt service to cover the Authority's capital needs in the FPFTY 2021 period, operating contracts, non-capital facility improvements and system upgrades. PWSA St. No. 3 at 6-8. The multi-year rate increase was predicated upon the Authority's inclusion of DSICs assessed at 10% of water and wastewater base rates (\$19,620,227). OCA St. 2 at 3. PWSA filed for this rate increase at the beginning of what would become the COVID-19 pandemic. Additionally, PWSA indicated that it had not reassessed the requested increase in light of the pandemic. OCA St. 2 at 6.³ After reviewing the Authority's filing, the OCA recommended that the Commission deny PWSA's request to increase rates given the circumstances occasioned by COVID-19. OCA St. 1 at 26. However, if the Commission sought to evaluate PWSA's claims under a business as usual case, the testimony presented by the OCA demonstrated that PWSA's proposed fully projected future test year (FPFTY) revenue requirement (2021) should be adjusted downward by over \$55 million. OCA St. 2 at 7-8.

² PWSA's proposed increase for 2021 equaled \$43.8 million as relating to retail customers and \$44.2 million as the total Authority amount, including wholesale customers. Settlement, Appendix A. ¶ 5; Settlement, Appendix D. at 2, 4.

³ The proposed increases were updated in PWSA's Supplemental Direct Testimony to \$45.394 million in 2021 and approximately \$15.577 million in 2022. OCA St. 2 at 3.

The OCA recognized the impact of this unusual public health crisis and the resulting affects it has had on our economy and consumers. As stated by OCA witness Scott Rubin in his testimony submitted on behalf of the OCA:

Through no fault of its own, PWSA ended up filing its application just weeks before its service area -- indeed the entire world -- was devastated with the worst pandemic in a century. Understandably, PWSA prepared this case assuming “business as usual,” but life and business in its service territory are now anything but normal.

In particular, I am very concerned about the impact that significant rate increases would have on PWSA’s customers at this time. To be blunt, this is not the time to impose higher costs on either people or businesses. I agree with the concerns expressed by Sen. Lindsey Williams in her July 6, 2020, letter to the Commission. After she explained the devastating effects of the pandemic on the Pittsburgh area, she concluded: “In these rapidly changing times, we simply cannot ask our businesses, particularly our small businesses, to shoulder this rate increase.

OCA St. 1 at 12 (footnote omitted). As a result, the OCA recommended that no increase be granted. The OCA also presented numerous adjustments to PWSA’s proposed budgeted expenses. OCA St. 2 at 7. These adjustments included a Senior Debt Service Coverage Ratio of 1.49 as opposed to the PWSA proposed 1.82, and a Total Debt Service Coverage Ratio of 1.19 as opposed to the PWSA proposed 1.45. OCA St. 2 at 7-8. The OCA’s recommended debt service coverage ratio reflected the burden customers are carrying as a result of the COVID-19 pandemic while still providing PWSA with sufficient funds to maintain investment grade bond ratings. OCA St. 3 at 5. OCA witness Rubin also explained why approving a multi-year rate plan during this pandemic was unreasonable. OCA witness Pavlovic also identified numerous deficiencies with PWSA’s multi-year rate proposal. In lieu of litigation, the parties reached a Settlement on all issues.

Under this Settlement, PWSA agreed to withdraw its proposed multi-year rate plan, and instead agreed to a total revenue increase of \$19 million, inclusive of DSICs, for water and wastewater service rendered on or after January 14, 2021. Settlement ¶ III.9.A.1. This agreed-

upon revenue increase represents an increase of 10.46% over present rates in 2021 as compared to the 25.4% increase for 2021 proposed by PWSA. Settlement, Appendix D. Specifically, water revenues will be increased by \$14,150,000 and wastewater revenues will increase by \$4,850,000, both inclusive of DSIC revenues. Settlement, Appendix D. The Settlement increase proposed to go into effect on January 14, 2021, is approximately \$25.2 million less than the amount originally requested by PWSA to go into effect in 2021.⁴ On a total bill basis, a typical residential water and wastewater conveyance customer using 3,000 gallons of water per month will see the total water and wastewater conveyance bill increase from \$72.49 to \$79.34 or by \$6.85 or 9.4%. Settlement, Appendix E. This is less than the Authority's original proposal for 2021, which would have resulted in a total bill increase from \$72.49 to \$86.31, or by \$13.82 or 19%. Settlement, Appendix F. The Settlement also provides that rates will become effective on or after January 14, 2021, pending Commission approval.⁵ Settlement ¶ III.9.A.1.

These Settlement provisions are carefully designed to balance the interests of PWSA and its customers. PWSA construction was impacted and halted by the Governors' emergency order, however has resumed in May 2020. PWSA St. No. 8-R at 4. As part of resuming activities, PWSA continues to fulfill its obligations under its recently-approved Long-Term Infrastructure Improvement Plan (LTIP), which are necessary to address higher risk assets on its system and ensure safe, reliable service to its customers.

In general, the Settlement represents a "black box" approach to all individual revenue requirement issues. Black box settlements avoid the need for protracted disputes over the merits of individual revenue adjustments and avoid the need for a diverse group of stakeholders to attempt

⁴ PWSA's initial proposal was a multi-year proposal, this comparison does not include the approximately \$15.577 million PWSA proposed for rates in the following year.

⁵ In response to the Bureau of Investigation and Enforcement's Motion for Extension, the parties agreed on a procedural schedule based on a public meeting date of January 14, 2021. Settlement, Appendix A. ¶ 16.

to reach a consensus on a variety of financial numbers. The OCA submits that it is unlikely that the parties would have been able to reach a consensus on each of the disputed accounting and ratemaking issues raised in this matter, as policy and legal positions can differ widely. As such, the parties have not specified a dollar amount for each issue or adjustment raised in this case. Attempting to reach an agreement regarding each adjustment in this proceeding would likely have prevented any settlement from being reached.

Based on an analysis of the Authority's filing, discovery responses received, and testimony by all parties, the revenue increase under the Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of this case. The increase is reasonable, particularly when it is recognized that it is inclusive of the DSIC changes and accompanied by other important conditions contained in the Settlement and the additional commitments to providing relief to customers during COVID-19. The increase agreed to in the Settlement provides sufficient funding to allow the Authority to provide safe and adequate service and to make important service quality improvements in targeted areas, as discussed in greater detail below. As such, the OCA submits that the increase agreed to in this Settlement is in the public interest and in the interest of the Authority's ratepayers, and should be approved by the Commission.

The Settlement provides that PWSA will implement a 5% DSIC applicable to both water and wastewater bills beginning on or after January 14, 2021. Settlement ¶ III.9.A.2.a. The 5% DSIC and 5% cap provided in the Settlement is half of the 10% DSIC originally sought by PWSA. OCA St. 2 at 3. Importantly, both the water and wastewater DSICs will be capped at 5%, inclusive of reconciliation, and separately reconciled for water and wastewater. Settlement ¶ III.9.A.2.c.i. Those amounts are also included in the agreed upon revenue requirement so there will be no additional DSIC charges in 2021. The lesser 5% cap is reasonable because PWSA has not previously charged a DSIC and 5% is within the cap established by statute for DSICs. The separate

reconciliation ensures that the water and wastewater DSICs will function as separate mechanisms, revenues will not be commingled and PWSA cannot prioritize water or wastewater projects to the detriment of the other service. Water customers will only pay for eligible water system improvements, *i.e.* will not pay a higher DSIC to fund wastewater system improvements, and vice versa. This benefits and protects customers who do not take both services.

Section III.9.A.2.e further requires that revenue recovered from customers through DSIC rates can only be used for DSIC-eligible projects and, initially, only for rate-funded capital (PAYGO). This reflects the parties' agreement to limit the amount of specified PAYGO funding approved in this case in response to concerns raised by the OCA that PAYGO funding may be more costly for customers than bond funding.

PWSA agrees not to propose an increase to the DSIC cap unless it is in conjunction with a base rate proceeding. Settlement ¶ III.9.A.2.b. Because the parties have agreed to annual, levelized DSICs that will be billed at 5% beginning on the first day of new base rates established in this case and will not be zeroed out each time that new base rates take effect, any proposal to increase the amount recovered through DSIC rates should be reviewed in the context of the Authority's overall revenue recovery. Also, because the charges will not be limited to recovering actual, historic plant investment, the Settlement requires PWSA to file quarterly schedules supporting its calculation of the DSIC rate. This will facilitate review by the PUC and interested parties. Settlement ¶ III.9.A.2.c.ii. The Settlement also requires quarterly adjustments to the DSIC rates to minimize over and under collections and unnecessary bill fluctuations.

These Settlement provisions, taken together and in conjunction with Sections III.9.A.2.d, f and g, will help to ensure that the Authority's DSIC more closely complies with the statutory provisions for DSICs than the mechanism proposed in PWSA's filing and that the quarterly DSIC rates and annual reconciliations are properly calculated.

B. Stormwater Tariff and Compliance Plan Stage 2 Proceeding (Settlement ¶ III.9.B)

As part of the Settlement, PWSA agreed with OCA witness Scott Rubin’s recommendation “that the Stormwater rate filing be delayed until after the conclusion of the current rate case” as detailed in OCA Statement 1, pages 52-56. More specifically, Mr. Rubin recommended that the Commission decline to rule on PWSA’s proposed stormwater tariff. OCA St. 1 at 6. Mr. Rubin observed that the stormwater rate filing must include a reduction in wastewater rates since all stormwater costs and investments currently incurred by PWSA are included in the wastewater revenue requirement. OCA St. 1 at 56. Additionally, Mr. Rubin testified that PWSA’s COSS Model had not properly allocated any debt service costs to stormwater. OCA St. 1 at 55.

PWSA had anticipated having approximately 8,000 stormwater-only customers. OCA St. 1 at 52. Through the Settlement and by taking this matter up in the next rate case, these soon-to-be customers will benefit from both increased notice of the filing and more information for their understanding of the creation of a stormwater rate. OCA St. 1 at 52. Similarly, the parties will benefit from the extra time in order to better determine the rules, regulations, and other terms of service for the upcoming stormwater tariff. OCA St. 1 at 52. Therefore, the Parties agreed to defer the development of PWSA’s Stormwater Tariff to PWSA’s next combined water, wastewater, and stormwater filing as discussed in Section III.9.A.3. Settlement ¶ III.9.B.1.

In the same way, as part of the Settlement, the Parties have agreed to request that the Commission, as part of approval of this Settlement, consolidate the Compliance Plan Stage 2 Stormwater issues with PWSA’s upcoming combined water, wastewater, and Stormwater filing. Settlement ¶ III.9.B.2. The OCA continues to monitor these issues and will investigate issues related to stormwater service in the Compliance Plan and in future proceedings.

C. Cost Allocation and Rate Design Issues (Settlement ¶ III.9.C)

The Settlement provides that PWSA will recover the water and wastewater conveyance revenue increases by customer class as shown in Appendix C of the Joint Petition for Settlement. Settlement ¶ III.9.C.1. Under the Settlement, the combined residential water and wastewater percentage increase will be approximately 9.7%, which accounts for 35.3% of the Settlement increase. The new rates to collect the settlement level of water and wastewater revenues from each class are shown on Appendix D of the Joint Petition for Settlement. Settlement ¶ III.9.C.2.

The Settlement provides that the levels of water and wastewater revenues from each class are based on the agreement that current water minimum charges for all meter sizes will remain unchanged in the Tariff. Settlement ¶ III.9.C.2.a. Similarly, the water consumption charges are adjusted to recover the class-specific increases to the agreed upon class cost of service. Settlement ¶ III.9.C.2.a. Moreover, through the Settlement, wastewater conveyance minimum charges and volumetric rates will be adjusted with approximately the same proportionate increase to all existing rates to recover the total agreed upon system increase. Settlement ¶ III.9.C.2.b.

Through the Settlement, all the parties reserved their right to address allocation issues regarding the costs of PWSA's customer assistance programs and its lead service line replacement programs in a future post-pandemic case. Settlement ¶ III.9.C.3. PWSA agreed to account for the cost of Infiltration and Inflow as part of its upcoming water, wastewater, and stormwater filing as discussed in Section III.9.A.3, of the Joint Petition for Settlement. To the extent that PWSA does not account for all Infiltration and Inflow costs as part of the future water/wastewater/stormwater filing, PWSA will address the total costs for the separated system in its subsequent water/wastewater/stormwater rate proceeding. Settlement ¶ III.9.C.4.

In his Direct Testimony, OCA Witness Rubin identified significant deficiencies in the as-filed water cost-of-service studies (COSS). See OCA St. 1 at 5-6. The water COSS did not

accurately determine the peak demands placed on the system by the Industrial class of customers and the water study included a partial allocation of debt-service costs on the basis of the number of customers in a class. OCA St. 1 at 37. Through the Settlement, PWSA will provide a customer cost analysis as part of its CCOSS in its combined water, wastewater and stormwater filing, as discussed in Section III.9.A.3 above, as part of its continued exploration of changing its rate design from a minimum charge to a customer charge. Settlement ¶ III.9.C.5. Upon PWSA's next rate increase filing, the OCA will thoroughly analyze the demand factors and cost responsibilities for the newly proposed Municipal (or City) customer class.

D. Additional COVID-19 Relief Measures (Settlement ¶ III.9.D)

Given the unprecedented pandemic situation affecting the financial well-being of PWSA customers, along with the rest of the Commonwealth, nation and world, this Settlement provides for COVID-19 relief measures to operate as an additional source of relief for the many vulnerable PWSA customers during this time. Settlement ¶ III.9.D. OCA witness Scott J. Rubin testified, at length, about the financial hardships faced by many Pittsburgh consumers due to unemployment and wage loss as a result of the pandemic and how rapid increase of water and wastewater rates during this time would further impede PWSA customers' abilities to afford service. OCA St. 1 at 26. In his direct testimony, Mr. Rubin stated:

Residential customers are experiencing unprecedented levels of unemployment and other economic dislocation (such as reduced hours of work), while many are battling the COVID-19 infection.

OCA St. 1 at 26. The OCA submits that the relief provided through the Settlement is in the public interest as it represents an opportunity to assist many consumers impacted by COVID-19.

Given the reduction in employment and wages, there is a growing number of ratepayers unable to afford utility bills. The reduction in the proposed revenue requirement provided through

this settlement, as discussed above, and the additional relief provided through this settlement will help to relieve some of the burden on PWSA customers of unaffordable water and wastewater bills.

Through the agreed to in the Settlement, PWSA will waive reconnection fees through the end of the next rate case or one year from the date of a final order, whichever is later. Settlement ¶ III.9.D.1. Also, PWSA will perform targeted outreach to customers with existing debt to negotiate appropriate payment arrangements and/or assist them with enrollment in PWSA's customer assistance programs, if eligible. Settlement ¶ III.9.D.2.

Furthermore, under the Settlement, for one year from the date of the final order in this case, or until January 14, 2022, whichever is later, PWSA will implement the following payment arrangement process due to the COVID-19 pandemic. Customers will be offered at least one payment arrangement consistent with the term lengths identified in 66 Pa. C.S. § 1405, except that customers between 250-300% of Federal Poverty Level will be offered a payment arrangement of no less than 24 months; those customers over 300% of the Federal Poverty Level will be offered a payment arrangement of no less than twelve months in length, if warranted based on the customers' facts and circumstances, including their ability to pay regardless of the number of prior arrangements or prior broken payment arrangements on their accounts. Settlement ¶ III.9.D.3.a. Similarly, victims of domestic violence with a Protection from Abuse Order or other court order which contains clear evidence of domestic violence will be offered a payment arrangement that exceeds the term lengths identified in 66 Pa. C.S. § 1405 if warranted based on the customers' facts and circumstances, including their ability to pay. Settlement ¶ III.9.D.3.b. The OCA submits that extending collections efforts and the waiver of late and reconnection fees for the PWSA customers eligible through the Settlement is in the public interest as it adds a further layer of

protection for customers who likely will not have the funds during this time to pay the bills and fees associated with late payments and disconnection of service due to nonpayment.

The Settlement also ensures that PWSA will continue to expand its outreach efforts with community partners and will continue to solicit the input and suggestions of the Low Income Assistance Advisory Committee (LIAAC) members as to how to most effectively pursue this outreach. Settlement ¶ III.9.D.4. Additionally, PWSA will waive its Hardship Grant Program's sincere effort of payment requirements for one year from the date of the final order in this case, or until January 14, 2022, whichever is later. Settlement ¶ III.9.D.5. The OCA submits that this provision is in the public interest as it addresses the great uncertainty surrounding the length of this pandemic and the extent of its economic repercussions on ratepayers as cited by Mr. Rubin in his surrebuttal testimony:

Of course, none of us knows what the future will bring, but it looks as if it might take several months, if not longer, for public health and the economy to return to a pre-pandemic "normal" level.

OCA St. 1SR at 6.

The provisions of the Settlement, taken together, are in the public interest as they provide a small, yet impactful, amount of relief to PWSA customers in need of financial assistance during this difficult time. Given the remaining uncertainty of the full impact of COVID-19 on PWSA customers, additional support to customers may be necessary in the future. Nevertheless, the OCA submits that this Settlement is in the public interest as it is a critical first step in protecting vulnerable PWSA customers from the financial impacts of the pandemic and should be approved by the Commission, without modification.

E. COVID-19 Related Costs and Relief Funding (Settlement ¶ III.9.E)

The Settlement provides that in recognition of the extraordinary, not reasonably foreseeable, and non-recurring circumstances posed by the COVID-19 pandemic on PWSA's

operations, PWSA shall be permitted to track and record as a regulatory asset costs incurred by PWSA as a result of the COVID-19 pandemic. Settlement ¶ III.9.E.1. COVID-19 Pandemic Costs are defined in the Settlement to include reasonably and prudently incurred incremental labor-related costs; costs incurred to maintain employee and contractor availability; incremental health care related costs; incremental worker's compensation costs; incremental occupational safety equipment, contractor, personnel costs, and annual uncollectible accounts expense. Settlement ¶ III.9.E.1.

PWSA shall be permitted to claim COVID-19 Pandemic Costs for ratemaking purposes in PWSA's next general rate proceeding with the amortization period to be determined in that proceeding. Settlement ¶ III.9.E.1. In order to prevent double-recovery of these expenses that might otherwise already be factored into PWSA's rates, COVID-19 Pandemic Costs will only be eligible for recovery for ratemaking purposes to the extent they cause PWSA's operating costs for specific accounts to exceed budgeted FTY and FPFTY levels. Settlement ¶ III.9.E.1. Similarly, PWSA has agreed to track any operating costs that are reduced as a result of pandemic operating limitations and use those amounts to offset areas of increased cost in the regulatory asset account. Settlement ¶ III.9.E.1. Costs not specifically identifiable as COVID-19 Pandemic Related Costs shall not be eligible for recovery for ratemaking purposes. Settlement ¶ III.9.E.1. PWSA agrees to maintain records and other information necessary to demonstrate that certain costs qualify as COVID-19 Pandemic Costs. Settlement ¶ III.9.E.2. All Parties reserve the right to review the prudence and reasonableness of the costs that PWSA attempts to recover under these provisions. Settlement ¶ III.9.E.2.

Through the Settlement, PWSA has agreed to exercise prudent efforts to maximize the utilization of any government benefits, with detailed reporting requirements for any amounts

obtained. Settlement ¶ III.9.E.3. PWSA will also provide a report detailing their intended use, and if denied, the reason for such denial, as part of its next base rate case. Settlement ¶ III.9.E.3.

These provisions are consistent with the Commission's recent Secretarial Letter authorizing deferral accounting treatment for COVID-19 related costs. COVID-19 Cost Tracking and Creation of Regulatory Asset, Docket No. M-2020-3019775, Secretarial Letter (Pa. PUC May 13, 2020). Moreover, the Commission frequently approves deferred accounting treatment of extraordinary, non-recurring, one-time costs. Petition of PPL Electric Utilities Corporation for Authority to Defer for Accounting and Financial Reporting Purposes Certain Losses from Extraordinary Storm Damage and to Amortize Such Losses, Docket No. P-00032069, 2004 Pa. PUC LEXIS 24, at *7 (Pa. PUC Jan. 16, 2004), Petition of West Penn Power Company for Authority to Defer for Regulatory Accounting and Reporting Purposes Certain Losses from Extraordinary Storm Damage, Docket No. P-2010-2216111, 2011 Pa. PUC LEXIS 1270, at *7-8 (Pa. PUC Apr. 1, 2011).

Accordingly, deferred accounting treatment is appropriate in this instance. The COVID-19 pandemic is likely to impose extraordinary, non-recurring costs on utilities and the Settlement provides important protections to ensure that any recovery is limited to dollars in excess of costs that are already included in rates and are directly related to COVID-19 impacts.

F. Low Income Customer Assistance Issues (Settlement ¶ III.9.F)

Data Tracking (III.9.F.1)

The data tracking provisions require PWSA to implement policies and procedures to identify and track customers who have income at or below 150% of the Federal Poverty Level (FPL) in its Customer Information System (CIS) and specifies the circumstances that will assist PWSA in identifying those customers. ¶ III.9.F.1.a. PWSA commits to working with Dollar

Energy Fund (DEF), to ensure that the appropriate data and statistical report will be available including a number of data points that will be tracked by month and to ensure that the reports can be provided. ¶ III.9.F.1.b. Those data points include the number of monthly applicants to the Bill Discount Program (BDP), the number of customers that were newly accepted into the BDP, BDP participants by FPL, the number of participants who entered the BDP with unpaid account balances, and the average amount of dollars of unpaid account balances for BDP participants at the time those participants entered the BDP. Id. PWSA agrees that the data will be provided to Low Income Assistance Advisory Committee (LIAAC). The OCA submits that this provision is important because it will provide PWSA and the stakeholders with important data regarding the applicants, the customers accepted, and other critical information. This data will be important for discussing changes to the BDP, as discussed below.

Pilot Arrearage Forgiveness Program (III.9.F.2)

OCA witness Colton recommended that PWSA implement an arrearage management program (AMP) as part of its affordability assistance.⁶ OCA St. 6 at 42-45. Mr. Colton recommended that the AMP be a component of PWSA's low income bill assistance program because providing an affordable bill for current service and providing an arrearage management program are interrelated. Id. at 42. Mr. Colton found that the pre-existing arrearages represent a substantial contributor to the unaffordability of PWSA bills for low-income customers. Id. Mr. Colton's analysis of the pre-existing arrears for customers enrolled in the PWSA bill discount program shows that the bill payments have reached an unaffordable level. Id. at 44. Mr. Colton recommended that an arrearage management program be developed and presented to the PUC

⁶ Mr. Colton recommended that PWSA transition to an income-based fixed payment Percentage of Income Payment Plan (PIPP) through a structured collaborative process, propose an Arrearage Management Program in twelve months, and enhance its existing bill discount program as a transition to the PIPP. OCA St. 6 at 46-70.

within 12 months after the final order in this proceeding. OCA St. 6 at 57. Key components of an AMP include freezing the arrearage at the time the customer enters the AMP, and a bill credit, with each complete payment, to reduce the pre-existing arrears to \$0 over a reasonable time, such as 24 months. Id.

The Settlement provides for a Pilot Arrearage Forgiveness Program that reflects many of Mr. Colton's recommendations. The Pilot Arrearage Forgiveness Program will apply to customers currently enrolled in or approved in the future to be enrolled in the Bill Discount Program. ¶ III.9.F.2.a. The credit will be \$15 per payment received while the customer is in an active income based payment plan. Id. While the payment plan is active, PWSA will freeze the arrearage and will not seek to collect the arrearage. ¶ III.9.F.2.b. The pilot program provides for the opportunity to make two catch up payments if the customer defaults on the payment plan so that they can receive the arrearage forgiveness. ¶ III.9.F.2.c. PWSA also agreed to develop and implement a plan to automate an arrearage forgiveness program by January 2023. ¶ III.9.F.2.e. All parties reserve the right to address the issues of an arrearage forgiveness program in the next base rate case.

The implementation of a pilot arrearage forgiveness program is an important step towards PWSA's development of more comprehensive and carefully designed customer assistance program. The pilot program will enhance the bill discount program (also enhanced as described below) by recognizing that the enrolled customers' pre-existing arrearages need to be addressed as well as the cost of current service charges. The implementation of the pilot program, as of the effective date of new rates, will allow the parties to address whether a permanent program should be adopted in the next case aided by information from the implementation of the pilot program. The pilot program will benefit all customers because it will add an important component to address

affordability for the customers who are or will be enrolled in the bill discount program and will generate an improvement in the ability to pay which will benefit all customers.

Hardship Grant Program (III.9.F.3)

PWSA's Hardship Grant Program provides cash grants of up to \$300 per year for customers who are at or below 150% of FPL. PWSA St. No. 8-R at 3. PWSA started this program in January 2018. *Id.* at 28. As it proposed in this proceeding, PWSA will reduce the eligibility payments for its Hardship Grant Program (\$150 to \$75 for those under 62 years of age, and from \$75 to \$37.50 for those 62 and older). ¶ III.9.F.3.a. In addition, as part of the Settlement, PWSA will begin a Hardship Grant Fundraising campaign. ¶ III.9.F.3.b. The Settlement provides that there will be a fundraising campaign developed and launched to raise funds for the Hardship Grant program. ¶ III.9.F.3.b. This campaign will be done separately from customers' bill and donations will be made directly to DEF. ¶ III.9.F.3.b.i. The commitment is to conduct the fundraising annually. ¶ III.9.F.3.b.ii. PWSA also commits to working with LIAAC to develop additional sources and methods of fundraising, including exploring a process for online donation and information in monthly bills. ¶ III.9.F.3.b.iii. PWSA also commits to evaluating whether to increase the eligibility threshold if it is able to secure additional consistent future funding. ¶ III.9.F.3.b.iv.

These Settlement provisions reflect an improvement to the existing Hardship Grant Program and a plan to secure voluntary, consistent funding for the program so that more customers who need the program can benefit from it.

Bill Discount Program (III.9.F.4)

OCA witness Colton recommended several enhancements to the existing PWSA bill discount program (BDP) as a bridge to the adoption of an income based PIPP. OCA St. 6 at 59-

70. The Settlement adopts enhancements to the BDP that are consistent with two of three recommendations made by Mr. Colton. In its filing, PWSA proposed that its bill discount expand from 75% of the minimum charge to 100% of the minimum charge for all customers enrolled in the BDP. PWSA St. No. 8 at 24-25. Mr. Colton recommended that, in addition to the discount of 100% of the minimum charge, the bill discount program expand the discount to the volumetric charge. He recommended a 40% discount of the volumetric charge up to four thousand gallons per month⁷ (the median CAP usage level) for customers with income at or below 50% of Federal Poverty Level (FPL). OCA St. 6 at 60-64. He also recommended an enhanced discount of 20% of the volumetric charge for up to four thousand gallons per month, for bill discount recipients with income greater than 50% of FPL but at or below 150% of FPL. OCA St 6 at 64-68. Mr. Colton calculated the revenue requirement impact of these recommendations and the additional costs were included in the OCA's proposed revenue requirements. Id.

The Settlement retains PWSA's proposal to increase the discount of the fixed base charges from 75% to 100%. Settlement ¶ III.9.F.4.d. In addition, existing and future BDP participants with income at or below 50% will receive a discount of 20% of the volumetric charges for all usage. Settlement ¶ III.9.F.4.e. PWSA also agreed to modifications to its certification process for BDP participants. Specifically, it will waive the certification period for one year after the order in this proceeding and agreed that recertification will be required every two years, rather than every year. Settlement ¶ III.9.F.4.a. PWS also agreed to conduct a bill frequency analysis that will show the actual billed usage levels for the BDP participants and provide it in the next rate case. III.F.4.b and c. The parties have reserved the ability to address issues related to the modified BDP or other programs related to customer assistance in the next rate filing. Settlement ¶ III.9.F.4.f.

⁷ Participants would pay the full rate per thousand gallons for volumes consumed above 4,000 gallon. OCA St. 6 at 64.

The OCA submits that the enhanced BDP provisions provide reasonable enhancements to the BDP at this time even though the agreement does not adopt all of OCA's recommendations. The settlement provisions reflect enhancements for the BDP participants at or below 50% of FPL that should improve the affordability of their bills. The modifications to the recertification requirements will assist in streamlining the requirements of participation for PWSA and the participants and reduce costs of administering the program. Having a bill frequency analysis in the next proceeding that is focused on the BDP participants will permit all parties to have more information about the usage levels which will assist in addressing the effectiveness of the discount on the volumetric charge and to aid in developing proposed modifications to that discount. The OCA submits that these modifications to the BDP are an important step forward in improving the effectiveness and efficiency of the BDP.

Evaluation of Customer Assistance Programs and Future Enhancements (III.9.F.5)

OCA witness Colton recommended a series of steps that PWSA should take to improve the outreach for its low-income discount program. OCA St. 6 at 71-80. He explained that there is a readily apparent need for increased participation. PWSA projects that it will have 2,912 customers in its BDP while its consultant estimates that there are 20,454 income-eligible customers. *Id.* at 71. This means that roughly nine out of ten income eligible customers will not be enrolled in the BDP. Mr. Colton recommended an outside consultant be retained to evaluate current outreach, design and implement a revised outreach program using a set of principles that represent best practices.⁸ OCA St. 6 at 79-80.

The Settlement provides that PWSA will seek specific concerns from its LIAAC on its programs and/or the administration of the programs and that those concerns could be addressed at

⁸ Mr. Colton provided an overview of the best practices on universal outreach and discussed a number of studies on this topic. OCA St. 6 at 73-77.

a special meeting focused on concerns that are raised. Settlement ¶ III.9.F.5.a. The Settlement also provides that PWSA, the OCA, and low-income stakeholders request, as part of the approval of this Settlement, that the Commission initiate a proceeding to consider whether to extend the CAP Policy Statement to the Commission-regulated water and wastewater utilities. Settlement ¶ III.9.F.5.c. Finally, all parties reserve their rights to raise issues regarding the use of a PIPP in future rate filings. Settlement ¶ III.9.F.5.b.

While the OCA maintains that its recommendation, that an outside consultant evaluate the outreach program and provide specific recommendations to PWSA based on best practices, is reasonable, the OCA recognizes that it asking the LIAAC members to provide their specific concerns and recommendations is an important agreement. The opportunity to hear from and discuss concerns with the members of the LIAAC will be a valuable next step in the evolution of the BDP and outreach related to it.

The request by PWSA, the OCA, and the low-income stakeholders that the Commission initiate a proceeding to determine whether the CAP Policy Statement should be extended to water and wastewater utilities is an important component of the Settlement. The OCA recognizes that addressing issues related to the customer assistance programs provided by PWSA solely within a nine month rate case proceeding is very difficult for all parties. Having a proceeding where these issues could be discussed among all stakeholders would enable a thorough discussion of the issues presented for water and wastewater utilities and their customers.

Winter Shut off Moratorium (III.9.F.6)

PWSA has agreed to increase the eligibility for the Winter Shut off Moratorium from up to 250% of FPL to up to 300% of FPL. Settlement ¶ III.9.F.6.a. The OCA submits that this provision is reasonable, especially in light of the ongoing COVID-19 pandemic and the vital role

that water plays in ensuring health and safety as well as the economic impact of the pandemic on PWSA's consumers. See OCA St. 1 at 7-29.

Customer Outreach and Conservation (III.9.F.7)

As discussed above, OCA witness Colton provided recommendations regarding an independent outreach evaluation and implementation of best practices to address the large number of income-eligible customers who are not enrolled in the current BDP. In the Settlement, PWSA has committed its PGH2o Cares team to focus on customers who are at or below 50% of FPL and have higher than average consumption. The goal is to increase enrollment in the BDP and to discuss conservation. Settlement ¶ III.9.F.7.a. In addition, PWSA agrees to work with stakeholders on exploring additional outreach to hard-to-reach customers by evaluating PWSA's current outreach and to design and implement a revised outreach program. Settlement ¶ III.9.F.7.b. The program will explicitly identify how PWSA will use the community as a means of identifying and engaging the hard-to-reach population; go to the community (reaching them "where they live, work, shop, play and pray"); and rely on grassroots "trusted messengers" from within the community as a means of delivering outreach. Id. These provisions are part of the best practices identified by OCA witness Colton. OCA St. 6 at 73-78.

Although these provisions do not include an independent evaluation of the current outreach, the consideration of these factors and recommendations should result in improvements to the outreach and additional enrollment of the income-eligible customers into the BDP.

The Settlement also addresses a Line Repair and Conservation Program. Settlement ¶ III.9.F.7.c. PWSA commits to continuing to investigate barriers to working inside a customer's home for line repair and conservation. Settlement ¶ III.9.F.7.c.i. It also commits to collaborate with the LIAAC members on these issues. Id. PWSA will evaluate the costs of the program, rate

recovery options, and presumably the benefits of the program. Id. The evaluation will include lead detection, repair and education, low flow shower heads, replacing leaking toilets and faucets with water-saving devices, installing faucet aerators, and repairing or replacing water service lines. Id. PWSA agrees to share its progress with LIAAC. Settlement ¶ III.9.F.7.c.ii. As a result of its evaluation, PWSA agrees to file a Petition that will include a proposal for line repair for low income customers and a cost recovery proposal within one year of the order in this proceeding. Settlement ¶ III.9.F.7.C.iii. The OCA submits that this provision is an important component in providing customer assistance to its income-eligible customers. Understanding and addressing high water usage due to leaks, high usage fixtures, and leaking lines is important for all customers, and especially for those who may be struggling to pay their water and wastewater bills.

G. Customer Service Issues (Settlement ¶ III.9.G)

PWSA has agreed to several customer service improvements as part of the Settlement in this case. These terms will benefit PWSA's customers because they will attempt to improve customer satisfaction, eliminate additional fees for residential customers, improve call center standards and track PWSA's response time to leak reports and the number of appointments kept by PWSA.

Customer service satisfaction surveys

PWSA agrees to develop a program of routine customer service satisfaction surveys using performance standards outlined by OCA in OCA St. 7SR at 15. Settlement ¶ III.9.G.1. The survey results will be included, when available, in its Quarterly Compliance Plan Progress Reports at Docket No. M-2018-2640802. Id. OCA witness Alexander had recommended that PWS conduct surveys similar to those done by Pennsylvania's larger electric and natural gas companies.

PWSA's agreement to develop customer satisfaction surveys addresses the OCA's concern that PWSA monitor its customer service.

Elimination of additional fees for residential customers

PWSA agrees to eliminate additional fees for residential customers to make Interactive Voice Response and on-line payments effective within 30 days of the final order. Settlement ¶ Settlement III.9.G.2. Ms. Alexander recommended that PWSA should eliminate the costs to customers associated with making payment options available to all its customers. OCA St. 7 at 19-20. Ms. Alexander stated that (1) PWSA can control these costs through contract negotiations; (2) these fees discriminate against lower income customers who do not have checking accounts or who do not qualify for credit cards. Id. PWSA's agreement to eliminate additional fees to residential customers to make Interactive Voice Response and on-line payments effective within 30 days of the final order will allow additional payment options for customers without customers incurring additional costs.

Call center performance standards

PWSA agrees to make all reasonable efforts to meet or exceed its call center performance standards and to take steps to correct non-compliance where it occurs. Settlement ¶ III.9.G.3. A description of its efforts to address non-compliance will be included in its Quarterly Compliance Plan Progress Reports at Docket No. M-2018-2640802. Id. OCA witness Ms. Alexander recommended that PWSA adopt specific goals and objectives and an internal compensation plan that reflects penalties and rewards linked to annual performance objectives. OCA St. 3 at 18-21. As a result of settlement negotiations, PWSA agreed to make all reasonable efforts to meet or exceed its call center performance standards. Therefore, inclusion of this term will assist in ensuring that PWSA continues to improve its call center performance.

Performance standards measuring response time to leak reports and whether appointments are kept

PWSA agrees to adopt a performance standard that measures PWSA's response time to leak reports within one year after entry of the order in this proceeding, and a performance standard that measures whether appointments are kept by PWSA within six months after the entry date of the order in this proceeding. Settlement ¶ Settlement III.9.G.4. OCA witness Ms. Alexander testified that PWSA does not have an internal performance target for leak repairs or response time for leak reports, nor does it track whether its field personnel keep customer appointments. OCA St. 7 at 9-10. Ms. Quigley testified that operations management have been tasked with creating Standard Operating Procedures, including responses to leaks and meter repair/replacement appointments. PWSA St. No. 8-R at 19. Regarding tracking of field appointments, Ms. Quigley stated that PWSA tracks field appointments via its SpryMobile cloud application, and appointments that are missed are captured by customer service whom attempt to reschedule with the customer. Id. at 20. PWSA's agreement to continue to gather data and develop performance standards that measure its responses to leak reports and track whether field appointments are kept addresses the OCA's concern and will assist in monitoring PWSA's service.

For the reasons stated above, the OCA supports the terms included in the Settlement related to customer service issues as they are in the interest of PWSA's customers.

H. Quality of Service Issues (Settlement ¶ III.9.H)

PWSA has agreed to several quality of service improvements raised by the OCA. These improvements will benefit the customers because the improvements will either directly improve PWSA's operations and service or will permit PWSA to track relevant information regarding its operations and service calls.

Unaccounted for Water

PWSA agrees to include its Unaccounted for Water (UFW) percentages on the Commission's Section 500 form beginning with the 2020 period. Settlement ¶ III.9.H.1. OCA witness Terry Fought recommended that PWSA report its UFW on the Section 500 form for both 2019 and 2020 because almost all other water utilities under the PUC's jurisdiction provide their UFW information on the Section 500 form as it is useful in collecting information on progress made by utilities with excessive UFW. OCA St. 8 at 9.

Exercising Isolation Valves

PWSA commits to exercising approximately 5,000 isolation valves per year, will repair the isolation valves that are found to be inoperable and will strive to exercise more valves, funding and resources permitting. Settlement ¶ III.9.H.2. Mr. Fought recommended that PWSA exercise, or attempt to exercise, 10,000 isolation valves per year until all the valves have been exercised in a 5 year period. OCA St. 8 at 16. In rebuttal, Mr. King acknowledged the importance of operable valves throughout the distribution system and stated that PWSA continues to pursue improvements in its isolation valve exercise program and is currently exercising approximately 5,500 valves per year. PWSA St. No. 4-R at 7-8. The Settlement commitment related to isolation valves addresses the OCA's concern.

Meter Replacement

PWSA agrees to test or replace at least 10,000 meters per year until all of the undocumented meters are either tested or replaced, once customers become willing to permit PWSA access to their meters as concerns surrounding the COVID-19 pandemic subside. Settlement ¶ III.9.H.3. In the Settlement of the Stage 1 Compliance Plan, PWSA committed to "make its best efforts to complete the replacement of small meters [1-inch diameter or smaller] within 5-7 years." Mr.

Fought recommended that PWSA should continue to test or replace at least 10,000 meters per year until all of the undocumented meters are either tested or replaced. OCA St. 8 at 19. In rebuttal, Mr. King stated that (1) PWSA has implemented a program to replace approximately 50,000 small water meters; (2) in 2019, PWSA replaced over 10,000 water meters; (3) in the first three months of 2020, prior to the COVID-19 pandemic, PWSA continued the pace set in 2019 and was on track to replace approximately 12,000 water meters in calendar year 2020; and (4) PWSA is currently ramping the replacement program back up with the goal of replacing 10,000 water meters in 2020. PWSA St. No. 4-R at 8-9. Therefore, PWSA's commitment to replace at least 10,000 water meters per year until all are either tested or replaced as indicated as part of this Joint Petition for Settlement addresses the OCA's concern and is consistent with PWSA's current efforts.

Water system flushing

PWSA agrees, that within 90 days after entry of the Commission's final order, it will implement a program to flush one-third of the distributions system each year so that one-third of the distribution system is flushed during 2021. Settlement ¶ III.9.H.4. Over time, sediment can build up in the pipes resulting in discolored water and changes to the taste, clarity and color of water. OCA St. 8 at 19. The last major system flush occurred between September 2018 and August 2019. Accordingly, Mr. Fought recommended that PWSA flush its distribution system in coordination with exercising all of its isolation valves. In rebuttal, Mr. King stated that PWSA is working on a flushing program to flush 1/3 of the system each year. PWSA St. No. 4-R at 9. PWSA's commitment to flush 1/3 of the system each year as indicated by this term in the Joint Petition for Settlement will ensure that this plan moves forward and improves water quality.

Wastewater Laterals in Public Easements/Rights of Ways

PWSA agrees to meet with interested parties no later than March 16, 2021 to discuss the Consultant's report addressing feasibility of owning and/or maintaining wastewater laterals within public easements/rights-of-way. Settlement ¶ III.9.H.5. According to PWSA's wastewater tariff (Rule III.B.7.a), its customers own and are responsible for operation, inspection, maintenance, repair, replacement, abandonment, and removal of sewer laterals within public rights-of-way and easements all the way to the sewer main. Mr. Fought stated that the customers should not be held responsible as owners and operators of these sewer laterals within public rights-of-ways and easements. OCA St. 8 at 24. Mr. Fought stated that he is unaware of any wastewater system under the PUC's jurisdiction that requires customers to be responsible for such sewer laterals. OCA St. 8 at 25. As such, Mr. Fought recommended PWSA should maintain sewer laterals within public rights-of-ways and easements, with the only exception to that being if PWSA can prove that an owner/customer constructed a lateral without PWSA's knowledge and had not been paying for sewer service. OCA St. 8 at 27. In rebuttal, Mr. King stated that (1) PWSA has contracted with a Consultant to study and prepare a report that includes the legal, economic, and operational feasibility of owning and/or maintaining wastewater laterals within public easements/rights-of-ways and (2) the Consultant is investigating ownership responsibilities of the utilities under the Commission's jurisdiction that places this responsibility on customers and utilities of comparable size and complexity that are not under the Commission's jurisdiction. PWSA St. No. 4-R at 10. PWSA's agreement to discuss the Consultant's report with interested parties will facilitate further consideration of these issues.

Coordination of street surface restoration

PWSA agrees to continue its efforts to coordinate with neighboring utilities, municipalities, and the Pennsylvania Department of Transportation on future planned capital and operating projects, including water, sanitary, or storm sewer infrastructure replacements and/or improvements. Settlement ¶ III.9.H.6. PWSA has budgeted over \$20 million for street surface restoration for all capital projects. See PWSA Exh. BK-1. There are a limited number of projects outside the City that will require surface restoration and the municipalities will be advised in advance of any field work. See OCA St. 8 at 32, Exh. TLF-15, PWSA response to OCA-XIX-5. These projects may require coordination between various parties to ensure that replacement or improvement projects are completed just prior to repaving in order to save costs. OCA St. 8 at 33. Mr. Fought recommended that PWSA should, as much as possible, replace its water and sewer mains just prior to repaving by the City and other municipalities. He also recommended that PWSA and the City enter into an agreement detailing how the extent of the surface restoration is determined and how the costs should be proportioned between the City and PWSA for typical PWSA projects. OCA St. 8 at 33. In rebuttal, Mr. King stated that “PWSA has undertaken an active coordination and open dialogue with City and County agencies to address the need for a consistent set of policies related to the surface restoration requirements, including how the extent/limits of surface restoration are determined, as well as the applicable pavement/concrete specifications for the surface restoration. This coordination is ongoing.” PWSA St. No. 4-R at 12-14. PWSA’s continued commitment to coordinate with various parties in order to save costs as included in the Joint Petition for Settlement addresses the OCA’s concern.

Warranty on lead service line replacements

PWSA agrees to revise its minimum warranty on workmanship and material lead service line replacements to comply with the industry-wide standard that the Commission is expected to establish pursuant to Act 120 of 2018. Settlement ¶ III.9.H.7. OCA witness Mr. Rubin refers to Original Page No. 68 of PWSA's proposed Lead Infrastructure Plan Tariff Supplement in Exhibit BK-5 and the proposal for PWSA to provide a warranty on lead service line (LSL) replacements. Mr. Rubin stated that the PWSA is proposing to provide a 30-day warranty on LSL work it performs. OCA St. 1 at 57. Finding this proposed warranty period to be inadequate, Mr. Rubin recommended that PWSA be required to repair any leaks or other defects discovered in a customer-owned service line for a period of at least two years after PWSA replaces the line. OCA St. 1 at 59. Mr. Rubin also noted that for LSL replacement work funded by a loan from PENNVEST, PWSA is required to maintain the customer-owned replacement for a period of 30 years, or the term of the loan. Id. The Commission is directed by Act 120 of 2018 to establish an appropriate warranty for replacements of customer-owned LSLs. 66 Pa. C.S. § 1311(b)(2)(vii). PWSA anticipates that the Commission will review warranty terms in the context of its rulemaking proceeding to implement Act 120 of 2018 (Docket No. L-2020-3019521). PWSA's agreement to modify its minimum warranty on workmanship and material lead service line replacements in compliance with the industry-wide standard that the Commission is expected to establish addresses the OCA's concern.

Work Order Coding for Combined Sewer and Stormwater

PWSA agrees to provide a key as part of its discovery response in future rate cases that will identify water, sanitary sewer (which includes the combined system), and stormwater when its field operations staff uses the SpryMobile Work orders and Asset Management system.

Settlement ¶ III.9.H.8. PWSA's agreement to provide a key in future rate cases to identify water, sanitary sewer (which includes the combined system), and stormwater complaints within PWSA's app will facilitate review.

Customer Complaint Log

PWSA agrees to maintain data in a format that can be sorted by date, address, character of the complaint, including the designation of water, sanitary sewer, combined sewer, and stormwater, and the final disposition of the complaint. Settlement ¶ III.9.H.9. PWSA's complaint log in this case did not clearly identify to which system each complaint pertained. OCA St. 8 at 21. Mr. Fought recommended that PWSA's complaint report should clearly identify if the complaints are regarding the water, wastewater, combined sewer or stormwater systems. Id.

For the reasons stated above, the OCA supports the terms in this Settlement related to quality of service issues.

IV. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of this rate investigation, 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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