

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

SUPPLEMENTAL
DIRECT TESTIMONY OF

HAROLD J. SMITH

ON BEHALF OF
THE PITTSBURGH WATER
AND SEWER AUTHORITY

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

TOPICS:


Updated Cost of Service Allocation and Rate Design

May 15, 2020

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Harold J. Smith and my business address is 5619 DTC Parkway Suite 850
4 Greenwood Village, CO 80111.

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS PROCEEDING?**

6 A. Yes, I submitted direct testimony sponsoring Pittsburgh Water and Sewer Authority's
7 ("PWSA" or the "Authority") class cost of service study ("CCOSS"). The primary
8 purpose of my direct testimony was to describe the principles, methodology, and data
9 utilized in PWSA's CCOSS (the "Original CCOSS").

10 **Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENTAL TESTIMONY?**

11 A. The purpose of this testimony is: [REDACTED]
12 [REDACTED]
13 [REDACTED] to correct some errors in the
14 CCOSS model that have come to light during the discovery process.

15 **II. STAGE 1 COMPLIANCE PLAN ORDER**

16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]

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").*

² Stage 1 Compliance Plan Order at 32.

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

7 (A) Billing Usage for City Metered Properties

8 **Q. HOW DID THE ORIGINAL CCROSS PROPOSE TO DEAL WITH CHARGING**
9 **THE CITY FOR USAGE FOR METERED PROPERTIES?**

10 A. In the rate proposal filed with my original testimony, the City of Pittsburgh accounts
11 were to be charged the rates developed for the Commercial class but the bills were to be
12 calculated based on a phase-in factor increasing by 20% as set forth in the 2019
13 Cooperation Agreement.³ The 2019 City Cooperation Agreement stipulates that the
14 rates charged to the City will be phased in over a five year period such that the full rate
15 charged will not recover the full cost of service until 2024.⁴ The decision to tie the City
16 bills to the Commercial rate was made due to the fact that many of the City’s accounts
17 are unmetered, there is very little data available relating to the way in which the City
18 demands service and therefore it was not possible to develop accurate cost of service
19 rates for the City.

³ See PWSA Exhibit JAQ-1, Page No. 8. The Supplemental Direct Testimony of Debbie Lestitian provides more information about the 2019 Cooperation Agreement and the current status of the docket.

⁴ See Section 5.2 of the 2019 City Cooperation Agreement, PWSA Exh. DML-1.

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

⁵ Stage 1 Compliance Plan Order at 62.

⁶ As discussed in the Supplemental Testimony of Julie Quigley, PWSA is proposing a new definition for the Municipal class which will apply only to the City. This is because PWSA's other municipal entities are served either through the Industrial Class or through Sales for Resale arrangements.

⁷ Stage 1 Compliance Plan Order at 62.

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]

1 ***(B) Charging the City for Unmetered Properties***

2 **Q. HOW DID THE ORIGINAL CCROSS PROPOSE TO DEAL WITH CHARGING**
3 **THE CITY FOR UNMETERED PROPERTIES?**

4 A. The original rate proposal did not include a flat rate for unmetered City-owned building
5 and property accounts because according to the 2019 City Cooperation Agreement,
6 PWSA was not to assess a charge to unmetered City accounts until 2024.

7 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

⁸ Stage 1 Compliance Plan Order at 61.
⁹ This new rate would be applied to the new Municipal class only which is exclusively comprised of City of Pittsburgh buildings and properties. PWSA’s currently effective tariff already includes rates for unmetered service for the Residential and Commercial Classes. See Part I, Section A.1 of PWSA Water Tariff at Original Page 9.

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9

| | | | | |
|------------|------------|------------|------------|------------|
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14

| | | | | |
|------------|------------|------------|------------|------------|
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

1 (C) PWSA Payment Of The Costs to Install Meters On City Properties

2 **Q. HOW DID THE ORIGINAL CCOSS PROPOSE TO ADDRESS THE COSTS TO**
3 **INSTALL METERS ON CITY OWNED PROPERTIES?**

4 A. The 2019 City Cooperation Agreement requires that the cost of the meter and meter vault
5 installation for City owned properties and buildings shall be shared equally by PWSA
6 and the City. The original CCOSS includes approximately \$90,000 annually under
7 miscellaneous revenue which would have accounted for any revenue received from the
8 City for meter installation. PWSA's expense for installing the meters is captured in the
9 capital budget which includes costs to install all meters and is not broken down by meter
10 ownership (i.e. whether it is owned by the City or not).

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

¹⁰ Stage 1 Compliance Plan Order at 40.

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

7III. OTHER CHANGES TO THE CCROSS & SUPPLEMENTAL SCHEDULES

8 **Q. HAVE OTHER WHAT BEEN MADE TO THE CCROSS MODEL?**

9 A. Yes, in addition to the above, the following changes have been made to the model:

- 10 1. Implementation of a Distribution System Improvement Charge (DSIC) for fire
11 hydrants;
- 12 2. Correction of a cell reference error that resulted in an incorrect value for the
13 Municipal unmetered units of service;
- 14 3. Correction of a modeling error that resulted in an incorrect value for the system-wide
15 Max Day to Average Day of Max Month ratio; and
- 16 4. Correction of a modeling error that resulted in an incorrect allocation of foregone
17 wastewater revenue resulting from PWSA’s Bill Discount Program (BDP).

18 **Q. WHY HAVE THESE ADDITIONAL CHANGES BEEN MADE?**

19 A. All of them were inadvertent errors we uncovered during the discovery process.

20 [REDACTED]
21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 **Q. ARE OTHER PWSA WITNESSES SUBMITTING SUPPLEMENTAL**
5 **TESTIMONY IN SUPPORT OF THESE REVISIONS?**

6 A. Yes. Debbie Lestitian is providing more detail about the 2019 City Cooperation

7 Agreement [REDACTED]

8 [REDACTED]. Other PWSA witnesses are providing testimony related to

9 COVID-19 and PWSA's lead infrastructure plan, but no changes have been made to the

10 CCROSS related to any of these issues.

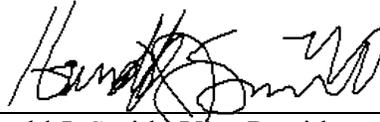
11 **Q. MR. SMITH, DOES THAT CONCLUDE YOUR TESTIMONY?**

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

VERIFICATION

I, Harold J. Smith, hereby state that: (1) I am a Vice President of Raftelis Financial Consultants, Inc.; (2) I have been retained by The Pittsburgh Water and Sewer Authority (“PWSA”) and am authorized to present testimony on its behalf; (3) 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, (4) 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).

Dated: May 15, 2020



Harold J. Smith, Vice President
Raftelis Financial Consultants, Inc.