

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

SUPPLEMENTAL DIRECT TESTIMONY OF

DEBBIE M. LESTITIAN

ON BEHALF OF
THE PITTSBURGH WATER
AND SEWER AUTHORITY

Docket Nos.
R-2020-3017951 (Water)
R-2020-3017970 (Wastewater)

TOPICS:

Cooperation Agreement Update


Contracting Issues

May 15, 2020

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND CURRENT POSITION WITH PWSA.**

3 A. My name is Debbie M. Lestitian. My position with The Pittsburgh Water & Sewer
4 Authority (“PWSA” or “Authority”) is Chief Corporate Counsel and Chief of
5 Administration.

6 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?**

7 A. Yes, I submitted Direct Testimony on March 6, 2020, which accompanied the rate filing.

8 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

9 A. The purpose of my Supplemental Direct Testimony is to: (i) supplement my Direct
10 Testimony as a result of the Commission’s March 26, 2020 Order regarding PWSA’s
11 Stage 1 Compliance Plan [REDACTED];¹ (ii) provide an
12 update on the Cooperation Agreement; [REDACTED]
13 [REDACTED]
14 and (iv) address any contracting issues due to COVID-19.

15 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

16 A. No.

17 **II. EFFECT OF COMMISSION’S STAGE 1 COMPLIANCE PLAN ORDER**

18 **Q. WHAT IS YOUR UNDERSTANDING OF THE STAGE 1 COMPLIANCE PLAN**
19 **ORDER AND ITS EFFECTON INTERACTIONS BETWEEN PWSA AND THE**
20 **CITY?**

21 A. In the Stage 1 Compliance Plan Order, the Commission discussed the 2019 Cooperation
22 Agreement, which was attached to my Direct Testimony as Exhibit DML-1, and

¹ *Implementation of Chapter 32 of the Public Utility Code Regarding Pittsburgh Water and Sewer Authority – Stage 1*, Docket Nos. M-2018-2640802 and M-2018-2640803 (Order entered March 26, 2020) (“Stage 1 Compliance Plan Order”).

1 addressed ongoing interactions between PWSA and the City, particularly given the
2 termination of the 1995 Cooperation Agreement. The Commission noted its expectation
3 “that the City and PWSA will be incorporating a procedure for invoicing services on a
4 transactional basis consistent with the Partial Settlement approved in this proceeding.”²
5 The parameters included in the Partial Settlement are that: (a) any payments to the City
6 must be just, reasonable and substantiated; (b) the City and the PWSA’s relationship
7 should be conducted on an arm’s length “business-like” basis; and (c) services provided
8 by the City to PWSA, and vice versa, should be identified with detailed breakdown and
9 be charged based on the related cost of service.³

10 **Q. DID THE STAGE 1 COMPLIANCE PLAN ORDER ALSO SPECIFICALLY**
11 **ADDRESS THE BILLING ARRANGEMENT FOR SPECIFIC CITY ISSUES?**

12 A. Yes. The Commission addressed three issues related to payments from the City to
13 PWSA: (1) usage for metered properties; (2) a flat fee for unmetered properties; and, (3)
14 costs to install meters (“City Issues”).⁴ As discussed in PWSA’s April 10, 2020 Petition
15 for Reconsideration, Clarification and/or Amendment of the Stage 1 Compliance Plan
16 Order, specific rates were not identified or approved because the Stage 1 Compliance
17 Plan proceeding was not designed to deal with rate issues, nor was it a Section 507
18 review of either the historical or recently negotiated cooperation agreement between
19 PWSA and the City. As such, there is no record upon which to direct specific rates that
20 PWSA is to charge the City. In its Petition for Reconsideration, PWSA requested that the
21 Commission be clear that the Stage 1 Compliance Plan Order was not intended to

² Stage 1 Compliance Plan Order at 32.

³ Stage 1 Compliance Plan Order at 31.

⁴ Stage 1 Compliance Plan Order at 32.

1 preempt or prejudice the outcome of either this rate case proceeding or the pending
2 Section 507 proceeding or to prevent the parties from developing a record that supports
3 their views on these issue as appropriate in those proceedings. The Commission granted
4 reconsideration pending review of the merits. [REDACTED]

5 [REDACTED]
6 [REDACTED]
7 [REDACTED] In this supplemental testimony, I am focusing on the actual interactions that are
8 occurring between the City and PWSA in the interim.

9 **Q. HOW IS PWSA INTERACTING WITH THE CITY?**

10 A. For the most part, PWSA is following the provisions of the 2019 Cooperation Agreement

11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]

20 operating under many, or even most, parts of the 2019 Cooperation Agreement is
21 consistent with the Commission’s overall objectives of having PWSA conduct business
22 with the City on a transactional basis.

⁵ Stage 1 Compliance Plan Order at 31.

1 **Q. PLEASE PROVIDE EXAMPLES.**

2 A. Under Section 3.1 of the 2019 Cooperation Agreement, the City agrees to provide
3 specific services to PWSA, including participation of eligible PWSA employees in the
4 City pension plan, fuel purchases, providing permit and license, vehicle maintenance
5 services, street sweeping costs and any other goods and services. In return, the City will
6 charge PWSA usual and customary costs and charges that are paid by other utilities
7 obtaining similar goods and services from the City. Payments will be based on actual
8 direct expenses, subject to reconciliation in absence of actual current cost data. Similarly,
9 Section 3.2 of the 2019 Cooperation Agreement requires PWSA to provide certain
10 services to the City, including providing water to City properties, fire hydrant services,
11 conveyance of sewage to Allegheny County Sanitary Authority (“ALCOSAN”), and to
12 base charges on actual direct expenses. In my view, these provisions are excellent
13 examples of PWSA and the City conducting business on a transactional basis.

14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
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⁶ 66 Pa.C.S. § 507.

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13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]

⁷ The City of Pittsburgh Municipal Accounts will be assessed under PWSA’s Commercial customer class and the payment agreement set forth in Exhibit DML-1 is reflected in both PWSA’s Proposed Water and Wastewater Tariff Supplements.

⁸ Stage 1 Compliance Plan Order at 32.

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]

8 **Q. PLEASE EXPLAIN HOW THE AUTHORITY PLANS TO RESPOND TO THE**
9 **COMMISSION’S DIRECTIVE THAT IT ELIMINATE THE REQUIREMENT**
10 **THAT, GENERALLY, UNION AND MANAGEMENT EMPLOYEES MUST**
11 **RESIDE IN THE CITY OF PITTSBURGH.¹⁰**

12 A. Currently, that portion of the PUC’s Order is being reconsidered. If and when the
13 Commission’s Order is final and all appeals have been addressed, PWSA will amend its
14 Compliance Plan to set out a process for moving forward to eliminating this requirement.
15 PWSA will have to renegotiate its Collective Bargaining Agreements (“CBA”) with
16 Union employees because the Residency Requirement is a term in the current CBAs.
17 When and if this occurs PWSA would move to revise its policy regarding management
18 employees (PWSA generally tries to maintain consistency between union and
19 management benefits and work requirements).

20 **III. CONCLUSIONS**

21 **Q. DOES THAT COMPLETE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**


22 A. Yes; however, I do reserve the right to supplement this testimony as may be appropriate.

⁹ Stage 1 Compliance Plan Order at 61-62.
¹⁰ Stage 1 Compliance Plan Order at 84.

VERIFICATION

I, Debbie Lestitian, hereby state that: (1) I am the Chief Corporate Counsel and Chief of Administration for The Pittsburgh Water and Sewer Authority (“PWSA”); (2) the facts set forth in my testimony are true and correct (or are true and correct to the best of my knowledge, information and belief); and, (3) I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 15, 2020



Debbie Lestitian
Chief Corporate Counsel and Chief of
Administration
The Pittsburgh Water and Sewer Authority