

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

SUPPLEMENTAL DIRECT TESTIMONY OF

EDWARD BARCA

ON BEHALF OF
THE PITTSBURGH WATER
AND SEWER AUTHORITY

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

TOPICS:
Impact of COVID-19 On Financial Position

May 15, 2020

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND POSITION FOR THE RECORD.**

3 A. My name is Edward Barca and I am the Deputy Director of Finance/Treasurer for The
4 Pittsburgh Water and Sewer Authority (“PWSA” or “Authority”).

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

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

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

8 A. The purpose of my Supplemental Direct Testimony is to address any borrowing, capital
9 improvement and financial issues due to COVID-19.

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

11 A. No.

12 **II. IMPACTS OF COVID-19 ON PWSA’S FINANCIAL POSITION**

13 **Q. HOW HAS THE COVID-19 CRISIS IMPACTED PWSA’S FINANCIAL**
14 **POSITION IN THE FTY?**

15 A. The PWSA is monitoring its financial position to ensure that the minimum required debt
16 service coverage ratios are achieved while maintaining a healthy cash position. It is
17 important to note that there really two factors that the PWSA is monitoring – the cash
18 reserves and the debt service coverage ratios. Cash reserves are no longer factored into
19 the coverage ratios so the PWSA needs to be sure that any revenue reductions are
20 balanced with expense reductions. Otherwise, PWSA is in jeopardy of not meeting its
21 coverage requirements. Simply put, PWSA cannot utilize cash reserves to make up any
22 shortfall in revenues for purposes of calculating the coverage ratios.

1 **Q. CAN PWSA USE THE RATE STABILIZATION FUND TO MAKE UP FOR A**
2 **SHORTFALL IN REVENUES?**

3 A. Yes. But, the current balance in the rate stabilization fund is small (\$1,000,000). That
4 amount probably would not provide much help to make up for a shortfall in revenue in
5 the FTY, FY 2020.

6 **Q. HAS THE COVID-19 CRISIS IMPACTED PWSA'S PLANS FOR OPERATING**
7 **EXPENSES IN THE FTY?**

8 A. PWSA will cut back on operating expenses to balance out any negative financial impacts
9 caused by COVID-19 in the FTY. This will reduce the impact on the cash balance and
10 improve coverage ratios.

11 **Q. HAS THE COVID-19 CRISIS IMPACTED PWSA'S PLANS FOR CAPITAL**
12 **EXPENDITURES IN THE FTY?**

13 A. Yes. PWSA has experienced a slight decline in capital expenditures during the month of
14 April as a result of the Governor's Order to pause non-essential construction projects.
15 However, PWSA is expecting this trend to reverse due to the following reasons: (1) the
16 construction industry was permitted to resume operations on May 1, 2020; (2) there are a
17 number of large projects that are about to kick-off, such as the \$65 million Small
18 Diameter Water Main Replacement project that is funded by PENNVEST; AND (3)
19 projects tied to meeting regulatory requirements will continue to ensure they are
20 completed within the specified project schedule. I would also note that as of May 1, 2020,
21 capital spending is approximately 28% higher when comparing the capital spending to
22 that same date in 2019.

23 **Q. HAS PWSA CHANGED ITS PLANS FOR CAPITAL EXPENDITURES IN THE**
24 **FPFTY?**

25 A. No. At this juncture, the budgeted capital expenditures for the FPFTY remains the same
26 for the FPFTY, FY 2021. PWSA has a long list of needed capital expenditures, and the

1 recent challenges presented by COVID-19 have not changed the revenue requirements
2 associated with debt financing the planned capital expenditures in FPPTY. As explained
3 in the testimony of Thomas Huestis, COVID-19 has caused volatility within the
4 municipal bond market resulting in The Federal Reserve taking a number of actions to
5 stabilize market operations. Therefore, at this time, PWSA is not able to predict if the
6 Authority will have a higher future borrowing cost. However, PWSA will continue to
7 closely monitor the municipal bond market for changes in market conditions.

8 **III. CONCLUSION**


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

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

VERIFICATION

I, Edward Barca, hereby state that: (1) I am the Deputy Director of Finance/Treasurer 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



Edward Barca
Deputy Director of Finance/Treasurer
The Pittsburgh Water and Sewer Authority