

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2020-3017951
Office of Consumer Advocate	:	C-2020-3019348
Office of Small Business Advocate	:	C-2020-3019305
Catherine Brosky	:	C-2020-3020747
Donald Kuhn	:	C-2020-3021067

v.

Pittsburgh Water and Sewer Authority - Water :

Pennsylvania Public Utility Commission	:	R-2020-3017970
Office of Consumer Advocate	:	C-2020-3019349
Office of Small Business Advocate	:	C-2020-3019302
Ranjan R. Chaudhuri	:	C-2020-3020538
Donald Kuhn	:	C-2020-3021065

v.

Pittsburgh Water and Sewer Authority - Wastewater :

RECOMMENDED DECISION

Before
Mary D. Long
Emily I. DeVoe
Administrative Law Judges

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I. INTRODUCTION

This decision recommends approval without modification of the unanimous Joint Petition for Settlement, which resolves the dispute regarding the rate filing of Pittsburgh Water and Sewer Authority (PWSA or Authority). The settlement reduces the overall revenue increase from \$43.8 million requested in the initial filing for 2021, to \$19 million, inclusive of a 5% Distribution System Improvement Charge (DSIC). Additionally, settlement terms include the withdrawal of the request for a multi-year rate plan which contemplated a further rate increase in 2022, postponement of the request for a stormwater tariff, agreement regarding cost allocation and rate design, COVID-19 consumer relief measures and COVID-19 funding issues, and other enhancements to low income assistance, customer service and quality of service issues. Approval of the Settlement is recommended because the Settlement is supported by substantial evidence and is in the public interest.

The effective date of the tariff was voluntarily suspended until January 14, 2021. PWSA has requested the Commission consider this recommended decision at the December 17, 2020 Public Meeting, which would provide the utility with an opportunity to notify customers and finalize its tariffs, in advance of the implementing the rates on January 14, 2021.

II. HISTORY OF THE PROCEEDINGS

PWSA is a municipal water and wastewater authority serving customers in the City of Pittsburgh (the City) and surrounding communities. PWSA provides water service to approximately 80,000 residential, commercial, and industrial customers in: portions of the City of Pittsburgh; the Borough of Millvale; and portions of Reserve, O'Hara, and Blawnox Townships, Allegheny County. PWSA also provides wastewater conveyance service to customers located in the City of Pittsburgh, Allegheny County, and conveys wastewater for portions of 24 neighboring communities. PWSA's water and wastewater operations became subject to regulation by the Pennsylvania Public Utility Commission (Commission) on April 1, 2018, pursuant to Act 65 of 2017, 66 Pa.C.S. § 3201 *et seq.*

On March 6, 2020, PWSA filed Supplement No. 1 to Tariff Water – PA P.U.C. No. 1¹ and Supplement No. 1 to Tariff Wastewater – PA P.U.C. No. 1² to become effective May 5, 2020. PWSA’s proposed tariffs proposed multiyear increases to water and wastewater total annual operating revenues of approximately \$43.8 million for 2021 and an additional \$12.6 million for 2022. PWSA also filed a request for waiver of certain provisions of Act 11 of 2012³ to increase the DSIC cap to 10%, permit levelization/annualization of revenue recovery, and permit the Pay-As-You-Go (PAYGO) method of financing

Under the Authority’s initial proposal, a typical residential water and wastewater conveyance customer using 3,000 gallons per month would see their total monthly bill increase from \$72.49 to \$86.31, an increase of \$13.82 or 19.1% in 2021. As part of PWSA’s multiyear rate request, the total bill for a customer using 3,000 gallons per month would increase from \$86.31 to \$91.71, an increase of 6.26%, in 2022.

Also on March 6, 2020, PWSA filed two motions: (1) a motion to consolidate the water and wastewater cases and to grant a waiver to permit the use of a combined water/wastewater revenue requirement; and (2) a motion to consolidate the rate cases with the company’s DSIC petition.⁴ All of the active parties filed timely answers to PWSA’s March 6, 2020 motions.

The Commission’s Bureau of Investigation and Enforcement (BIE) filed a Notice of Appearance on March 9, 2020. On March 19, 2020, the Office of Small Business Advocate (OSBA) filed a Notice of Appearance and formal complaints to both the water and wastewater rate cases.⁵ On March 24, 2020, the Office of Consumer Advocate (OCA) filed a Notice of

¹ Docket No. R-2020-3017951.

² Docket No. R-2020-3017970.

³ 66 Pa.C.S. §§ 1350-1360.

⁴ Docket No. P-2020-3019019.

⁵ Docket Nos. C-2020-3019305 (Water); C-2020-3019302 (Wastewater).

Appearance and formal complaints to both the water and wastewater rate cases .⁶ Pittsburgh UNITED filed a petition to intervene on March 20, 2020.

On March 31, 2020, BIE filed a Motion for Extension of Statutory Suspension Period. All of the active parties filed timely responses.

On April 16, 2020, the Commission instituted an investigation into the lawfulness, justness, and reasonableness of the proposed rate increases pursuant to Section 1308(d) of the Public Utility Code. The Commission suspended the filings until December 5, 2020 and assigned the matter to the Office of Administrative Law Judge (OALJ) for the prompt scheduling of such hearings as may be necessary and issuance of a Recommended Decision.

A prehearing conference order was issued on April 17, 2020, scheduling an initial prehearing conference for April 22, 2020. Prehearing memoranda were filed as directed by the prehearing conference order by PWSA, BIE, OCA, OSBA and Pittsburgh UNITED.

On April 17, 2020, PWSA filed an additional motion requesting that the proceeding seeking approval for a cooperation agreement between PWSA and the City of Pittsburgh⁷, discussed below, be consolidated with the rate cases.

On April 22, 2020, the City of Pittsburgh filed a petition to intervene in the rate cases.

A prehearing conference was held on April 22, 2020, as scheduled. Counsel for each party appeared at the conference. The rate cases were consolidated with the DSIC petition, and, following significant discussion with the parties, the motion to consolidate the cooperation agreement with the rate cases was denied. The parties discussed BIE's motion to extend the statutory deadline and a litigation schedule. The parties were directed to confer after the

⁶ Docket Nos. C-2020-3019348 (Water); C-2020-3019349 (Wastewater).

⁷ See Docket No. U-2020-3015258.

April 22, 2020 conference and attempt to reach a consensus on these issues. A further prehearing conference was scheduled to take place on May 1, 2020.

By email dated April 30, 2020, the parties reported that they had reached an agreement in principle regarding BIE's motion and a litigation schedule. The prehearing conference convened on May 1, 2020, and counsel for all parties appeared and participated. The parties agreed to a litigation schedule which was memorialized in a prehearing order dated May 19, 2020. PWSA filed a tariff supplement to voluntarily extend the suspension until January 14, 2021. The schedule provided for the filing of written testimony, public input hearings and evidentiary hearings set to begin on September 14, 2020.

Several complaints were filed by customers of PWSA. On May 29, 2020, the Commission received a Formal Complaint to the proposed rate increase filed by Ranjan R. Chaudhuri.⁸ On July 13, 2020, the Commission received a Formal Complaint to the proposed rate increase filed by Catherine Brosky.⁹ On July 16, 2020, the Commission received the Formal Complaints of Donald Kuhn.¹⁰

Public input hearings were conducted remotely on July 7, July 8, and July 9, 2020.

The parties engaged in discovery and served written testimony. By email dated September 2, 2020, the parties requested the cancellation of the hearing set for September 14, 2020, and the scheduling an additional day of hearing on September 22, 2020 in order to give the parties more time to engage in ongoing settlement negotiations. The request was granted by interim order entered September 3, 2020.

⁸ Docket No. C-2020-3020538.

⁹ Docket No. C-2020-3020747.

¹⁰ Docket Nos. C-2020-3021065 (Water); C-2020-3021067 (Wastewater).

By email dated September 18, 2020, the parties informed us that they had reached an agreement in principle. The parties requested to convene the hearing on September 21, 2020, for the purpose of admitting evidence and discussing the schedule for the submission of the settlement petition and statements in support.

The evidentiary hearing convened as scheduled on September 21, 2020. Counsel for PWSA, BIE, OCA, OSBA, Pittsburgh UNITED and the City of Pittsburgh appeared. The parties represented that they had reached a full settlement in principle. The written testimony and exhibits of the parties were admitted into the record and cross-examination of witnesses was waived. PWSA requested that the schedule for the submission of the petition for settlement and statements in support be modified to permit the filing of a joint petition for settlement on September 30, 2020 and statements in support on October 7, 2020. No party objected.

By interim order entered on September 21, 2020, we directed the parties to file a joint petition for settlement on or before September 30, 2020, and statements in support by October 7, 2020. A Joint Petition for Settlement, followed by statements in support from each of the Joint Petitioners were filed as directed.¹¹

The September 21, 2020 Interim Order also required the self-represented complainants to file comments or objections, if any, on or before October 13, 2020. No objections or comments were filed. The record closed on October 14, 2020.

III. ADDITIONAL BACKGROUND

A. Cooperation Agreement between PWSA and the City of Pittsburgh; Act 70

On December 20, 2019, the PWSA filed a Cooperation Agreement between PWSA and the City of Pittsburgh (Cooperation Agreement), seeking Commission approval pursuant to Section 507 of the Public Utility Code. Consistent with commitments made by

¹¹ PWSA filed two corrections to the Joint Petition to remedy typographical errors on October 6, 2020, and October 7, 2020.

PWSA in the Joint Petition for Partial Settlement of its Compliance Plan Filing, M-2018-6640802 and M-2018-2640803 (Stage 1 Compliance Plan), PWSA requested that the Cooperation Agreement be referred to the OALJ for a formal on-the-record proceeding.

On March 26, 2020, the Commission issued an Opinion and Order on the Stage 1 Compliance Plan and referred the Cooperation Agreement to the OALJ for further proceedings. The proceeding was assigned to us, and as set forth above, we declined to consolidate the Cooperation Agreement with the rate proceedings.

The Cooperation Agreement provided for, among other things, a phase-in of rates to be paid by the City of Pittsburgh. After discussion at the May 1, 2020 prehearing conference, PWSA agreed to file supplemental direct testimony which would, in part, address rate issues impacted by the Cooperation Agreement and propose a new municipal rate applicable to the City. Other parties addressed this proposal in their written testimony.

On July 23, 2020, Governor Wolf signed Act 70, which, among other things, provided that the Cooperation Agreement entered into by PWSA and the City on October 3, 2019, has “the force and effect of law” until January 1, 2025, unless PWSA and the City mutually agree to an earlier termination date. Also, Section 2803-G of Act 70 provides that the Cooperation Agreement supersedes (during its term) any Commission regulation, policy statement, order, or regulatory proceeding to the extent they pertain to issues covered in the Cooperation Agreement. Following the passage of Act 70, the parties conferred and by email dated July 28, 2020, requested that the litigation schedule in that proceeding be suspended pending the filing of a petition to withdraw. By Interim Order dated July 29, 2020, the request was granted.

On August 7, 2020, PWSA filed an Unopposed Petition for Leave To Withdraw the Cooperation Agreement. By Initial Decision served on September 1, 2020, we granted the

petition to withdraw. No exceptions were filed and by operation of law, the decision became final on October 14, 2020.¹²

On August 27, 2020, the City of Pittsburgh, PWSA, BIE, OCA and OSBA filed a joint stipulation which provided for the withdrawal of testimony or claims related to the proposed municipal rate.¹³

B. Other PWSA Proceedings

As a result of the implementation of the Commission’s jurisdiction and oversight of PWSA, PWSA has been engaged in a number of proceedings before the Commission which impact its operations as well as the proposals and requests at issue in the other proceedings, including PWSA’s base rate filing under consideration here, the Stage 1 and Stage 2 Compliance Plan proceedings, and PWSA’s petition for approval of its Long Term Infrastructure Improvement Plan (LTIIIP). The current status of each of these proceedings is described in Appendix A of the Joint Petition for Settlement.

IV. PUBLIC INPUT HEARINGS

Six public input hearings were held on July 7, July 8, and July 9, 2020. These hearings were conducted remotely. Thirty-one witnesses testified, including State Representatives Edward Gainey and Sara Innamorato, and Allegheny County Councilman DeWitt Walton. Staff from the offices of Representative Gainey and Senator Lindsey Williams provided comments. Letters submitted by Senator Lindsey Williams¹⁴ and Representative Jake Wheatley¹⁵ were admitted into evidence without objection. Water and wastewater customers of PWSA and community and environmental advocates also testified. Broadly, witnesses

¹² *Cooperation Agreement Between the City of Pittsburgh and the Pittsburgh Water and Sewer Authority*, Docket No. U-2020-3015258 (Final Order entered October 14, 2020).

¹³ Joint Hearing Ex. No. 1.

¹⁴ ALJ Ex. 1.

¹⁵ ALJ Ex. 2.

expressed concerns regarding the economic impact of the proposed rate increases. Some witnesses also commented on service issues, infrastructure and PWSA management. Other witnesses commented specifically on the rate treatment and environmental importance of stormwater management.

A. Consumer Concerns

The overwhelming concern expressed by witnesses at the public input hearings was the timing of the proposed rate increases in the midst of the COVID-19 pandemic and the concomitant economic and social impacts. The legislators and community advocates in particular argued that any rate increase would add to the challenges already faced by their communities because of widespread unemployment and strained resources for low income communities due to the pandemic. Several noted that black and brown communities within the City of Pittsburgh were particularly hard hit as a result of the pandemic emergency and that a rate increase would be particularly difficult in those areas.¹⁶

Representative Edward Gainey described the conditions in his district, stating that people are worried about paying their rent and making their mortgage payments. The pressure of higher PWSA bills would add stress and negatively impact customers' mental health.¹⁷ Therefore, according to Representative Gainey, a rate increase at this time seems insensitive to the hardships already suffered by those in his community, hardships which have now been exacerbated by COVID-19. While acknowledging that PWSA needs revenue to operate, in his view, no rate increase should be granted at this time.¹⁸

Rick Swartz, the Director of the Bloomfield-Garfield Corporation, explained that an increase in water and wastewater rates would endanger his organization's ability to provide

¹⁶ E.g., Rick Swartz, N.T. 133; Tom Hoffman, N.T. 237.

¹⁷ N.T. 314.

¹⁸ N.T. 316. Several employees of Representative Gainey also testified, describing similar input they had received from constituents contacting the office. *See* N.T. 120-21; 136-37; 145.

housing to low income families at affordable rates.¹⁹ Others observed that a rate increase would be difficult for seniors, many of whom are on a fixed income.²⁰ Masoud Sayles noted that if rates increase and the moratorium on shut offs is terminated, the health and safety of residents would be imperiled.²¹

Representative Sara Innamorato testified that her constituents also suffered from high levels of unemployment. She stated that the rate increase should be minimized as much as possible and that low income programs should be expanded.²² She noted that PWSA had made significant improvements in infrastructure which have benefitted her constituents, but she noted that PWSA should continue to look for cost-saving efficiencies and that any rate increase should be structured to make sure that “large entities are paying their fair share.”²³

Several witnesses suggested that the rate increase should be phased-in more gradually or delayed. These witnesses recognized that PWSA needed to continue infrastructure and service improvements, but suggested that it would be better to defer the rate increase.²⁴

Another group of witnesses spoke of the accessibility of low income programs. Allegheny County Councilman DeWitt Walton noted that many of the low income programs do not reach middle income earners who still struggle to pay their utility bills.²⁵ Other witnesses suggested that low income programs need to be redesigned to be more accessible and should include a more robust debt forgiveness component.²⁶

¹⁹ N.T. 131-33.

²⁰ E.g., Ghafoor, N.T. 204; McClendon Todd, N.T. 127-28; Smith, N.T. 278-80.

²¹ N.T. 253-54.

²² N.T. 323-24.

²³ N.T. 324.

²⁴ E.g., Swartz, N.T. 133-34; Ghafoor, N.T. 206.

²⁵ N.T. 231.

²⁶ E.g., Caitlyn Hays Schroering, N.T. 125; LaSaine Latimore, 241-42; Shawn Dalton, N.T. 247-48; Heather McClain, N.T. 251-51.

A community organizer, Melvin El, noted that the City of Pittsburgh owes a lot for water and that a revenue contribution from the City might help PWSA to address continued infrastructure improvements.²⁷ This concern was also shared by Catherine Brosky in reference to the high number of unmetered accounts.²⁸ Karen Coll offered the opinion that PWSA should cut costs instead of raising rates.²⁹

A few witnesses were opposed to the rate increase because they did not feel that their service was adequate.³⁰ Others noted that they suffered from poor water quality and stated that not every neighborhood has enjoyed equal attention to water quality and infrastructure improvement.³¹

B. Stormwater Management

Brenda Lynn Smith, the Executive Director of the Nine Mile Run Association, opined that the current rate structure for stormwater management is inequitable because it is based on water usage rather than tied to a property's contribution to stormwater, such as parking lots and big box stores.³² Several other witnesses echoed this opinion.³³ Witnesses also stated they would support a stormwater fee in order to maintain water quality and preserve the environmental resources of watersheds in the City.³⁴ One witness specifically opposed a stormwater fee because bills would be too high.³⁵

²⁷ N.T. 170.

²⁸ N.T. 319. *See* the formal complaint of Ms. Brosky, Docket No. C-2020-3020747.

²⁹ N.T. 233-34.

³⁰ Helen Turner, N.T. 140; Shirley Wheaton, N.T. 114-16; Terri Byrd, N.T. 117-18.

³¹ Phyllis Ghafoor, N.T. 204-206.

³² N.T. 110-12.

³³ Tom Hoffman, N.T. 238; Vivienne Shaffer, N.T. 286; Gavin White, N.T. 326-27.

³⁴ Caitlyn Hays Schroering, N.T. 125; Stephen John, N.T. 200-203.

³⁵ Linda Wortham, N.T. 283.

C. Miscellaneous Comments

Two witnesses discussed the management of PWSA. Catherine Brosky contended that there is insufficient transparency or accountability.³⁶ Heather McClain noted that PWSA should continue to take concrete steps to make sure that people of color are represented on staff and among contractors.³⁷

V. DESCRIPTION OF THE JOINT PETITION FOR SETTLEMENT

The Joint Petition for Settlement includes the terms of conditions of the agreement among the parties as well as Appendices A through H.

Specifically, Sections III and IV of the Joint Petition include the proposals agreed to by all of the settling parties. Section III, the substantive settlement terms, is set forth in its entirety in the Appendix to this Recommended Decision. Settlement terms include a reduction in the revenue requirement, a 5% DSIC for water and wastewater, withdrawal of the request for a multi-year rate plan, postponement of the stormwater tariff, cost allocation and rate design, COVID-19 relief measures and COVID-19 funding issues, as well as enhancements to low income assistance, customer service and quality of service issues.

Section IV includes the usual procedural agreement of the parties. Notably, the parties agree to waive exceptions to the Recommended Decision if the Joint Petition is approved by the administrative law judges without modification. Should the Commission disapprove the Joint Petition or modify the terms, the Joint Petitioners reserve the right to withdraw the Joint Petition. PWSA requests that the Commission consider the Recommended Decision at the December 17, 2020 Public Meeting, which would provide the utility with an opportunity to notify customers and finalize its tariffs, in advance of the implementing the rates on January 14, 2021.

³⁶ N.T. 319-20.

³⁷ N.T. 251-52.

Additionally, Appendices A and B to the Joint Petition include a description of the related proceedings, the procedural history of this proceeding, a stipulation of facts, proposed conclusions of law and ordering paragraphs, as well as a list of commonly used acronyms.

In support of the agreed-to proposals, Appendix C sets forth the agreed-to allocation of the proposed settlement rate increase. Appendix D sets forth the rates and proof of revenue for 2021 existing rates, PWSA's initial rate requests and the proposed settlement rates. Appendix E provides typical bill impacts under existing rates and the proposed settlement rates, and Appendix F provides a comparison of PWSA's initial rate request with the proposed settlement rates. Finally, Appendices G and H are the proposed *pro forma* tariffs for water and wastewater as set forth the agreed-to settlement terms.

VI. LEGAL STANDARDS

All rates established by the Commission for public utilities must be “just and reasonable.”³⁸ As part of the implementation of Chapter 32 of the Public Utility Code, the Commission determined that the rate base/rate of return ratemaking methodology, the most common method employed by large investor-owned utilities for determining just and reasonable rates, was not a good fit for PWSA.³⁹ Instead, PWSA was directed to utilize the cashflow ratemaking method similar to that used by Philadelphia Gas Works (PGW):

The Commission submits that utilization of a method similar to PGW's cashflow ratemaking method should be considered for PWSA. As a municipal fixed utility transferring under the jurisdiction of Commission, PWSA finds itself in a similar situation as PGW. Further, municipalities often account for investment and depreciation in manners differing than

³⁸ 66 Pa.C.S. § 1301.

³⁹ *Implementation of Chapter 32 of the Public Utility Code Re Pittsburgh Water and Sewer Authority*, Docket No. M-2018-2640802 (Final Implementation Order entered March 15, 2018). See James H. Cawley and Norman J. Kennard, *A Guide to Utility Ratemaking*, 157-60 (Public Utility Commission 2018).

those of regulated investor-owned-utilities, with a primary focus on debt service coverage sufficient to meet bond obligations.^[40]

After considering comments to the Tentative Implementation Order, the Commission determined that PWSA is to use the cash flow method detailed in Section 69.2703 of the Public Utility Code.⁴¹

When using the cash flow method for establishing rates, rather than considering whether rates will yield a fair rate of return on property,⁴² the Commission considers the factors set forth in Section 69.2703(a)⁴³ in determining whether rates are just and reasonable:

(1) [PWSA's] test year-end and (as a check) projected future levels of non-borrowed year-end cash.

(2) Available short term borrowing capacity and internal generation of funds to fund construction.

(3) Debt to equity ratios and financial performance of similarly situated utility enterprises.

(4) Level of operating and other expenses in comparison to similarly situated utility enterprises.

(5) Level of financial performance needed to maintain or improve [PWSA's] bond rating thereby permitting [PWSA] to access the capital markets at the lowest reasonable costs to customers over time.

(6) [PWSA]'s management quality, efficiency and effectiveness.

⁴⁰ *Implementation of Chapter 32 of the Public Utility Code Re Pittsburgh Water and Sewer Authority*, Docket No. M-2018-2640802 (Tentative Implementation Order entered January 18, 2018), at p. 16 (footnote omitted); *See* also Final Implementation Order entered March 15, 2018, p. 27-28.

⁴¹ 52 Pa.Code § 69.2703. The Commission noted that any party was “fee to raise the issue of the appropriate methodology to be used as such time as PWSA acquires assets from the City of Pittsburgh [2025].” *Implementation of Chapter 32 of the Public Utility Code Re Pittsburgh Water and Sewer Authority*, Docket No. M-2018-2640802 (Final Implementation Order entered March 15, 2018), pp. 27-28.

⁴² Cf. *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n of West Va.*, 262 U.S. 679, 692-93 (1923).

⁴³ 52 Pa.Code § 69.2703(a).

- (7) Service quality and reliability.
- (8) Effect on universal service.

Additionally, the Commission must establish rates adequate to permit PWSA to satisfy its bond ordinance covenants.⁴⁴

The Commission encourages parties in contested on-the-record proceedings to settle cases.⁴⁵ Settlements eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion, which may entail review of the Commission's decision by the appellate courts of Pennsylvania. Such savings benefit not only the individual parties, but also the Commission and all ratepayers of a utility, who otherwise may have to bear the financial burden such litigation necessarily entails.

By definition, a "settlement" reflects a compromise of the positions that the parties of interest have held, which arguably fosters and promotes the public interest. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is whether the agreement reached suits the public interest.⁴⁶ In their supporting statements, the Joint Petitioners conclude, after extensive discovery and discussion, that this Settlement resolves most of the contested issues in this case, fairly balances the interests of the company and its ratepayers, is in the public interest, and is consistent with the requirements of the Public Utility Code.

Not every issue was of equal concern to every party. Accordingly, each of the Joint Petitioners' statements in support did not necessarily address each and every aspect of the Settlement.

⁴⁴ 52 Pa.Code § 69.2703(b).

⁴⁵ See 52 Pa.Code § 5.231.

⁴⁶ *Pa. Pub. Util. Comm'n v. CS Water and Sewer Assocs.*, 74 Pa. PUC 767, 771 (1991). See also *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered October 4, 2004); *Pa. Pub. Util. Comm'n v. Philadelphia Elec. Co.*, 60 Pa. PUC 1 (1985).

After a full consideration of the terms of the Joint Petition and the statements in support, we recommend that the Commission adopt the terms of the settlement as set forth in the Joint Petition without modification.

VII. DISCUSSION OF THE JOINT PETITION

Each of the Joint Petitioners submitted thorough and well-written statements in support of the Settlement.⁴⁷ The position of each party is summarized briefly here. The reader is directed to the statements in support for a more detailed discussion of the evolution each Joint Petitioner's position.

A. **Revenue Requirement**

In its initial rate filing, PWSA sought an increase in total rates of its water operations and its wastewater operations that would have produced additional annual operating revenues of \$43.8 million (including a proposed 10% DSIC), or approximately 25.4%, over its annualized total-Authority test year revenues at present rates, using a Fully Projected Future Test Year (FPFTY) of January 1, 2021 – December 31, 2021. PWSA also requested a second-year increase in the rates of its water operation and wastewater operation that would have produced additional annual operating revenues of \$12.6 million, or an increase of an additional 6.4%. The reasons for the rate requests were to fund ongoing infrastructure and capital improvement projects, address increases in operating costs, and to meet management goals to achieve certain financial metrics that would either meet or improve PWSA's current bond ratings and enable PWSA to moderate borrowing costs.

1. **Rates (Settlement, III.A.1)**

BIE contended that PWSA's present rates were too high and initially recommended a rate decrease. OCA, OSBA and Pittsburgh UNITED each argued that the

⁴⁷ Indeed, the Joint Petitioners are to be commended for the high quality and detail of the statements in support.

Commission should not approve any rate increase, in large part, due to the economic effects of the COVID-19 pandemic on PWSA’s customers and the economy of Allegheny County. OCA also took the position that if any increase was granted, PWSA should only be permitted to increase overall rates by \$15.9 million, inclusive of any amount permitted for DSIC.

The Settlement proposes to permit PWSA to increase its water and wastewater rates by a total of \$19 million. A portion, (\$9.1 million) would be produced by the implementation of a 5% DSIC with the remaining increase coming in the form of a base rate increase.⁴⁸ As discussed below, PWSA’s proposed 2022 rate increase has been withdrawn.

According to PWSA,⁴⁹ the resulting year end days of cash on hand and debt service coverages, compared to PWSA’s original proposal and the initial position of the opposing parties, is as follows:

Proposed Settlement Rate Increase

	FPFTY Days of Cash on Hand (Day O&M)	Senior Debt	Total Debt Service Coverage
Effect of Settlement Rates	114.5 days	1.50x (minimum requirement: 1.25x)	1.20x (minimum requirement: 1.10)
BIE Recommendation⁵⁰	147.9	1.50x	1.20x
OCA Recommendation⁵¹	120.7	1.49x	1.19x
PWSA Original Request⁵²	113.2	1.82x	1.45x

⁴⁸ See Joint Petition at Appendix D: Rates and Proof of Revenue (Existing, Initial Rate Request and Proposed Settlement).

⁴⁹ See PWSA Statement in Support at p. 13. Certain aspects of the Joint Petition, including specific O&M expenses, are “black box.” See *Pa. P.U.C. v. Peoples TWP LLC*, Docket No. R-2013-2355886, p. 28 (Order entered December 19, 2013) (approving black box settlements).

⁵⁰ BIE Ex.1-SR, Sch. 1.

⁵¹ OCA St. No. 3.

⁵² PWSA Ex. WJP-1.

PWSA supports the revenue requirement in the Settlement because the Settlement rate increase represents a reasonable compromise given the unique aspects of this proceeding in addition to the extraordinary circumstances resulting from the COVID-19 pandemic. The resulting financial metrics result from an anticipated reduction in PWSA's 2021 operating budget (\$6 million) and the assumption that all PAYGO⁵³ will be produced from PWSA's DSIC. Accordingly, with these modifications in spending, the resulting metrics are consistent with levels recommended by the opposing parties and are minimally sufficient to maintain PWSA's key financial metrics at reasonable levels. PWSA does not expect the Settlement rate levels to negatively affect its current bond rating.

PWSA also notes that several parties submitted testimony advocating that no rate increase should be permitted.⁵⁴ According to PWSA, the agreed upon rate increase yields the lowest rate that could be awarded without PWSA being put into default on its bonds or requiring the Authority to severely cut back on its operations in order to avoid such a default.⁵⁵

BIE explains that its initial position, recommending a reduction in the overall revenue requirement, was predicated upon adjustments to PWSA's operating and expense claims,⁵⁶ as well as revenue adjustments mainly resulting from imputing revenue to PWSA that, from BIE's analysis, it should have been collecting from the City and reflecting it its filing.⁵⁷ However, Act 70 codified the terms of the Cooperation Agreement between the City and PWSA. The Cooperation Agreement includes the rates that PWSA shall charge the City and has "the force and effect of law" until January 1, 2025, unless PWSA and the City mutually agree to an earlier termination date. As a result of the passage of Act 70, BIE withdrew its position on what

⁵³ PWSA explained in its statement in support that PAYGO financing is the use of internally generated funds – cash -- from rates to finance construction or the replacement of assets (rather than using bond proceeds or government grants/loans, the two other sources of financing). PWSA Statement in Support at p. 9; *see also* PWSA St. 5 at 19-22.

⁵⁴ *See* OCA St. No. 1 at 11-29; OSBA St. No. 1 at 4-5; Pittsburgh UNITED St. No. 1 at 6-9, 13-14.

⁵⁵ *See* PWSA St. No. 5-R at 12-13 (no rate increase would cause defaults on PWSA bond covenants).

⁵⁶ BIE St. No. 2, p. 5.

⁵⁷ BIE St. No. 3, pp. 22-39 ; BIE St. No. 4., pp. 12-14.

rates the City pays and its corresponding revenue adjustment.⁵⁸ Accordingly, a significant part of BIE's revenue recommendation became untenable by operation of law.

Aside from recognizing the impact of Act 70, BIE's agreement to the Settlement rates reflects a compromise of its overall revenue position in this case that takes into account, among other things, PWSA's debt service obligations, noting the specific statutory requirement that PWSA comply with its bond covenants, PWSA's duty to provide safe and effective service, as well as the ways in which PWSA's operations have been impacted by the COVID-19 pandemic.

With these factors in mind, and after significant negotiation, BIE agrees to the reduced revenue requirement. BIE explains the more moderate rate increase will result in reasonable rates and permit PWSA sufficient additional revenues to meet its operating and capital expenses. The revenue increase also allows PWSA, as statutorily required, to satisfy its bond covenants and financial obligations. Accordingly, BIE submits that the proposed Settlement is in the public interest because it balances the interests of PWSA and its customers in a fair and equitable manner.

OCA and OSBA also support the Settlement revenue requirement because it represents a \$24.4 million decrease in the 2021 revenue requirement originally requested by PWSA. Specifically, 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%.⁵⁹ 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%.⁶⁰ While the Joint Petitioners opted for a black box settlement rather than attempting to reach a consensus on each adjustment to revenue, the ultimate result is within the range of likely outcomes in the event of full litigation. Coupled with

⁵⁸ BIE St. No. 3-SR, p. 11.

⁵⁹ Settlement, Appendix E.

⁶⁰ Settlement, Appendix F.

other aspects of the Settlement, OCA takes the position that the revenue increase is in the interest of PWSA's ratepayers and is in the public interest.

Pittsburgh UNITED also agrees that the reduced revenue increase provided by the Settlement is in the public interest. This reduction from PWSA's initial proposal is significant, particularly for low and moderate income consumers who already struggle to keep up with the cost of basic utility service.⁶¹ PWSA estimates that approximately 34% of the population in its service territory are low income (defined as having a gross household income at or below 150% the Federal Poverty Level (FPL)) as of May 2020 – a number which has likely grown as a result of widespread economic hardship associated with the pandemic.⁶² Thus, a reduction in the approved rate increase is critically important to ensure that service remains accessible to PWSA's residential population, especially those customers who are low income. Pittsburgh UNITED observes that the reduction of the revenue requirement increase, coupled with the proposed increase in the discount offered by PWSA's Bill Discount Program (BDP),⁶³ is a critical component of the Settlement, and will help to offset the increased costs of basic water and wastewater services for low income customers.⁶⁴ With the increased discount provided under the BDP in the proposed Settlement, a typical customer enrolled in the BDP will see an 8.9% reduction in their monthly bill, compared to existing rates.⁶⁵

2. DSIC – Settlement III.A.2.

PWSA initially proposed a DSIC for water and wastewater, each capped at 10% of PWSA's distribution revenue. In PWSA's view, a DSIC at this level would signal support of PWSA's Construction Improvement Plan and produce PAYGO funding to provide a reliable

⁶¹ Pittsburgh UNITED St. 1 at 3 (indicating that the initial proposed rate increase would “significantly raise the majority of residential consumer bills and [would] pose significant challenges to the ability of consumers to maintain affordable water and wastewater services.”)

⁶² *Id.* at 12.

⁶³ The enhancements to the BDP are discussion in Section F, below.

⁶⁴ Joint Petition at 12, ¶ 4.

⁶⁵ Joint Petition at Appendix E.

funding source to complete core capital improvement projects, moderate the current and future amount of debt needed by PWSA to fund its system and provide a cheaper source of funding than accruing long-term debt. The DSICs would be used for the projects set forth in PWSA's Long-Term Infrastructure Improvement Plans (LTIIPs) which were first filed on September 28, 2018 and approved by the Commission on August 27, 2020.⁶⁶

BIE took the position that while a DSIC should be permitted for PWSA, the cap should be set at 5% rather than 10%.⁶⁷ OSBA recommended that the Commission cap any approved DSIC for PWSA at 7.5%.⁶⁸ OCA opposed the use of a DSIC for PWSA, but offered testimony that if a DSIC was to be put in place, it should be capped at 5%, not 10%.⁶⁹

The Settlement permits PWSA to implement a levelized, 5% DSIC for both water and wastewater and sets forth the Joint Petitioners' agreement regarding the tracking of DSIC-eligible projects and the administration of the collection and control of DSIC revenues.

PWSA supports the Settlement because it will produce a permanent source of PAYGO funding to finance water distribution and wastewater projects which will not be contingent on base rate case determinations. Moreover, it will help to reduce PWSA's reliance on long-term debt financing, thus reducing its present heavily leveraged position. Finally, it is fair to both the Authority and its ratepayers, as it assures that the amount billed via the DSIC will be earmarked exclusively for eligible infrastructure projects and any dollars billed but not expended will be returned to ratepayers. Thus, the settlement allowance of a 5% DSIC is eminently reasonable.

⁶⁶ *Petition of Pittsburgh Water and Sewer Authority for Approval of its Amended Long-Term Infrastructure Plan* Docket Nos. P-2018-3005037 (water) and P-2018-3005039 (wastewater), Opinion and Orders entered August 27, 2020.

⁶⁷ BIE St. No. 4 at 11.

⁶⁸ OSBA St. No. 1 at 4, 52.

⁶⁹ OCA St. No. 4 at 28-29.

BIE notes that the Joint Petition is consistent with the recommendations outlined in BIE's testimony, both by capping PWSA's water and wastewater DSICs at 5%⁷⁰ and by agreeing that billed revenues for the DSIC will be reconciled at end of year with actual DSIC-eligible costs as approved in PWSA's LTIIPs for water and (separately) wastewater for that one-year.⁷¹ BIE avers that these outcomes are in the public interest not only because they comport with the statutory safeguards prescribed,⁷² but because they will, at the same time permit PWSA to implement a DSIC in order to repair and replace its infrastructure to ensure safe and effective service.

BIE takes the position that these terms ensure that PWSA has a process in place to credit customer accounts for over collections and collections for ineligible projects, which is an important customer protection required by the Code. Additionally, PWSA has also agreed to a process for reconciliation, a required customer protection which will ensure that PWSA is accountable to ratepayers for DSIC spending. Finally, the Settlement memorializes PWSA's obligation to file schedules that support its DSIC rate, by month, which BIE submits is essential to enable the parties and the Commission to gauge the effectiveness of PWSA's DSIC as it is implemented for the first time. Empowering PWSA, the parties, and the Commission to track PWSA's DSIC spending, impose accountability, ensure compliance, and gauge efficiency is necessary to protect the public interest; therefore, because the Settlement contains parameters necessary to facilitate these outcomes, BIE avers that it warrants approval.

OCA agrees with BIE's analysis of the import of the Settlement terms regarding the DSIC. Taken as a whole, OCA states that the Settlement terms ensure that PWSA's DSIC more closely complies with the statutory provisions for DSICs than the mechanism proposed in PWSA's initial filing and that the quarterly DSIC rates and annual reconciliations are properly calculated.

⁷⁰ Joint Petition, ¶II(A)(2)(a).

⁷¹ Joint Petition, ¶III(A)(2)(c)(i).

⁷² 66 Pa.C.S. § 1358.

3. Multi-Year Rate Plan – Settlement, III.A.3.

As part of its initial filing, PWSA requested that the Commission authorize a second year (2022) increase of an additional \$12.6 million or a 6.4% increase beyond the requested rate increase for 2021.⁷³ The 2022 requested increase was intended to cover only the anticipated additional debt service and debt service coverage in 2022.⁷⁴

The other parties were opposed to PWSA's multi-year rate plan (MYRP) proposal. BIE acknowledged that the Public Utility Code permitted utilities to seek approval of alternative ratemaking mechanisms, including a MYRP, but took the position that it is not appropriate for PWSA, with only one completed base rate proceeding, to implement a multi-year rate plan. Further, BIE and OCA observed that the economic impacts of COVID-19 create additional uncertainty regarding revenue, expenses, and future borrowing costs.⁷⁵ BIE and OCA also questioned the accuracy of the cost projections made by PWSA.

PWSA agreed to withdraw its proposed MYRP as part of the Settlement.⁷⁶ PWSA explains that the Settlement recognizes the need for PWSA to file a subsequent and combined water, wastewater, and stormwater base rate case no earlier than February 2021 for 2022 rates.⁷⁷ While this approach does not provide PWSA with the specific level of rate increase requested for 2022, it is an important balance of current times and PWSA's anticipated future need – particularly its stormwater plans (as discussed below in the next section). Given that PWSA is agreeing to a lesser amount of rate increase than originally proposed while also agreeing to implement additional customer service issues and still evaluating the effects of the pandemic, permitting PWSA to re-evaluate its total needs for 2022 on a clean slate basis is reasonable. By that time, PWSA will have additional information about how well it has operated

⁷³ PWSA St. No. 3 at 20-22. See 66 Pa.C.S. § 1330(b)(1)(iv); (f) which permits and defines multi-year rate plans.

⁷⁴ PWSA St. No. 3 at 20.

⁷⁵ BIE St. No. 3 at 49.

⁷⁶ Joint Petition at 7, ¶ III.A.3.a.

⁷⁷ Joint Petition at 7, ¶ III.A.3.b and c.

with the rates approved in this proceeding as balanced with all of the other financial pressures it is facing so it can determine the best course for 2022. The understanding of the parties that PWSA will be filing a combined rate case and stormwater rate request in 2021 is a critical component of PWSA's agreement to withdraw its MYRP, accept a significantly less than requested rate increase and implement some new customer service programs. For all these reasons, PWSA submits that this Joint Petition term is in the public interest and should be approved.

BIE supports these Settlement terms as reasonable because, consistent with BIE's testimony, PWSA may return to file a new base rate case, rather than institute a MYRP. BIE is aware of the newly-applicable regulatory requirements and aged infrastructure facing PWSA.⁷⁸ Therefore, BIE supports PWSA's ability to return for a future base rate filing after this case concludes. However, BIE also seeks to balance the needs of PWSA with PWSA's customers. Given the uncertainty present in PWSA's filing in relation to its MYRP proposal as outlined above, approving a MYRP risks implementing rates to recover for inaccurate projections. PWSA's customers are better served by PWSA providing an updated proposal through a new base rate proceeding, rather than relying on a MYRP for 2022 appended to 2021 figures. Although PWSA will incur expenses to return for a base rate filing, BIE expects PWSA will achieve some economies of scale by filing a new water and wastewater base rate proposal at the same time. PWSA was already planning to file in the near future for approval of stormwater rates.

Pittsburgh UNITED also supports the withdrawal of the proposed MYRP in favor of filing a rate case in the first quarter of 2021. According to Pittsburgh UNITED, this approach ensures PWSA has adequate revenue and preserves the resources of the Commission, PWSA, Pittsburgh UNITED, and the other parties and interested stakeholders during the pendency of the COVID-19 pandemic. Pittsburgh UNITED asserts that this provision of the Joint Petition is appropriately balanced and will ensure that PWSA's rates, policies, and procedures are just and reasonable, consistent with applicable law and regulation, and are in the public interest.

⁷⁸ BIE Statement No. 3-SR, p. 28.

B. Stormwater Tariff – Joint Petition, III.B.

With this second base rate filing since coming under the Commission’s jurisdiction, PWSA included a *pro forma* stormwater tariff⁷⁹ to comply with the direction in the Commission’s Chapter 32 Final Implementation Order.⁸⁰ To develop the proposed *pro forma* stormwater tariff, PWSA utilized the Commission Staff’s model stormwater tariff, as well as the effective tariffs/ordinances of other municipal entities, while also considering the challenges of creating a new stormwater tariff and introducing it to consumers.⁸¹ Although, PWSA identified approximately \$21.6 million of stormwater-related costs in the FPFTY and \$24.7 million in FY 2022,⁸² PWSA limited its stormwater-related request in this proceeding to approval of the proposed *pro forma* stormwater tariff. PWSA provided this cost analysis for informational purposes only and did not include a request for approval of a specific stormwater fee as part of this rate case.⁸³ Rather, as explained in witness testimony, PWSA planned to update the cost of service analysis as part of a future filing that was to include a request that the Commission approve a specific stormwater fee.⁸⁴ PWSA anticipated filing a request with the Commission to approve specific stormwater rates later in 2020 with the new Commission approved stormwater rates to be implemented in early 2022.⁸⁵

OCA’s witnesses observed PWSA had anticipated having approximately 8,000 stormwater-only customers.⁸⁶ OCA’s witnesses raised concerns about reviewing the stormwater tariff outside the context of a fully developed stormwater fee proposal, specifically arguing that

⁷⁹ PWSA Ex. BD-3.

⁸⁰ Docket No. M-2018-2640802 (Final Implementation Order entered March 15, 2018) at p. 31.

⁸¹ PWSA St. No. 9 at 26-27.

⁸² PWSA St. No. 7 at 13.

⁸³ PWSA St. No. 7 at 28; PWSA St. No. 9-SD at 1-2.

⁸⁴ PWSA St. No. 7 at 13.

⁸⁵ PWSA St. No. 9 at 28; PWSA St. No. 9-SD at 1-2; PWSA St. No. 7 at 13.

⁸⁶ OCA St. 1 at 52.

“there is no benefit to establishing the terms and conditions of stormwater service without establishing the rates and charges at the same time.”⁸⁷

In the Settlement, the parties agree to defer development of the stormwater tariff to PWSA’s combined water, wastewater and stormwater rate filing to be submitted in the first quarter of 2021. PWSA supports this proposal because it will enable PWSA to focus on developing stormwater rates for the Commission’s consideration consistent with its previously established timeline, and it will allow PWSA to address those rates and the proposed stormwater tariff in one proceeding. In addition, by withdrawing its request for a MYRP, the next base rate proceeding can comprehensively address the impact of PWSA’s proposed stormwater fee on its wastewater conveyance rates and, to the extent applicable, its water rates.

BIE also suggests that it would be advantageous to consider stormwater issues all together at one time and doing so is likely to result in a better tariff. Therefore, BIE supports the Joint Petition’s terms that development of PWSA’s stormwater tariff will be deferred to PWSA’s combined water, wastewater, and stormwater filing as set forth in the Joint Petition. BIE also notes the Joint Petitioners’ agreement to request that the Commission, as part of approval of the Joint Petition, consolidate the Compliance Plan Stage 2 stormwater issues with PWSA’s upcoming combined water, wastewater, and stormwater filing.⁸⁸

BIE and OCA state that additional information is required in order to fully review PWSA’s stormwater proposals, which will be developed going forward. Therefore, they aver it would be prudent to fully evaluate PWSA’s stormwater tariff at the same time PWSA files its stormwater rates. OCA also points out that by taking this matter up in the next rate case, these soon-to-be stormwater customers will benefit from both increased notice of the filing and more information for their understanding of the creation of a stormwater rate. Similarly, the parties

⁸⁷ OCA St. 1-SR at 15.

⁸⁸ Although we recommend that the Joint Petition be approved without modification, we note that we are approving the Joint Petitioners’ agreement to *request* consolidation of the future base rate case, with the stormwater tariff and Stage 2 compliance proceeding. We do not intend to bind the future actions of either the Commission or the assigned administrative law judges should the matter be assigned for investigation. As of this writing, the Stage 2 Compliance Plan is not an active proceeding, as the Stage 1 proceeding is pending appeals.

will benefit from the extra time in order to better determine the rules, regulations, and other terms of service for the upcoming stormwater tariff.

OSBA objected to PWSA's proposed method of allocating stormwater costs based on billing volumes. As Mr. Kalcic testified, stormwater is an inflow to PWSA's wastewater system, and until such time as PWSA establishes a separate stormwater fee, stormwater-related costs should be classified as Infiltration and Inflow (I&I) costs and allocated to classes on the basis of the number of connections and billing volumes, with a weighting of two-thirds and one-third, respectively.⁸⁹ By deferring consideration of a stormwater tariff in to a future filing and providing for an across-the-board increase to PWSA's existing wastewater rates, the Joint Petition alleviates the OSBA's concerns regarding PWSA's proposal to allocate stormwater costs to wastewater customers based on billing volumes in this proceeding.

C. Cost Allocation and Rate Design – Joint Petition, III.C.

The purpose of a Class Cost of Service Study (CCOSS) is to allocate costs to each rate class. This information is then used to design the rate structure for each rate class.

PWSA's initial rate filing described how the CCOSS allocated PWSA's operating and maintenance costs, customer service costs, engineering and construction costs, capital costs and debt service using the Base/Extra Capacity cost allocation methodology. This is a three step process that involves first assigning costs to functional categories, then assigning the costs from each functional category to Base/Extra Capacity cost categories based on system demand characteristics and then allocating the Base/Extra Capacity cost categories to customer classes based on customer class demand patterns to functional categories.⁹⁰ During the course of litigation, adjustments were made to PWSA's CCOSS to account for, among other things, negotiated agreements with the City, the Commission's March 26, 2020 orders regarding

⁸⁹ OSBA St. 1 at 43.

⁹⁰ PWSA St. 7 at 14.

PWSA’s compliance plan and LTIP, and to correct errors identified during the discovery process. Witnesses for the other parties proposed further modifications to PWSA’s CCOSS.

In settlement, the Joint Petitioners “agreed to disagree” on the specific methodology used to establish cost allocation and rate design. Based upon the various parties’ positions regarding allocation of the settlement rate increase, and in an effort to reach a mutually acceptable compromise, the Joint Petitioners agreed to allocate the increase in a manner that attempts to reflect the positions of the various parties.⁹¹ The water, wastewater and overall rate increases by class (including 5% DSIC), agreed to by the Joint Petitioners are as follows:

Rate Class	Water	WW	Total
Res.	10.7%	8%	9.7%
Res. CAP	(6.5%)	(7.0%)	(6.7%)
Com.	14.7%	7.9%	12.1%
Ind.	18.7%	8.0%	14.5%
Health & Ed	10.6%	7.9%	9.7%
Muni.	18.3%	7.9%	14.4%
Pvt. Fire	14.4%	0.0%	14.4%
Public Fire	100%	0.0%	100%
Whls & Bulk	5.8%	0.0%	5.8%
Total	12.5%	7.8%	10.8%

In addition to the agreement on the allocation of the base rate increase, PWSA agrees to develop the agreed-to rates in the following manner:

- Current water minimum charges for all meter sizes will remain unchanged in the Tariff.⁹² Class water consumption charges will be adjusted to recover the class-specific increase to the agreed-upon class cost of service.

⁹¹ Joint Petition, Appendix C presents the class allocation of the full proposed settlement revenue increase for both water and wastewater.

⁹² PWSA’s current rate structure for retail customers consists of a monthly Minimum Charge that varies by meter size and a Volume Charge that varies by customer class. The Minimum Charge is used to recover PWSA’s customer costs as well as some of PWSA’s costs associated with providing capacity to meet customer demand. Additionally, the Minimum Charge recovers the cost of a water usage allowance that also varies by meter size.

- 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.
- All parties reserve their right to address the issue of how to allocate the costs of PWSA's customer assistance programs and its lead service line replacement programs in a future post-pandemic case.

The Joint Petitioners also agree that:

- PWSA will account for the costs of Infiltration and Inflow as part of its combined water, wastewater, and stormwater filing as discussed in Section A.3 above. To the extent that PWSA does not account for all Infiltration and Inflow costs as part of the combined wastewater/stormwater filing, PWSA will address the total costs for the separated system in its subsequent water/wastewater/stormwater rate proceeding.
- 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.A.3 above as part of its continued exploration of changing its rate design from a minimum charge to a customer charge.

In PWSA's view, the cost allocation and rate structure agreed to in the Joint Petition represents a reasonable compromise of each Joint Petitioners' position.

BIE agrees. Although BIE generally agrees with the use of the Base/Extra Capacity methodology to develop a CCOSS model, BIE disagreed with PWSA's assumptions regarding the usage of City properties. However, according to BIE, the cost allocation provided in the Joint Petition is reasonable and balances each Joint Petitioner's interests. BIE represents that it will continue to monitor municipal usage figures reported by PWSA and PWSA will be filing a new base rate case shortly. Additionally, BIE supports this settlement because, as part of the continued analysis of PWSA moving from a minimum charge to a more traditional customer charge, PWSA agreed to BIE's recommendation that a customer cost analysis be provided as part of PWSA's CCOSS in its next base rate filing.

(cont.) The Volume Charge is designed to recover PWSA's costs that vary based on customer demand as well as the portion of PWSA's fixed costs that are not recovered through the Minimum Charge. The volumetric rate per thousand gallons (kgal) of water consumed varies by customer class based on the way in which each class demands service. *See* PWSA St. No. 7 at 25.

OCA supports the Joint Petition cost allocation, which for the residential class accounts for 35.3% of the rate increase. OCA specifically notes that the Joint Petition is based upon the Joint Petitioners' agreement that the levels of water and wastewater revenues from each class are based on current water minimum charges for all meter sizes and will remain unchanged in the tariff. Moreover, through the Joint Petition, wastewater conveyance minimum charges and volumetric rates will be adjusted by approximately the same proportionate increase to all existing rates to recover the total agreed upon system increase. Although the Joint Petitioners did not agree on the specific allocation of costs related to customer assistance programs and lead service line replacement programs, the Joint Petition preserves the parties' right to address these issues in a future post-pandemic rate case.

OCA notes that its expert also criticized PWSA's CCOSS based, in part, on his view that the water cost analysis did not accurately determine peak demands placed on the system by industrial class customers. Through the settlement, PWSA will provide a customer cost analysis as part of its CCOSS in its combined water, wastewater and stormwater filing and as part of its continued exploration of changing its rate design from a minimum charge to a customer charge. This will provide OCA with an opportunity in PWSA's next rate increase filing, to thoroughly analyze the demand factors and cost responsibilities for the newly proposed Municipal (or City) customer class.

As for the commercial class, OSBA notes that the Joint Petition reflects a compromise among the parties, particularly regarding the dispute between OCA and OSBA relating to the allocation of costs related to customer assistance programs and lead service line replacement programs. The cost allocation of the overall increase to the commercial class is within the range of potential outcomes of litigation and, according to OSBA, benefits small business customers. Like the other Joint Petitioners, OSBA also supports the cost allocation provisions of the Joint Petition because OSBA's right to challenge the specific issues raised in its testimony is preserved for a future rate filing. The additional cost tracking, particularly related to costs of Infiltration and Inflow will provide more information for analysis in a future proceeding.

Although Pittsburgh UNITED did not take a specific position as to the details of the cost allocation and rate design, it did strongly support the allocation of low income program costs across all rate classes. In Pittsburgh UNITED’s view, universal service programs serve an important public purpose and provide societal benefits shared by all customer classes. Although the Joint Petitioners did not reach an agreement on this specific issue, Pittsburgh UNITED supports the Joint Petition because PWSA will continue to recover low income program costs from all customer classes and the Joint Petition expressly reserves the right of Pittsburgh UNITED and the other Joint Petitioners to raise the issue in a future PWSA rate filing. Overall, the approach of the Joint Petition balances the interests of the parties and preserves the resources of the Commission and the parties while protecting the rights of parties to raise cost allocation issues in future rate case proceedings.

The City also believes the cost allocation provisions of the Joint Petition should be approved. The City notes that the Joint Petition is consistent with Act 70’s dictate that the 2019 Cooperation Agreement between the City and PWSA has “the force and effect of law” until January 1, 2025, unless PWSA and the City mutually agree to an earlier termination date. The Settlement implements commercial rates for the City that reference Act 70 and thereby incorporates the agreed-upon rate phase-ins and other rate and service-related negotiated terms embodied in the 2019 Cooperation Agreement.⁹³

D. Additional COVID-19 Relief Measures – Joint Petition, III.D.

The COVID-19 pandemic was unanticipated, and PWSA did not include specific measures to address the pandemic in its original filings. Public input testimony strenuously opposed a rate increase in view of the effects of the pandemic on the communities served by PWSA. In Direct Testimony, OCA, OSBA and Pittsburgh UNITED specifically opposed any rate increase by PWSA. In response, PWSA witnesses explained that it was not possible to forego a revenue increase and meet its operational expenses and infrastructure and environmental compliance mandates.

⁹³ See Settlement Ex. G (PWSA Water Tariff) and Ex. H (PWSA Wastewater Tariff) (each referencing Act 70 of 2020, 71 P.S. §§ 720.211 to 720.213).

Accordingly, the Joint Petitioners considered measures that could be reasonably implemented to provide additional assistance to consumers during the pendency of the pandemic. The Joint Petitioners agree to several COVID-19 relief measures, in addition to any COVID-19 related requirements imposed by the Commission.⁹⁴ These additional measures are designed to assist customers during the pendency of the pandemic and include:

- Waiving reconnection fees through the end of the next rate case or one year from a date of the final order in this proceeding, whichever is later.
 - Performing targeted outreach to customers with existing debt.
- Implementing expanded payment arrangement options for one year from the date of the final order in this case or until January 14, 2022, whichever is later.
- Continuing to expand outreach efforts with community partners and through collaboration with the Low-Income Assistance Advisory Committee (LIAAC).
- Waiving the 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.

PWSA takes the position that these provisions, considered together, will improve the ability of customers to readily connect and maintain critical water services. Also, these initiatives will provide customers with reasonable ways to avoid terminations and, for eligible customers, to continue receiving assistance while they financially rebound from the effects of the pandemic. PWSA also carefully considered the cost impact of each of these proposals and that cost impact was directly related to the amount of overall rate increase agreed to as part of this settlement. Striking the appropriate balance regarding these two issues cannot be overstated. In PWSA's view, the commitments made regarding additional COVID-19 relief measures, in

⁹⁴ Joint Petition at 8, Section III.D.

combination with the other agreements of this Settlement, are in the public interest because they will benefit customers, customers' households and the public health of the community and should be approved.

OCA stresses the importance of the COVID-19 specific customer relief measures as part of the Joint Petition because they provide important provisions to assist customers and mitigate the impact of the rate increase. Given the reduction in employment and wages, OCA observes there is a growing number of ratepayers unable to afford utility bills. The reduction in the proposed revenue requirement, as discussed above, and the additional relief provided through this settlement will help to relieve some of the burden on PWSA customers who are unable to afford their water and wastewater bills, particularly the expanded payment arrangement process and waiver of reconnection fees. The provisions of the Joint Petition, 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. 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.

Pittsburgh UNITED joins OCA in supporting these COVID-19 relief measures. Pittsburgh UNITED emphasized the importance of the targeted outreach provisions. By expanding and clarifying the availability of payment arrangements to assist those who have fallen behind during the pandemic, regardless of the number of prior payment arrangements a customer had in the past, PWSA will provide critical relief to customers who are profoundly struggling to afford their monthly bills in the wake of widespread economic hardship associated with the COVID-19 pandemic. Additionally, the waiver of the "sincere effort of payment" requirement for Hardship Fund Grants acknowledges there are higher levels of unemployment due to the pandemic and provides more customers access to crucial grant assistance. As such, Pittsburgh UNITED asserts that the proposed Settlement provisions related to payment arrangements during the pendency of the pandemic is in the public interest and should be approved.

E. COVID-19 Related Costs and Relief Funding – Joint Petition, III.E.

The pandemic also raises issues regarding the increased costs to PWSA related to responding to COVID-19, which could not have been anticipated at the time of the initial filing. PWSA submitted supplemental direct testimony explaining that, while PWSA had experienced revenue and cost impacts associated with the COVID-19 crisis, the full extent of the potential revenue and cost impacts were only beginning to emerge. The purpose of these provisions in the Joint Petition is to provide a mechanism for PWSA to track and account for COVID-related costs as offset by grants and government funding. The Settlement also ensures that consumers will only pay for the actual costs incurred by PWSA and will not be required to absorb costs that PWSA could have minimized or avoided. It does this by: (i) requiring PWSA to track costs that are incurred, as well as reductions in other costs; (ii) defining costs that will be eligible for recovery; and (iii) obligating PWSA to maximize its use of government benefits. The Settlement also affords the parties to the next rate proceeding the right to advocate for the rejection of costs identified by PWSA. The Joint Petitioners agree that by enabling PWSA to have the opportunity to track and record all COVID-19 costs as a regulatory asset and seek recovery in its next general rate proceeding, while containing protections for consumers and preserving other Joint Petitioners' right to object, this provision of the Settlement is in the public interest and should be approved.

PWSA explains that the settlement terms in the Joint Petition expressly recognize the extraordinary, not reasonably foreseeable, and non-recurring circumstances posed by the COVID-19 pandemic on PWSA's operations. In review of that reality, PWSA takes the position that the Joint Petition affords PWSA the ability to track and record, as a regulatory asset, all costs relating to the COVID-19 pandemic. It further permits PWSA to claim these costs for ratemaking purposes in PWSA's next general rate proceeding. The Joint Petition defines costs that are eligible for such treatment as "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” and terms them “COVID-19 Pandemic Related Costs” (PRCs).⁹⁵

In connection with these provisions, PWSA is obligated to track any operating costs that are reduced as a result of pandemic operating limitations and to use those amounts to offset areas of increased costs in the regulatory asset account. It must also maintain records, documents, and other information necessary to demonstrate that the claimed costs qualify as COVID-19 costs. All parties have the right to review the prudence and reasonableness of these costs in the next base rate proceeding, or in any other proceeding in which PWSA may attempt cost recovery.

The other key facet of this portion of the Settlement is that PWSA will exercise prudent efforts to maximize its utilization of and tracking of any government benefits, whether direct grant or other, to minimize costs to be deferred. As part of its next base rate case, PWSA will provide a report detailing its efforts, any amounts obtained as part of these efforts and their intended use, and, if denied, the reason for such denial.

According to PWSA, these provisions of the Settlement establish a fair and balanced approach for protecting PWSA against incurring unexpected costs due to the COVID-19 pandemic which are not reasonably foreseeable at this time.

The agreement of the Joint Petitioners regarding pandemic-related costs is also pivotal to BIE’s endorsement of the Joint Petition. Specifically, BIE takes the position that the uncertainty of COVID-19’s impact upon both PWSA’s operations and its ratepayers supports the need for the Settlement to impose a level accountability upon PWSA to track and record COVID-19 costs, maintain records necessary to support such costs, and to track and report any type of relief funding it may receive to ensure the efficient use of those funds. BIE submits that the COVID-19 costs and relief funding terms of the Settlement are in the public interest because they will ensure that PWSA meets these accountability standards. BIE points out that the cost

⁹⁵ Joint Petition at 9, Section III.D.1.

tracking required by the Joint Petition is consistent with the Commission’s May 13 Secretarial Letter *COVID-19 Cost Tracking and Creation of Regulatory Assets*.⁹⁶

BIE agrees with PWSA that the Joint Petition balances the interests of PWSA, but also includes protections for ratepayers. As a condition of the settlement, PWSA will be obligated to track any operating costs that are reduced as a result of pandemic operating limitations and use those amounts to offset areas of increased costs in the regulatory asset account.⁹⁷ BIE submits that this provision is in the public interest because it will provide PWSA with a mechanism to address COVID-19 costs that were not foreseeable or quantifiable when it made its initial rate filing, but which could compromise its operations and ability to provide safe and effective service if not recognized. Ensuring that PWSA is able to identify and recover costs related to a *force majeure* event like the COVID-19 pandemic is an essential part of ensuring that PWSA has an avenue to maintain the integrity of its operations, which the public interest requires.

At the same time, the Joint Petition provides ratepayers with protection from paying unwarranted costs because it provides that costs which are not specifically identifiable as COVID-19 Pandemic Related Costs shall not be eligible for recovery for ratemaking purposes. Other measures put in place by the Joint Petition including the requirement to track and report government benefits and how they are used, and report efforts to obtain relief funding, which benefits ratepayers, ensures that PWSA will pursue funding in good faith and that any awarded funds are tracked and used efficiently for the benefit of ratepayers is always in the public interest. Accordingly, BIE supports this Settlement term and urges PWSA to continue its efforts to obtain any relief funding opportunities for which it is eligible for both its own benefit, as well as its ratepayers.

OCA also takes the position that the treatment of pandemic-related costs as provided in the Joint Petition benefits ratepayers. Like BIE, OCA points to provisions which

⁹⁶ Secretarial Letter, Docket No. M-2020-3019775 (May 13, 2020).

⁹⁷ Joint Petition, ¶III(E)(2).

specifically identify qualifying costs and require PWSA to pursue alternate funding to offset some of those costs. Specifically, 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 (Future Test Year) and FPFTY levels. 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. 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. According to OCA, the deferred accounting treatment of COVID-19 costs as provided in the Joint Petition is prudent, appropriate, and consistent with Commission treatment of extraordinary non-recurring costs on utilities.⁹⁸

For reasons similar to those articulated by BIE and OCA, Pittsburgh UNITED believes that these pandemic-related cost recovery terms of the Joint Petition, as a whole and in the context of the broader settlement, represent a balanced compromise that provides reasonable certainty in an uncertain and unstable time. Important factors to Pittsburgh UNITED are that PWSA must pursue and track efforts to obtain government benefits to minimize costs to ratepayers associated with the pandemic and that the Settlement preserves the right of all parties to challenge the reasonableness and prudence of these incurred costs. On balance, Pittsburgh UNITED asserts that Section III.E of the proposed Settlement is in the public interest and should be approved.

F. Low Income Customer Assistance Issues – Joint Petition, III.F.

In its initial filing, PWSA proposed several enhancements to its existing customer assistance programs, which included conservation incentives, revisions to its Bill Discount

⁹⁸ See *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).

Program (BDP), and Hardship Grant programs, and other policies to enhance affordability for low income customers. In response, OCA and Pittsburgh UNITED proposed more aggressive improvements to these programs as well as proposals for additional programs and policy enhancements designed to target a greater number of low-income customers.

After careful negotiations, the Joint Petitioners agreed to a number of terms related to PWSA's customer assistance programs, described in more detail below. These terms relate to data tracking, the establishment of a pilot arrearage forgiveness program, modifications/commitments related to PWSA's existing programs, and the continued evaluation of PWSA's programs and future enhancements.⁹⁹ PWSA submits that these settlement terms are consistent with PWSA's goal to evolve these programs in a manner intended to best assist its customers and, therefore, these settlement terms should be adopted.

1. 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 FPL in its Customer Information System (CIS) and specifies the circumstances that will assist PWSA in identifying those customers. PWSA commits to working with Dollar Energy Fund (DEF) to ensure that the appropriate data and statistical report will include a number of data points that will be tracked by month and to ensure that the reports can be available. Those data points will include the number of monthly applicants to the 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. 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.

⁹⁹ Joint Petition at 10-14, ¶¶ F.1-7.

Pittsburgh UNITED agrees with OCA because improving PWSA's ability to track its low income customer population is critical to assessing the needs of PWSA's low income consumers and evaluating the adequacy and effectiveness PWSA's low income programs. Improved tracking of low income customers is invaluable when determining how to target outreach to low income customers in order to connect such customers to low income programming. By requiring PWSA to improve its data collection and tracking, the Commission, parties and stakeholders can more accurately determine if PWSA's low income programs, policies and procedures are adequate to meet the needs of low income consumers in PWSA's service territory. These improvements to PWSA's data tracking and collection are beneficial to PWSA's low income communities as well as the ratepayers who finance PWSA's universal service programming, and is therefore in the public interest and should be approved without modification.

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

The Settlement provides for a Pilot Arrearage Forgiveness Program that reflects many of OCA's recommendations. The Pilot Arrearage Forgiveness Program will apply to customers who are currently enrolled in or will be enrolled in the BDP. The credit will be \$15 per payment received while the customer is in an active income-based payment plan. While the payment plan is active, PWSA will freeze the arrearage and will not seek to collect on the arrearage. The pilot program provides customers the opportunity to make two catch-up payments if the customer defaults on the payment plan so that they can receive the arrearage forgiveness. PWSA also agrees to develop and implement a plan to automate an arrearage forgiveness program by January 2023. All parties reserve the right to address the issues of an arrearage forgiveness program in the next base rate case.

According to OCA, the implementation of a pilot arrearage forgiveness program is an important step towards PWSA's development of a more comprehensive and carefully designed customer assistance program. The pilot program will enhance the BDP (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 customers who are or will be enrolled in the bill discount program and will improve these customers' ability to pay, which will benefit all customers.

In Pittsburgh UNITED's view, the pilot program is a critical step to increase affordability to PWSA customers. In her direct testimony, Pittsburgh UNITED's expert Olivia Wein, recommended that PWSA establish an arrearage forgiveness component to its BDP that would freeze existing arrears upon entry into the program. On a forward going basis, BDP participants would be eligible for incremental forgiveness on these frozen, pre-program arrears for each payment made while enrolled in the BDP.¹⁰⁰ As Ms. Wein explained, it is crucial that BDP participants have a solution to address debt accrued prior to entry into the BDP, so that these customers are able to catch up on past due bills.¹⁰¹ Ms. Wein explained how utilities who operate customer assistance programs that are successful in improving affordability and bill payment behaviors "are not only designed to provide meaningful discounts to participants, but are also coupled with a mechanism for arrearage forgiveness."¹⁰² Accordingly, Pittsburgh UNITED asserts that the creation of a Pilot Arrearage Forgiveness Program, along with implementing a plan to automate arrearage forgiveness for BDP participants, is in the public interest and should be approved without modification.

¹⁰⁰ Pittsburgh UNITED St. 1 at 64.

¹⁰¹ *Id.* at 56.

¹⁰² *Id.*

3. 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.¹⁰³ PWSA started this program in January 2018.¹⁰⁴ As it proposed in this proceeding, PWSA will reduce the eligibility payments for its Hardship Grant Program (from \$150 to \$75 for those under 62 years of age, and from \$75 to \$37.50 for those 62 and older). In addition, as part of the Settlement, PWSA will begin a Hardship Grant Fundraising campaign. The Settlement provides that there will be a fundraising campaign developed and launched to raise funds for the Hardship Grant program. This campaign will be done separately from customers' bill, and donations will be made directly to DEF. PWSA commits to conduct the fundraising annually and to work with LIAAC to develop additional sources and methods of fundraising, including exploring a process for online donation and for information to be included in monthly bills. PWSA also commits to evaluating whether to increase the eligibility threshold for the Hardship Grant Program if it is able to secure additional, consistent future funding.

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

Pittsburgh UNITED observes that the proposed low-income terms of the Joint Petition do not require PWSA to completely eliminate its up-front payment requirements as initially proposed by Pittsburgh UNITED. However, Pittsburgh UNITED asserts that, by lowering the payment requirements for its Hardship Fund, PWSA takes an important step towards eliminating barriers that often prevent the most at-need customers from receiving grant assistance. Pittsburgh UNITED emphasizes that it is critical that PWSA launch independent fundraising efforts to support its Hardship Grant Program. PWSA's Hardship Grant Program is currently supported with the proceeds of a legal settlement. Without additional and ongoing

¹⁰³ PWSA St. No. 8-R at 3.

¹⁰⁴ *Id.* at 28.

funding, the program is will be short-lived. The provisions of this Settlement will help to stabilize the program and may increase the availability of hardship fund assistance so that a greater number of at-need customers can access assistance in the future. On balance, Pittsburgh UNITED asserts that the improvements to PWSA's Hardship Grant Program in the proposed Settlement are in the public interest, as they enhance the stability and accessibility of the Hardship Grant Program for low income customers, who struggle most to afford their water and wastewater bills.

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

OCA witness Roger Colton recommended several enhancements to PWSA's existing BDP to act as a bridge to the adoption of an income-based, fixed payment Percentage of Income Payment Plan (PIPP).¹⁰⁵ The Settlement adopts enhancements to the BDP that are consistent with some of OCA's recommendations, and OCA therefore supports the agreement to these terms in the Joint Petition.

The Settlement retains PWSA's proposal to increase the discount of the fixed base charges from 75% to 100%. However, consistent with OCA's recommendations, existing and future BDP participants with income at or below 50% of the FPL will receive a discount of 20% of the volumetric charges for all usage. PWSA also agrees to modify its certification process for BDP participants by waiving the certification period for one year after the order in this proceeding and requiring recertification every two years, rather than every year. PWSA also agrees to conduct a bill frequency analysis which will show the actual billed usage levels for the BDP participants and to provide it in the next rate case. 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.

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

¹⁰⁵ OCA St. 6 at 59-70.

below 50% of FPL which 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 will 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 them 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.

Although the Joint Petition does not make all of the modifications that Pittsburgh UNITED recommended, the terms of the Joint Petition do provide for moderate incremental improvements to increase bill affordability for PWSA's BDP participants. Pittsburgh UNITED points out that by increasing the discount on the minimum (fixed) charge to 100%, and including a 20% discount on the volumetric charge for BDP participants with income between 0-50% of FPL, PWSA moderately increases the affordability for customers enrolled in the BDP, and that this section of the settlement represents a reasonable compromise given the varied and competing interests of the Joint Petitioners. According to Pittsburgh UNITED, the short-term waiver of certification for participation in the BDP program is also an important improvement. Finally, Pittsburgh UNITED points to the utility bill frequency analysis for further development of low-income programs as an important component of the Settlement. By requiring PWSA to conduct a bill frequency analysis, the Commission, the parties, and stakeholders will be able to better understand the current levels of affordability for customers enrolled in the BDP and how to improve affordability and equitable distribution of benefits in subsequent rate filings.

In consideration of the incremental improvements to the BDP, Pittsburgh UNITED asserts that the proposed Settlement provisions related BDP revisions and improvements are in the public interest and should be approved.

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

OCA recommended a series of steps that PWSA should take to improve the outreach for its low-income discount program. The Settlement provides that PWSA will solicit specific concerns from its LIAAC on its programs and/or the administration of its programs and specifies that those concerns could be addressed at a special meeting focused on concerns that are raised. The Settlement also provides that PWSA, the OCA, and low-income stakeholders will request that the Commission initiate a proceeding to consider whether to extend the CAP Policy Statement to the Commission-regulated water and wastewater utilities. Finally, all parties reserve their right to raise issues regarding the use of a PIPP in future rate filings.

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 seeking input from 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.

According to OCA, 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-long 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.

Pittsburgh UNITED agrees with OCA that the evaluation of customer assistance programs and future enhancements in the proposed Settlement represent a balanced approach which will allow the Commission, the Joint Petitioners, and other interested stakeholders to

evaluate the water and wastewater burdens borne by PWSA's low-income customers. Moreover, the proposed Settlement expressly reserves the parties' right to raise issues regarding implementation of a fixed payment PIPP, as well as issues of cost allocation related to PWSA's customer assistance programs and lead service line replacement programs in subsequent rate filings. Given this balanced approach which requires PWSA to continually evaluate its programs and allows for future improvements to PWSA's low-income programming, Pittsburgh UNITED asserts that the proposed Settlement with respect to the evaluation and future enhancement of PWSA's customer assistance programs is in the public interest and should be approved.

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

PWSA agrees to increase the eligibility for the Winter Shut off Moratorium from up to 250% of FPL to up to 300% of FPL. OCA and Pittsburgh UNITED submit that this provision is reasonable, especially in light of the ongoing COVID-19 pandemic, the vital role that water plays in ensuring health and safety, and the economic impact of the pandemic on PWSA's consumers.

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

In testimony, OCA emphasized the importance of an independent outreach evaluation and the 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 commits 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. In addition, PWSA agrees to work with stakeholders to explore additional outreach opportunities for hard-to-reach customers by evaluating PWSA's current outreach efforts and designing and implementing a revised outreach program. The program will explicitly identify how PWSA will use the resources and stakeholders in the community as a means to identify and engage 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.

Although these provisions do not provide for an independent evaluation of the current outreach, OCA submits that these factors and recommendations should result in improved outreach to and the additional BDP enrollment of income-eligible customers. Pittsburgh UNITED also asserts that the improvements and enhancements to PWSA's outreach related to its low-income programming is squarely in the public interest, as it will increase awareness related to PWSA's low income programs, which are otherwise undersubscribed.

The Settlement also addresses a Line Repair and Conservation Program. PWSA commits to continuing to investigate barriers to working inside a customer's home for line repair and conservation. It also commits to collaborate with the LIAAC members on these issues. PWSA will evaluate the costs of the program, rate recovery options, and, presumably, the benefits of the program. The evaluation will include lead detection, repair and education, provision of low flow shower heads, replacement of leaking toilets and faucets with water-saving devices, installation of faucet aerators, and repair or replacement of water service lines. PWSA agrees to share its progress with LIAAC. After receiving the results of its evaluation, PWSA agrees to file a petition with the Commission that will include a proposal for line repair for low-income customers and a proposal for cost recovery within one year of a Final Order in this proceeding. 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.

Pittsburgh UNITED takes the position that these provisions appropriately balance the parties' interests, as the to-be-filed petition will also address any cost recovery proposal related to the line repair and conservation program. Given that low-income customers most often lack discretionary income necessary to participate in rebate programs or to make improvements to increase their household water conservation,¹⁰⁶ a line repair and conservation program will help to ensure that low-income customers have adequate access to crucial tools to reduce their overall usage and maintain access to service. Given that PWSA committed to

¹⁰⁶ Pittsburgh UNITED St. 1 at 53.

develop a line repair and conservation program in its 2018 rate case proceeding, but has not yet developed the program,¹⁰⁷ it is in the public interest to further memorialize PWSA's obligation to develop this program in the proposed Settlement. Pittsburgh UNITED asserts that the proposed Settlement related to customer outreach and conservation is within the public interest and should be approved.

G. Customer Service Issues – Joint Petition, III.G.

The initial filing did not propose any new customer service programs, although the testimony of PWSA's witnesses described the efforts made by the utility to bring its systems into compliance with Commission requirements and improve overall customer experience since coming under the jurisdiction of the Commission.¹⁰⁸ These efforts include implementing better data tracking and information reporting,¹⁰⁹ undertaking a complete redesign of customer bills, revising nearly every aspect of PWSA's service termination processes and updating its customer service infrastructure, including a newly redesigned website.¹¹⁰

OCA, while acknowledging the progress that had been made in overall customer service performance, nevertheless recommended improvements. In order to achieve a resolution of the case, PWSA agreed to a number of terms pertaining to customer service. While PWSA maintains that it has improved its current customer service practices since coming under the Commission's jurisdiction and that its current practices are consistent with PWSA's internal goals, the Joint Petitioners agree these settlement terms are a reasonable compromise of the issues raised by OCA witness Alexander. Further, these settlement terms will help PWSA in its continuing efforts to address and track customer service issues in a timely and efficient manner,

¹⁰⁷ *Id.* at 39.

¹⁰⁸ PWSA St. No. 9 at 2.

¹⁰⁹ Mr. Weimar also provided details about how PWSA is working to achieve its goal of becoming a more professional and customer centric public utility that delivers "best in class" service and how its publicly available "Headwaters" initiative measures PWSA's performance regarding five specific goals and provides a public report on PWSA's progress. PWSA St. No. 1 at 19-20.

¹¹⁰ PWSA St. No. 8 at 3. Mr. Weimar provided additional testimony about the goals in redesigning its website and the information that is currently available to customers as a result of the new design. PWSA St. No. 1 at 24-25.

ensure continued customer satisfaction, and help to improve PWSA's customer service performance. For these reasons, these settlement terms are in the public interest and should be adopted.

1. Customer service satisfaction surveys

PWSA agrees to develop a program of routine customer service satisfaction surveys using performance standards outlined by OCA. The survey results will be included, when available, in its Quarterly Compliance Plan Progress Reports at Docket No. M-2018-2640802. PWSA's agreement to develop customer satisfaction surveys addresses the OCA's concern that PWSA monitor its customer service.

2. 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. 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.

3. 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. 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. Therefore, according to OCA, the inclusion of this term will assist in ensuring that PWSA continues to improve its call center performance.

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

PWSA agrees to adopt, within one year after the entry of a Final Order in this proceeding, a performance standard that measures PWSA's response time to leak reports, and adopt, within six months of a Final Order in this proceeding, a performance standard that measures whether appointments are kept by PWSA. OCA witness 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.¹¹¹ PWSA witness Julie Quigley testified that PWSA's operations management team has been tasked with creating Standard Operating Procedures, including responses to leaks and meter repair/replacement appointments.¹¹² Regarding the 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 representatives who attempt to reschedule with the customer.¹¹³ 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 concerns 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 – Joint Petition, III.H.

Quality of service continues to be a challenge for PWSA, although progress has been made. OCA's witnesses made numerous recommendations for certain engineering enhancements, as well as improvements to PWSA's customer complaint tracking and Lead

¹¹¹ OCA St. 7 at 9-10.

¹¹² PWSA St. No. 8-R at 19.

¹¹³ *Id.* at 20.

Service Line warranty program. PWSA agreed with the value of many of these proposals and they are set forth in the settlement terms of the Joint Petition, as follows:

- PWSA will provide its UFW¹¹⁴ percentages on the Commission's Section 500 form, starting with the 2020 period. Data will be as complete as possible given that PWSA does not have flow meters on Rising Main 1, Rising Main 2, and the Hydraulic Control Structure.
- PWSA will exercise approximately 5,000 isolation valves per year and will repair the inoperable isolation valves. PWSA will strive to exercise more isolation valves if resources are available.
- When concerns about distancing associated with the current pandemic subside, PWSA will test/replace at least 10,000 meters per year until all of the undocumented meters are either tested or replaced.
- Within 90 days after the Commission's final order, PWSA will implement a program to flush one-third of the distribution system each year.
- PWSA will meet with interested parties to discuss the report addressing the feasibility of owning and/or maintaining wastewater laterals within public easements/rights-of-ways.
- PWSA will continue its efforts to coordinate with neighboring utilities, municipalities and the Pennsylvania Department of Transportation on future planned capital and operating projects.
- PWSA will revise its minimum warranty on workmanship and material on lead service line replacements to comply with the industry-wide standard that the Commission is expected to establish pursuant to Act 120 of 2018.
- PWSA will provide a key as part of its discovery response in future rate cases that will identify water, sanitary sewer, and stormwater when its field operations staff uses the SpryMobile Work orders and Asset Management system.
- PWSA will maintain data in a format that can be sorted by date, address, character of the complaint, a designation of the PWSA system to which the complaint relates, and the final disposition of the complaint.¹¹⁵

In PWSA's view, these terms take into consideration PWSA's current practices/goals and concerns and are in the interest of the public and should be adopted. OCA

¹¹⁴ Unaccounted for Water.

¹¹⁵ Joint Petition at 15-16, ¶¶ H.1-9.

specifically concurs, as the terms in the Joint Petition meet many of the recommendations and concerns raised by OCA in testimony and will benefit PWSA's ratepayers.

I. Recommendation

The Settlement terms presented by the Joint Petitioners are the result of balancing competing interests and reflect compromises made by each of the Joint Petitioners. The context of the Settlement is also important to appreciate how the Settlement balances the interests of PWSA, as well that the interests of consumers, small businesses, and the City of Pittsburgh.

Even before COVID-19, this proceeding was unique among traditional utility rate cases for several reasons. PWSA is a municipal authority created in 1984 pursuant to the Municipal Authorities Act. The City and PWSA entered into a 1984 Lease and Management Agreement in which the City leased its existing water and sewer systems to PWSA, transferred financial responsibility for operating and maintaining the systems to PWSA, and established the City as agent for PWSA to continue providing all services needed to operate the water and sewer systems, with PWSA reimbursing the City for all expenses actually incurred and expended by the City.¹¹⁶ The 1984 Agreement was followed by other agreements in 1995 which governed the relationship between the City and PWSA until PWSA came within the Commission's jurisdiction until the Public Utility Code was amended in December 2017.

PWSA does not own its utility assets. The City of Pittsburgh owns the water and wastewater conveyance systems that are leased to PWSA to manage until 2025 when PWSA will purchase the system pursuant to the pre-existing lease agreements. Pursuant to a 1995 Cooperation Agreement, the City was granted the right to receive up to 600,000,000 gallons of water each year until 2035 to be used by the City, its departments, agencies, and instrumentalities (i.e., Pittsburgh Zoo, Phipps Conservatory, National Aviary in Pittsburgh, and Schenley Golf Course), and the City was allowed reimbursements for any remaining "actual direct expenses"

¹¹⁶ City of Pittsburgh St. 1 at 6-7.

the City incurred on behalf of PWSA.¹¹⁷ The 2019 Cooperation Agreement, among other things, terminated the 600,000,000 free allotment effective January 1, 2020. In addition, the 2019 Cooperation Agreement requires metering of all City properties and immediately imposed a phased-in payment obligation on the City, while mitigating the impact of the full expense by phasing in responsibility over a 4 year period (20%/40%/60%/80%/100%) so that by the fifth year, 2024, the City will pay 100% of the usage charges PWSA is permitted to impose on similar commercial customers. With the passage of Act 70, as explained above, this arrangement has the force of law and is beyond the Commission's authority.

Since 2018, PWSA has been on a journey to bring its operation into compliance with the Public Utility Code and to conform to the rules and regulations which govern jurisdictional public utilities. The process has involved numerous Commission proceedings and has resulted in the modification of existing procedures and the development of new procedures for the utility's operation. The Commission's requirement for PWSA to create a separate stormwater tariff with a separate stormwater fee is new, as no other Commission-regulated utility has a separate stormwater tariff.

Finally, prior to coming under the jurisdiction of the Commission and continuing through to the present, PWSA has had to manage other state and federal regulatory compliance obligations related to an infrastructure that has had little to no investment for nearly 30 years. The onset of the COVID-19 pandemic only added additional layers of complexity to this rate case, including the financial impacts to PWSA and its ratepayers as well as the challenges presented by litigating this case within the restrictions in place as a result of the pandemic.

Notwithstanding all of these challenges, the Joint Petitioners worked diligently in difficult circumstances to craft a reasonable settlement that is in the public interest. Each provision was considered thoroughly, individually and within the context of the overall settlement package. To achieve the Settlement, the Joint Petitioners agreed to compromise on many issues in the interest of designing a complete Settlement that reasonably resolves all issues. Approving the Settlement, without modification, will enable PWSA to move forward with

¹¹⁷ See City of Pittsburgh Statement in Support at p. 3-4.

ensuring that it is meeting or exceeding all regulatory requirements, while also recognizing the needs of its customers and taking all measures necessary to ensure safe, just and reasonable service.

The Joint Petition includes important provisions to offset the hardship that PWSA's customers may experience due to increased bills, particularly for low-income customers. Commission Chair Dutrieuille recently emphasized the importance of including provisions that expand customer assistance programs and offering programs for relief for customers experiencing hardship during the COVID-19 pandemic.¹¹⁸ At the same time, the Settlement provides important resources for PWSA needs to continue its important work to rehabilitate its aging infrastructure and the improvement of its collection of critical data which will be used to craft future rate proposals, improve customer service, and expand consumer access to low-income programs. Although certain issues were deferred, the additional time provides PWSA, as well as the Joint Petitioners, an opportunity to continue to gather and evaluate data which will provide a basis for sensible policies and programs that will address the on-going challenges facing the utility.

Accordingly, we find the settlement terms to be in the public interest. We recommend the Commission approve the Joint Petition for Settlement without modification.

VIII. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa.C.S. §§ 501, 66 Pa.C.S. § 1308(d).

2. To determine whether a settlement should be approved, the Commission must decide whether the settlement promotes the public interest. *Pa. Pub. Util. Comm'n v. CS Water & Sewer Assoc.*, 74 Pa. PUC 767 (1991); *Pa. Pub. Util. Comm'n v. Philadelphia Elec. Co.*, 60 Pa. PUC 1 (1985).

¹¹⁸ *Pa. Pub. Util. Comm'n v. UGI Utilities – Gas Division*, Docket No. R-2019-3015152 (Order entered October 8, 2020) (Statement of Gladys Brown Dutrieuille).

3. The Joint Petition for Settlement is in the public interest and is consistent with the requirements contained in *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010 (Pa.Cmwlt. 2006).

IX. ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Settlement filed September 30, 2020 by Pittsburgh Water and Sewer Authority, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, Pittsburgh UNITED and the City of Pittsburgh is granted, and the Settlement is thereby adopted, in full, without modification or correction.

2. That Pittsburgh Water and Sewer Authority is authorized to file tariffs, tariff supplements or tariff revisions containing rates, rules and regulations, consistent with the Joint Petition for Settlement, to produce an increase in annual revenues of \$19 million, consistent with the rates, rules and regulations set forth in Appendices F (Water) and G (Wastewater) and Appendix C (Allocation of Proposed Settlement Rate Increase) to the Joint Petition for Settlement.

3. That Pittsburgh Water and Sewer Authority shall be permitted to file tariffs in the form set forth in Appendix F (water tariff) and Appendix G (wastewater tariff) to the Joint Petition for Settlement, to become effective upon at least one day's notice, for service rendered on and after January 14, 2021, so as to produce an annual increase in revenues consistent with this Order.

4. That Pittsburgh Water and Sewer Authority, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, Pittsburgh UNITED, and the City of Pittsburgh shall comply with the terms of the Joint Petition for Settlement submitted in this proceeding, as though each term and condition stated therein had been the subject of an individual ordering paragraph.

5. That the complaints of the Office of Consumer Advocate at Docket Nos. C-2020-3019348 (Water) and C-2020-3019349 (Wastewater) are deemed satisfied and marked closed.

6. That the complaints of the Office of Small Business Advocate Docket Nos. C-2020-3019305 (Water) and C-2020-3019302 (Wastewater) are deemed satisfied and marked closed.

7. That the formal complaints of Ranjan R. Chaudhuri, Docket No. C-2020-3020538; Catherine Brosky, Docket No. C-2020-3020747; and Donald Kuhn, Docket Nos. C-2020-3021065 (water) and C-2020-3021067 (wastewater), are deemed satisfied and marked closed.

8. That upon acceptance and approval by the Commission of the tariffs and allocation of proposed settlement rate increase filed by Pittsburgh Water and Sewer Authority consistent with this Order, the Commission's investigation at Docket No. R-2020-3017951 (Water) and Docket No. R-2020-3017970 (Wastewater) shall be terminated; and, both of these dockets shall be marked closed.

9. That the Petition for Waiver of Provisions of Act 11 to increase DSIC Charge Cap to permit Levelization of DSIC Charges and to authorize the pay as you go method of financing (“DSIC Petition”) by Pittsburgh Water and Sewer Authority, as modified by the Settlement, is granted.

10. That Pittsburgh Water and Sewer Authority is authorized to file tariffs, tariff supplements or tariff revisions to establish and implement a Distribution System Improvement Charge, consistent with DSIC Petition, as modified by the Joint Petition for Settlement, and Appendix F (water tariff) and Appendix G (wastewater tariff) included with the Joint Petition for Settlement.

11. That the proceeding at Docket No. P-2020-3019019 be marked closed.

Date: October 29, 2020

/s/
Mary D. Long
Administrative Law Judge

/s/
Emily I. DeVoe
Administrative Law Judge

APPENDIX

III. TERMS AND CONDITIONS OF SETTLEMENT

A. Revenue Requirements

1. Rates

- a. Water Rates: \$14,150,000 base rate increase (inclusive of DSIC) for service rendered on or after January 14, 2021.
- b. Wastewater Rates: \$4,850,000 base rate increase (inclusive of DSIC) for wastewater conveyance service rendered on or after January 14, 2021.

2. Distribution System Improvement Charge (“DSIC”)

- a. PWSA will implement a 5% DSIC (for both water and wastewater) beginning on or after January 14, 2021. Both the water and wastewater DSICs will be capped at 5%
- b. PWSA will not propose any increase to the DSIC cap unless it is in conjunction with a base rate proceeding.
- c. The DSIC shall be levelized at the DSIC cap amount over 12 months
 - i. Billed revenues for the DSIC will be reconciled at end of year with actual DSIC-eligible costs as approved in PWSA’s LTIPs for water and (separately) wastewater for that one-year reconciliation period; any DSIC amounts billed but not expended will be refunded to customers over a one-year period commencing on April 1 of the following year in the “e” factor.
 - ii. To minimize over or under collections, PWSA will, subject to the DSIC cap, adjust the DSIC percentage by October 1 if projected total billings and expenditures for the remainder of the year indicate that a material over or under collection of plus or minus 2% is likely to occur. However, PWSA will make adjustments in earlier quarters if it is able to accurately determine that a material over or under collection is likely to result by the end of the year.
 - iii. In each quarter, whether or not PWSA changes the DSIC percentage, it will file schedules supporting the DSIC rate, which include total DSIC revenue billed, total DSIC recoverable costs, over and under collections and interest, by month. The calculation of DSIC recoverable costs for the

applicable period will include the plant account number, PWSA project number, description, location, type and monthly cost for the projects.

- d. DSIC projected recoverable annual costs shall be based on the sum of enumerated water and wastewater DSIC-eligible projects budgets as contained in PWSA's approved LTIIPs for each calendar year.
 - e. Initially, PWSA will utilize DSIC revenue only for PAYGO funding of DSIC-eligible projects. PWSA may also utilize DSIC revenue to recover amounts associated with bond funding of DSIC-eligible projects provided that, prior to using DSIC for this purposes, PWSA will meet with the parties to the Settlement to discuss the parameters and procedures and will provide notice to the Commission of its intent to use DSIC revenue to recover bond related funding. All parties reserve the right to reevaluate the use of DSIC revenue for PAYGO or bond related funding as part of a future base rate proceeding.
 - f. PWSA will not apply the DSIC to amounts billed for public fire protection service.
 - g. Only the statutory waivers of 66 Pa. C.S. § 1350-1360 that are required to effect these settlement provisions are approved. PWSA's other waiver requests filed at Docket No. P-2020-3019019 are withdrawn without prejudice.
3. Multi-Year Rate Plan
- a. PWSA withdraws its proposed Multi-Year Rate Plan without prejudice.
 - b. The Parties support PWSA's filing of a subsequent water and wastewater base rate case at the same time PWSA files a request for a stormwater fee.
 - c. The Parties understand that the filing is expected in the first quarter of 2021, but agree that the combined water, wastewater, and stormwater filing will be made no earlier than February 2021.

B. Stormwater Tariff and Compliance Plan Stage 2 Proceeding

1. The Parties agree to defer development of PWSA's Stormwater Tariff to PWSA's combined water, wastewater, and stormwater filing as discussed in Section III.A.3 above.
2. The Parties agree 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 as discussed in Section III.A.3 above.

C. Cost Allocation And Rate Design Issues

1. The parties agree PWSA will recover the water and wastewater conveyance revenue increases by customer class as shown in Appendix C.
2. The rates to collect the settlement level of water and wastewater revenues from each class are shown on Appendix D. The rates are based on the following agreed upon criteria:
 - a. Current water minimum charges for all meter sizes will remain unchanged in the Tariff. Class water consumption charges are adjusted to recover the class-specific increase to the agreed upon class cost of service.
 - b. 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.
3. All parties reserve their right to address the issue of how to allocate the costs of PWSA's customer assistance programs and its lead service line replacement programs in a future post pandemic case.
4. PWSA will account for the costs of Infiltration and Inflow as part of its combined water, wastewater, and stormwater filing as discussed in Section III.A.3 above. To the extent that PWSA does not account for all Infiltration and Inflow costs as part of the combined wastewater/stormwater filing, PWSA will address the total costs for the separated system in its subsequent water/wastewater/stormwater rate proceeding.
5. *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.A.3 above as part of its continued exploration of changing its rate design from a minimum charge to a customer charge.*

D. Additional COVID-19 Relief Measures (In Addition to Any COVID-19 Related Requirements Imposed by the Commission)

1. PWSA will waive reconnection fees through the end of the next rate case or one year from the date of a final order in this proceeding, whichever is later.

2. 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.
3. 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
 - a. 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.
 - b. 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.
4. PWSA will continue to expand its outreach efforts with community partners and will continue to solicit the input and suggestions of the LIAAC members as to how to most effectively pursue this outreach.
5. 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.

E. COVID-19 Related Costs And Relief Funding

1. 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 all COVID-19 Pandemic Costs. PWSA shall be permitted to claim COVID-19 Pandemic Costs for ratemaking purposes in PWSA's next general rate proceeding to be determined in that proceeding. COVID Pandemic Costs that cause PWSA's operating costs for the specific NARUC account to exceed budgeted FTY and FPFTY levels shall be eligible for recovery for ratemaking purposes. PWSA shall 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. Costs not specifically identifiable as COVID-19 Pandemic Related Costs shall not be eligible for recovery for ratemaking

purposes. COVID-19 Pandemic Related Costs are defined as 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.

2. PWSA shall maintain records, documents, and other information necessary to demonstrate that these costs qualify as COVID-19 Pandemic Costs. All parties reserve the right to review the prudence and reasonableness of these costs in the next base rate proceeding, or in any other proceeding in which PWSA may attempt cost recovery.
3. PWSA shall exercise prudent efforts to maximize its utilization of and track any government benefits, whether direct grant or other, to minimize costs to be deferred under this paragraph. PWSA shall provide a report detailing its efforts, any amounts obtained as part of these efforts and their intended use, and, if denied, the reason for such denial as part of its next base rate case.

F. Low Income Customer Assistance Issues

1. Data Tracking

- a. PWSA will implement policies and procedures so that all customers who are identified by PWSA as having income at or below 150% FPL are treated as "confirmed low income customers" and are tracked in PWSA's CIS as low income using a unique characteristic or data point. PWSA will identify customers as "confirmed low income customers" in the following circumstances:
 - i. Customers who have entered a low income (60-month) payment arrangement;
 - ii. Customers who are enrolled in any of PWSA's low income assistance programs, including hardship grant recipients, bill discount program participants, winter moratorium participants, the community lead service line replacement program; and
 - iii. Any other circumstances, including self-disclosure of income level – which makes it reasonably likely that the customer is low income.
- b. PWSA will work with Dollar Energy Fund ("DEF") to ensure the availability of appropriate data and statistical reports related to its low income programming. To that end, PWSA will begin tracking the following data points by month and will work with DEF to ensure that data and statistical reports related to the same can be provided:

- i. the number of monthly applicants to the BDP;
- ii. the number of customers that were newly accepted into the BDP;
- iii. BDP participants by FPL;
- iv. the number of participants who entered the BDP with unpaid account balances; and
- v. the average amount of dollars of unpaid account balances for BDP participants at the time those participants entered the BDP.
- vi. The identified data will be made available to the LIAAC.

2. Pilot Arrearage Forgiveness Program

- a. PWSA will institute a Pilot Arrearage Forgiveness Program whereby any customer currently approved or approved in the future by Dollar Energy Fund to be enrolled in the Bill Discount Program will automatically be eligible to have their water/wastewater arrears forgiven in increments of \$15 per each payment received while the customer is in an active, income based payment plan as documented by PWSA in their Customer Information System.
- b. While a payment plan is active, PWSA will cease assessing any interest on the arrears and will not issue any collection letters or notices to the customer.
- c. Should the customer default on the payment plan, they will have the opportunity to make two catch-up payments to receive the incremental arrearage forgiveness. Future defaults will result in an immediate removal of the customer from the Pilot Arrearage Forgiveness Program. If a customer is removed from the Pilot Arrearage Forgiveness Program, they will be given the opportunity to reenter the program if they pay all missed payments while the customer was enrolled in the Arrearage Forgiveness Program.
- d. PWSA reserves the right to propose to alter or eliminate this program in its next base rate case. All parties reserve the right to address the issues of an arrearage forgiveness program in the next base rate case.
- e. PWSA will develop and implement a plan for automating an Arrearage Forgiveness Program no later than January 2023. All parties reserve the right to address the terms and parameters of the automatized Arrearage Forgiveness Program in the next rate case proceeding.

3. Hardship Grant Program

- a. PWSA will reduce the required eligibility payments for its Hardship Grant Program from \$150 to \$75 for those under 62 years of age and from \$75 to \$37.50 for those aged 62 years and older, consistent with its proposal in this proceeding.
- b. Hardship Grant Fundraising Campaign
 - i. Joining together in this project, PWSA's Public Affairs and Customer Service departments will develop and launch a fundraising mailer to all PWSA customers that is separate from the monthly bill and is persuasive in nature, including reference to the current pandemic, for the purpose of soliciting monetary donations to be made directly to the Dollar Energy Fund and to be applied to PWSA's Hardship Grant Program.
 - ii. Donations will be encouraged in a reply envelope provided to the customer and via an online splash page created for PWSA's Hardship Grant Program. This fundraising shall take place annually, in the fourth quarter of the year.
 - iii. PWSA will work with LIAAC to develop additional sources and methods of fundraising for the Hardship Grant and will specifically consider developing a process whereby customers may make online donations and how to include donation information in monthly bills.
 - iv. If PWSA secures additional consistent future funding for the Hardship Grant program then it will evaluate whether to increase the current eligibility threshold of at or below 150% FPL.

4. Bill Discount Program

- a. PWSA will waive the requirement that currently enrolled Bill Discount Program participants have to certify for a period of one year after the order in this proceeding. Thereafter, BDP participants will need to recertify every two years.
- b. PWSA will conduct bill frequency analysis that shows actual billed usage of participants in 1,000 gallons of usage and provide the results with its next rate case filing.
- c. PWSA will share the results of its analysis in its next base rate case and will also share the results with the LIAAC.

- d. PWSA will, in this proceeding, increase the discount of fixed base charges from 75% to 100% as proposed in its rate case testimony.
 - e. In addition to (d), existing and future Bill Discount recipients with income at or below 50% of Federal Poverty Level will receive a discount of 20% of the volumetric charge for all usage.
 - f. The parties agree that these provisions are agreed to without prejudice to address issues regarding the modified BDP or other programs related to customer assistance in PWSA's next rate filing.
5. Evaluation of Customer Assistance Programs and Future Enhancements
- a. Members of the LIAAC will identify any specific concerns about PWSA's customer assistance programs and/or their administration for further discussion at either a scheduled LIAAC meeting or through the scheduling of a special meeting focused on the concerns raised.
 - b. All parties reserve the right to raise issues regarding the use of a fixed payment PIPP in PWSA's next rate filing and future rate filings.
 - c. PWSA, the Office of Consumer Advocate and low-income stakeholders agree to request that the Commission, as part of the approval of this Settlement, initiate a proceeding to consider whether to extend the "CAP Policy Statement" to the Public Utility Commission regulated water and wastewater utilities. OCA and the low-income stakeholders reserve the right to file a Petition to request the proceeding. All parties reserve their right to address the issue of how to allocate the costs of PWSA's customer assistance programs and its lead service line replacement programs in a future post pandemic case.
6. Winter Shut Off Moratorium
- a. PWSA will increase the income eligibility for the Winter Shut Off Moratorium from up to 250% of FPL to up to 300% of FPL, consistent with its proposal in this proceeding.
7. Customer Outreach and Conservation
- a. The PGH2o Cares team will focus on customers who are at or below 50% of the Federal Poverty Level and who have higher than average consumption identified during the pre-bill editing process. Their goal is to increase enrollment in PWSA's customer assistance programs and to engage in conservation marketing, enrollment materials, and in-home canvassing efforts. Planned outreach activities will also be informed through suggestions and feedback received from the Low Income Assistance Advisory Committee ("LIAAC").

- b. PWSA will work with stakeholders on exploring additional outreach to hard-to-reach customers: (1) to evaluate PWSA's current outreach; and, (2) to design and implement a revised outreach program for its low-income bill discount program. The outreach program will explicitly identify how PWSA will:
 - i. Use the community as a means of identifying and engaging in the hard-to-reach population;
 - ii. Go to the community (reaching them "where they live, work, shop, play and pray");
 - iii. Rely on grassroots "trusted messengers" from within the community as a means of delivering outreach.
- c. Line Repair and Conservation Program
 - i. PWSA will continue to investigate the current barriers to working inside a customer's home, while also collaborating with LIAAC on these issues. This evaluation will include the costs of the program as well as how such costs are to be recovered. PWSA's evaluation will also include, but not be limited to, the feasibility and costs of including the following elements lead detection, repair, and education as well as other conservation measures such as low flow showerheads, replacing leaking toilets and faucets with water-saving devices, installing faucet aerators, and repairing or replacing water service lines.
 - ii. PWSA will share its progress with LIAAC as it works to develop its line repair and conservation plan.
 - iii. PWSA will file a Petition for a proposed line repair and conservation program within one year after entry of the Commission's final order in this matter. This Petition will include a proposal for line repair for low income customers as well as a cost recovery proposal.

G. Customer Service Issues

- 1. In consultation with LIAAC, PWSA will develop a program of routine customer service satisfaction surveys and will utilize the proposed performance standards outlined in OCA St. No. 7SR at 15 as a guide. PWSA agrees to implement the program within one year of the Commission's final order. PWSA will include the results of its surveys

(when available) in its Quarterly Compliance Plan Progress Reports filed at Docket No. M-2018-2640802.

2. PWSA agrees to eliminate the additional fees for residential customers to make Interactive Voice Response and on-line payments effective within 30 days of the final order.
3. PWSA agrees, to the extent practicable, 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. PWSA agrees to provide a description of its efforts to address non-compliance in its Quarterly Compliance Plan Progress Reports filed at Docket No. M-2018-2640802.
4. PWSA will adopt a performance standard that measures PWSA's response time to leak reports within one year after entry of the order in this proceeding. PWSA will adopt a performance standard that measures whether appointments are kept by PWSA within six months after the entry date of the order in this proceeding. PWSA will include in its Quarterly Compliance Plan Progress Reports filed at Docket No. M-2018-2640802, performance data on repair time and kept appointments when available.

H. Quality Of Service Issues

1. PWSA will provide its Unaccounted for Water percentages on the Commission's Section 500 form, starting with the 2020 period. Data to be included in the 2020 Section 500 form will be as complete as possible given that PWSA does not have flow meters on Rising Main 1, Rising Main 2, and the Hydraulic Control Structure.
2. PWSA will commit to exercising approximately 5,000 isolation valves per year and will repair the isolation valves that are found to be inoperable. PWSA will strive to exercise more isolation valves per year if funding and staffing resources are available.
3. As customers are more willing to permit PWSA access to their meters once concerns about social distancing associated with the current

pandemic subsidy, PWSA will test or replace at least 10,000 meters per year until all of the undocumented meters are either tested or replaced.

4. Within 90 days after entry of the Commission's final order, PWSA will implement a program to flush one-third of the distribution system each year so that one-third of the distribution system is flushed during 2021.
5. PWSA will 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-ways.
6. PWSA will 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.
7. PWSA will revise its minimum warranty on workmanship and material on lead service line replacements to comply with the industry-wide standard that the Commission is expected to establish pursuant to Act 120 of 2018.
8. PWSA will 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.
9. PWSA will 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.