



COMMONWEALTH OF PENNSYLVANIA

September 20, 2019

E-FILED

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Implementation of Chapter 32 of the Public Utility Code Regarding Pittsburgh Water And Sewer Authority – Stage 1 and Petition of The Pittsburgh Water and Sewer Authority for Approval of Its Long-Term Infrastructure Improvement Plan / Docket Nos. M-2018-2640802, M-2018-2640803 and P-2018-3005037, P-2018-3005039

Dear Secretary Chiavetta:

The Pennsylvania Public Utility Commission's Implementation Order at *Electronic Access to Pre-Served Testimony*, Docket No. M-2012-2331973, requires that all testimony furnished to the court reporter during a proceeding must subsequently be provided to the Secretary's Bureau.

As such, this letter will confirm that the Office of Small Business Advocate ("OSBA") has e-filed the Direct Testimony and Appendix of Brian Kalcic, labeled OSBA Statement No. 1, Rebuttal Testimony of Brian Kalcic, labeled OSBA Statement No. 1-R, Surrebuttal Testimony of Brian Kalcic, labeled OSBA Statement No. 1-S, Supplemental Direct Testimony, labeled OSBA Statement No. 1-SD, and Supplemental Rebuttal Testimony and Exhibit of Brian Kalcic, labeled OSBA Statement No. 1-SR, on behalf of the Office of Small Business Advocate, in the above-captioned proceedings.

All known parties were previously served with the aforementioned Testimony. If you have any questions, please contact me.

Sincerely,

Erin K. Fure
Assistant Small Business Advocate
Attorney ID No. 312245

Enclosures

cc: Brian Kalcic
Parties of Record (Cover Letter and Certificate of Service Only)



COMMONWEALTH OF PENNSYLVANIA

April 5, 2019

The Honorable Mark A. Hoyer
The Honorable Conrad A. Johnson
Pennsylvania Public Utility Commission
Piatt Place
301 5th Avenue, Suite 220
Pittsburgh, PA 15222

Re: Implementation of Chapter 32 of the Public Utility Code Regarding Pittsburgh Water And Sewer Authority – Stage 1 and Petition of The Pittsburgh Water and Sewer Authority for Approval of Its Long-Term Infrastructure Improvement Plan / Docket Nos. M-2018-2640802, M-2018-2640803 and P-2018-3005037, P-2018-3005039

Dear Judge Hoyer and Judge Johnson:

Enclosed please find the Direct Testimony and Appendix of Brian Kalcic, labeled OSBA Statement No. 1, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-captioned proceedings.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,


Erin K. Fure
Assistant Small Business Advocate
Attorney ID No. 312245

Enclosures

cc: Brian Kalcic
Parties of Record

OSBA STATEMENT NO. 1

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Chapter 32 of the	:	Docket No. M-2018-2640802
Public Utility Code Regarding Pittsburgh	:	Docket No. M-2018-2640803
Water and Sewer Authority – Stage 1	:	
	:	
Petition of The Pittsburgh Water and	:	Docket No. P-2018-3005037
Sewer Authority for Approval of Its Long-	:	Docket No. P-2018-3005039
Term Infrastructure Improvement Plan	:	

Direct Testimony of

BRIAN KALCIC

On Behalf of the

Pennsylvania Office of Small Business Advocate

Topics:

Lead Service Line Replacement Plan

Date Served: April 5, 2019

Date Submitted for the Record: August 21, 2019

Direct Testimony of Brian Kalcic

1 Q. Please state your name and business address.

2 A. Brian Kalcic, 225 S. Meramec Avenue, Suite 720, St. Louis, Missouri 63105.

3

4 Q. What is your occupation?

5 A. I am an economist and consultant in the field of public utility regulation, and
6 principal of Excel Consulting. My qualifications are described in the Appendix to
7 this testimony.

8

9 Q. On whose behalf are you testifying in this case?

10 A. I am testifying on behalf of the Office of Small Business Advocate ("OSBA"),
11 which is representing the small business customers served by Pittsburgh Water and
12 Sewer Authority ("PWSA" or the "Authority").

13

14 Q. What is the subject of your testimony?

15 A. I will review PWSA's lead service line ("LSL") replacement program, and
16 recommend modifications to the program, where appropriate.

17

18 LSL Replacement Program

19

20 Q. Mr. Kalcic, what is the origin of PWSA's LSL replacement program?

21 A. The Authority's LSL replacement program was implemented to address the Consent
22 Order and Agreement ("COA") with the Pennsylvania Department of

Direct Testimony of Brian Kalcic

1 Environmental Protection ("PA DEP"), dated November 17, 2017. The COA
2 establishes deadlines for performing LSL replacements, completing an inventory of
3 LSLs, and implementing an optimized corrosion control water treatment plan.
4

5 **Q. Does the COA require the Authority to replace both the PWSA-owned and**
6 **customer-owned portions of LSLs?**

7 **A. No. The COA only requires the Authority to replace the PWSA- or publicly-owned**
8 **portion of LSLs, which is defined as the portion of a service line that runs from the**
9 **water main to the customer's curb stop (i.e., external shut off valve). The COA**
10 **permits, but does not require, PWSA to replace the customer- or privately-owned**
11 **portion of LSLs (which typically runs from the curb stop to the customer's water**
12 **meter).**

13 The Authority's stated goal is to replace the public side of all residential lead
14 service lines by 2026.¹
15

16 **Q. What is PWSA's current *policy* with respect to the replacement of LSLs?**

17 **A. The Authority's current LSL replacement policy targets single-family residential**
18 **properties with service lines less than or equal to 1" in diameter. At the present**
19 **time, PWSA will replace both the publicly- and privately-owned portions of such**
20 **service lines, at no charge to the residential customer, subject to funding constraints.**
21

¹ See PWSA St. No. C-1, at page 54.

Direct Testimony of Brian Kalcic

1 Consistent with its current policy, PWSA expects to replace 3,400 public-
2 side and 2,800 private-side LSLs in seven residential neighborhoods during 2019-
3 2020, with funding provided through a PENNVEST loan and grant.² PWSA
4 expects to make a decision as to whether it will continue to replace private-side
5 LSLs post-2020 later in 2019.³

6
7 **Q. What is the Authority's rational for limiting its LSL replacement program to**
8 **single-family residential customers with 1" or smaller service lines?**

9 **A. First, the Authority argues that, historically, it was unusual for service lines greater**
10 **than 1" to be made of lead, simply due to cost considerations (i.e., iron or**
11 **galvanized pipe were normally cheaper options for larger pipe diameters). As such,**
12 **the Authority anticipates that the vast majority of LSLs on its system will be 1" or**
13 **smaller in diameter – which also happen to be the typically sizes used to provide**
14 **water service to *single-family* residential properties.**

15 Second, the Authority states that under the provisions of its current water
16 tariff, all residential service lines greater than 1" in diameter, and all non-residential
17 service lines, regardless of diameter, are the responsibility of the property owner,
18 *from the water main to the customer's meter*. In other words, under the terms of
19 PWSA's current water tariff, there is no *publicly-owned* portion of the service line
20 in such circumstances. Since PWSA does not own any portion of (i) larger

² See PWSA St. No. C-1, at page 51.

³ See PWSA's Compliance Plan Supplement, at page 8.

Direct Testimony of Brian Kalcic

1 residential service lines or (ii) non-residential service lines, the Authority argues
2 that excluding such service lines from its LSL replacement program is reasonable.⁴

3
4 **Q. Please comment on the Authority's first argument in support of its policy to**
5 **limit its LSL replacement program to single-family residential properties with**
6 **service lines less than or equal to 1" in diameter.**

7 **A. I agree with the Authority's conclusion that single-family residential customers with**
8 **service lines no greater than 1" in diameter are the most likely group to be served**
9 **via LSLs. However, that conclusion does not exclude the possibility that residential**
10 **customers with larger service lines, or certain non-residential customers are also**
11 **served via LSLs.**

12
13 **Q. Does the Authority claim that none of its larger residential customers or non-**
14 **residential water customers are served by LSLs?**

15 **A. No.**

16
17 **Q. What do you conclude regarding the Authority's first argument in support of**
18 **its current LSL replacement policy?**

19 **A. At best, PWSA's first argument may support giving *priority* to replacing LSLs at**
20 **single-family residential properties. It does not support an automatic exclusion of**
21 **other customer groups from the program.**

⁴ See PWSA St. No. C-1, at page 52.

Direct Testimony of Brian Kalcic

1

2 **Q. Please comment on the Authority's second argument in support of its policy to**
3 **limit its LSL replacement program to single-family residential properties with**
4 **service lines less than or equal to 1" in diameter.**

5 **A. The Authority's second argument appears to rest on the provisions of the COA,**
6 **which requires the Authority to replace only the PWSA- or publicly-owned portion**
7 **of LSLs. Since PWSA does not technically own any portion of the service line**
8 **serving larger residential or non-residential customers, the Authority concludes that**
9 **it should not be responsible for replacing any portion of such service lines.**

10

11 **Q. Do you agree?**

12 **A. No. If lead service lines are to be replaced because they are deemed a public health**
13 **hazard, then all LSLs should be eligible for PWSA's LSL replacement program.**

14

15 **Q. How should the Commission modify PWSA's LSL replacement program?**

16 **A. First, the Commission should direct to Authority (i) to make all service lines**
17 **eligible for its LSL replacement program, and (ii) to replace what would normally**
18 **be classified as the "public-side" of such service lines (i.e., the portion of the service**
19 **line that runs from the water main to the customer's curb stop) at no charge to the**
20 **customer.**

21 **Second, to the extent that PWSA determines that it will continue to replace**
22 **the "private-side" of LSLs post-2020, the Commission should order the Authority to**

Direct Testimony of Brian Kalcic

1 expand the private-side replacement program to include larger residential and non-
2 residential customers.

3

4 **Q. Does this conclude your direct testimony?**

5 **A. Yes.**

APPENDIX

APPENDIX

Qualifications of Brian Kalcic

Mr. Kalcic graduated from Benedictine University with a Bachelor of Arts degree in Economics in December 1974. In May 1977 he received a Master of Arts degree in Economics from Washington University, St. Louis. In addition, he has completed all course requirements at Washington University for a Ph.D. in Economics.

From 1977 to 1982, Mr. Kalcic taught courses in economics at both Washington University and Webster University, including Microeconomic and Macroeconomic Theory, Labor Economics and Public Finance.

During 1980 and 1981, Mr. Kalcic was a consultant to the Equal Employment Opportunity Commission, St. Louis District Office. His responsibilities included data collection and organization, statistical analysis and trial testimony.

From 1982 to 1996, Mr. Kalcic was employed by the firm of Cook, Eisdorfer & Associates, Inc. During that time, he participated in the analysis of electric, gas and water utility rate case filings. His primary responsibilities included cost-of-service and economic analysis, model building, and statistical analysis.

In March 1996, Mr. Kalcic founded Excel Consulting, a consulting practice that offers business and regulatory analysis.

Mr. Kalcic has previously testified before the state regulatory commissions of Delaware, Indiana, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, and Texas, and also before the Bonneville Power Administration.

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Sewer Authority for Approval of Its Long-	:	Docket No. P-2018-3005039
Term Infrastructure Improvement Plan	:	

VERIFICATION

I, Brian Kalcic, hereby state that the facts set forth in my direct testimony labeled OSBA Statement No. 1 are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).

Date: April 5, 2019


(Signature)

Brian Kalcic

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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email and/or First-Class mail (*unless other noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

The Honorable Mark A. Hoyer
The Honorable Conrad A. Johnson
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Michelle Naccarati-Chapkis
Mayor's Blue Ribbon Panel on
Restructuring the PWSA
c/o Women for a Healthy Environment
5877 Commerce Street
Pittsburgh, PA 15206

DATE: April 5, 2019


Erin K. Fure
Assistant Small Business Advocate
Attorney ID No. 312245



COMMONWEALTH OF PENNSYLVANIA

May 6, 2019

The Honorable Mark A. Hoyer
The Honorable Conrad A. Johnson
Pennsylvania Public Utility Commission
Piatt Place
301 5th Avenue, Suite 220
Pittsburgh, PA 15222

Re: Implementation of Chapter 32 of the Public Utility Code Regarding Pittsburgh Water And Sewer Authority – Stage 1 and Petition of The Pittsburgh Water and Sewer Authority for Approval of Its Long-Term Infrastructure Improvement Plan / Docket Nos. M-2018-2640802, M-2018-2640803 and P-2018-3005037, P-2018-3005039

Dear Judge Hoyer and Judge Johnson:

Enclosed please find the Rebuttal Testimony of Brian Kalcic, labeled OSBA Statement No. 1-R, on behalf of the Office of Small Business Advocate ("OSBA"), in the above-captioned proceedings.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Erin K. Fure
Assistant Small Business Advocate
Attorney ID No. 312245

Enclosures

cc: Brian Kalcic
Parties of Record

OSBA STATEMENT NO. 1-R

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Chapter 32 of the	:	Docket No. M-2018-2640802
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Term Infrastructure Improvement Plan	:	

Rebuttal Testimony of

BRIAN KALCIC

On Behalf of the

Pennsylvania Office of Small Business Advocate

Date Served: May 6, 2019

Date Submitted for the Record: August 21, 2019

Rebuttal Testimony of Brian Kalcic

1 **Q. Please state your name and business address.**

2 **A. Brian Kalcic, 225 S. Meramec Avenue, Suite 720, St. Louis, Missouri 63105.**

3

4 **Q. Have you previously submitted direct testimony in this proceeding?**

5 **A. Yes.**

6

7 **Q. What is the subject of your rebuttal testimony?**

8 **A. I will respond to the direct testimony of OCA witness Roger D. Colton regarding**
9 **the recovery of PWSA's universal service program costs from customer classes.**

10

11 **OCA Witness Colton**

12 **Q. Does Mr. Colton offer an opinion regarding how the Authority's universal**
13 **service program costs should be recovered from ratepayers?**

14 **A. Yes. On pages 24-25 of his direct testimony, Mr. Colton suggests certain**
15 **"fundamental principles that the Commission should articulate as being necessary to**
16 **incorporate in a PWSA universal service plan." Item No. 10 in Mr. Colton's list of**
17 **principles reads as follows: "The cost of PWSA's universal service programs should**
18 **be borne by all customers and not place exclusively on the residential customer**
19 **class."**

20

Rebuttal Testimony of Brian Kalcic

1 **Q. Does the Joint Petition for Settlement (“Settlement”) approved in PWSA’s last**
2 **base case address the allocation and recovery of universal program costs from**
3 **customer classes?¹**

4 **A. Yes. In Section III.B.10, on page 9 of the Settlement, the settling parties agreed to**
5 **the following provision:**

6 The parties agree that no precedent has been established in this base rate
7 case for the allocation and recovery of low income assistance program
8 costs and lead service line replacement costs. *Parties reserve the right*
9 *to make proposals regarding cost allocation for lead service line*
10 *replacement programming and low income programming in PWSA’s*
11 *next rate proceeding. (Emphasis supplied.)*
12

13 **Q. Is it appropriate for OCA witness Colton to address the issue of universal**
14 **service program cost allocation and recovery in PWSA’s Compliance Plan**
15 **proceeding?**

16 **A. No. The Settlement expressly memorializes the parties’ agreement to reserve this**
17 **issue for litigation in PWSA’s next rate proceeding.**

18
19 **Q. What do you recommend?**

20 **A. Consistent with the approved Settlement, I recommend that the Commission defer**
21 **any decision regarding the appropriate allocation and recovery of PWSA’s universal**
22 **service program costs from customer classes to the Authority’s next base rate**
23 **proceeding.**

24

¹ See *Joint Petition for Settlement* dated November 29, 2018, in Pennsylvania Public Utility Commission, *et al. v. Pittsburgh Water and Sewer Authority*, Docket No. R-2018-3002645, *et al.* and Docket No. R-2018-3002647, *et al.*

Rebuttal Testimony of Brian Kalcic

1 **Q. Does this conclude your rebuttal testimony?**

2 **A. Yes.**

3

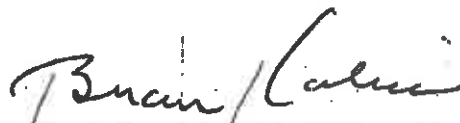
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VERIFICATION

I, Brian Kalcic, hereby state that the facts set forth in my rebuttal testimony labeled OSBA Statement No. 1-R are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).

Date: May 3, 2019



(Signature)

Brian Kalcic

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Michelle Naccarati-Chapkis
Mayor's Blue Ribbon Panel on
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c/o Women for a Healthy Environment
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DATE: May 6, 2019



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Sharon E. Webb
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Attorney ID No. 73995

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Petition of The Pittsburgh Water and	:	Docket No. P-2018-3005037
Sewer Authority for Approval of Its Long-	:	Docket No. P-2018-3005039
Term Infrastructure Improvement Plan	:	

Surrebuttal Testimony of

BRIAN KALCIC

On Behalf of the

Pennsylvania Office of Small Business Advocate

Date Served: May 17, 2019

Date Submitted for the Record: August 21, 2019

Surrebuttal Testimony of Brian Kalcic

1 Q. Please state your name and business address.

2 A. Brian Kalcic, 225 S. Meramec Avenue, Suite 720, St. Louis, Missouri 63105.

3

4 Q. Have you previously submitted testimony in this proceeding?

5 A. Yes.

6

7 Q. What is the subject of your surrebuttal testimony?

8 A. I will respond to the rebuttal testimony of PWSA witness Robert A. Weimar
9 regarding the Authority's lead service line ("LSL") replacement program.

10.

11 PWSA Witness Weimar

12 Q. Does Mr. Weimar address the OSBA's request that the Commission modify
13 PWSA's LSL program in his rebuttal testimony?

14 A. Yes, on pages 41-43.

15

16 Q. For ease of reference, please reiterate the OSBA's proposals regarding the
17 Authority's LSL program.

18 A. The OSBA's proposals are stated on pages 5-6 of OSBA Statement No. 1:

19 First, the Commission should direct to Authority (i) to make all service
20 lines eligible for its LSL replacement program, and (ii) to replace what
21 would normally be classified as the "public-side" of such service lines
22 (i.e., the portion of the service line that runs from the water main to the
23 customer's curb stop) at no charge to the customer.

24

25 Second, to the extent that PWSA determines that it will continue to
26 replace the "private-side" of LSLs post-2020, the Commission should

Surrebuttal Testimony of Brian Kalcic

1 order the Authority to expand the private-side replacement program to
2 include larger residential and non-residential customers.
3

4 **Q. Does Mr. Weimar accept any of the OSBA's LSL proposals?**

5 A. No. First, Mr. Weimar argues that PWSA "does not own any portion of larger
6 residential or non-residential service lines and does not have any responsibility for
7 their replacement."¹ Second, Mr. Weimar discusses the Authority's current
8 financial status and concludes that the Authority "cannot support Mr. Kalcic's
9 recommendation due to cost considerations and the necessity that it commit its
10 resources to critical infrastructure repairs and replacement."²
11

12 **Q. Is Mr. Weimar's first argument valid?**

13 A. No. The fact that the Authority does not own any portion of larger residential or
14 non-residential service lines is irrelevant. The central issue here is public health and
15 safety. Either lead service lines constitute a public health hazard or they do not. In
16 other words, there is no valid reason to distinguish between smaller and larger
17 service lines when making that determination. In this instance, PWSA has deemed
18 the lead service lines serving smaller residential customers a public health hazard,
19 and has agreed to replace such lines over time. The LSLs serving larger residential
20 and non-residential customers should be afforded the same treatment in PWSA's
21 LSL replacement program.
22

¹ See PWSA St. No. C-1R, at page 42.

Surrebuttal Testimony of Brian Kalcic

1 **Q. Please respond to Mr. Weimar's second point.**

2 **A. The OSBA appreciates that PWSA has financial constraints that limit its ability to**
3 **expand its LSL replacement program at this time. However, the OSBA did not**
4 **suggest that larger LSL replacements should be completed by a date certain. Mr.**
5 **Weimar indicates that PWSA is required by the Consent Order and Agreement**
6 **("COA") to complete an inventory of all commercial and industrial service line**
7 **materials on its system by December 31, 2022. Upon completing that inventory,**
8 **PWSA should be in a position to determine whether all larger LSLs could be**
9 **replaced by December 31, 2026 (i.e., the date that PWSA expects to have replaced**
10 **the public side of all smaller residential LSLs), or whether a longer time period may**
11 **be necessary. The Authority would also be able to budget for the expansion of its**
12 **LSL program at that time.**

13 **The important point is that PWSA should be required to commit in this**
14 **proceeding to treating larger residential and non-residential LSL replacements in the**
15 **same manner as it is addressing the replacement of service lines less than or equal to**
16 **1" in diameter.**

17
18 **Q. Does this conclude your surrebuttal testimony?**

19 **A. Yes.**
20

² *Id.*


**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Chapter 32 of the	:	Docket No. M-2018-2640802
Public Utility Code Regarding Pittsburgh	:	Docket No. M-2018-2640803
Water and Sewer Authority – Stage 1	:	
	:	
Petition of The Pittsburgh Water and	:	Docket No. P-2018-3005037
Sewer Authority for Approval of Its Long-	:	Docket No. P-2018-3005039
Term Infrastructure Improvement Plan	:	

VERIFICATION

I, Brian Kalcic, hereby state that the facts set forth in my surrebuttal testimony labeled OSBA Statement No. 1-S are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).

Date: May 16, 2019



(Signature)

Brian Kalcic

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Chapter 32 of the	:	Docket No. M-2018-2640802
Public Utility Code Regarding Pittsburgh	:	Docket No. M-2018-2640803
Water and Sewer Authority – Stage 1	:	
	:	
Petition of The Pittsburgh Water and	:	Docket No. P-2018-3005037
Sewer Authority for Approval of Its Long-	:	Docket No. P-2018-3005039
Term Infrastructure Improvement Plan	:	

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email and/or First-Class mail (*unless other noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

The Honorable Mark A. Hoyer
The Honorable Conrad A. Johnson
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Michelle Naccarati-Chapkis
Mayor's Blue Ribbon Panel on
Restructuring the PWSA
c/o Women for a Healthy Environment
5877 Commerce Street
Pittsburgh, PA 15206

DATE: May 17, 2019


Sharon E. Webb
Assistant Small Business Advocate
Attorney ID No. 73995



COMMONWEALTH OF PENNSYLVANIA

August 2, 2019

The Honorable Mark A. Hoyer
The Honorable Conrad A. Johnson
Pennsylvania Public Utility Commission
Piatt Place
301 5th Avenue, Suite 220
Pittsburgh, PA 15222

Re: Implementation of Chapter 32 of the Public Utility Code Regarding Pittsburgh Water And Sewer Authority – Stage 1 and Petition of The Pittsburgh Water and Sewer Authority for Approval of Its Long-Term Infrastructure Improvement Plan / Docket Nos. M-2018-2640802, M-2018-2640803 and P-2018-3005037, P-2018-3005039

Dear Judge Hoyer and Judge Johnson:

Enclosed please find the Supplemental Direct Testimony, labeled OSBA Statement No. 1-SD, on behalf of the Office of Small Business Advocate ("OSBA"), in the above-captioned proceedings.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Erin K. Fure
Assistant Small Business Advocate
Attorney ID No. 312245

Enclosures

cc: Brian Kalcic
Parties of Record

OSBA STATEMENT NO. 1-SD

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Chapter 32 of the	:	Docket No. M-2018-2640802
Public Utility Code Regarding Pittsburgh	:	Docket No. M-2018-2640803
Water and Sewer Authority – Stage 1	:	
	:	
Petition of The Pittsburgh Water and	:	Docket No. P-2018-3005037
Sewer Authority for Approval of Its Long-	:	Docket No. P-2018-3005039
Term Infrastructure Improvement Plan	:	

Supplemental Direct Testimony of

BRIAN KALCIC

On Behalf of the

Pennsylvania Office of Small Business Advocate

Topics:

Lead Service Line Replacement Policy

Date Served: August 2, 2019

Date Submitted for the Record: August 21, 2019

Supplemental Direct Testimony of Brian Kalcic

1 **Q. Please state your name and business address.**

2 **A. Brian Kalcic, 225 S. Meramec Avenue, Suite 720, St. Louis, Missouri 63105.**

3

4 **Q. Are you the same Brian Kalcic who previously submitted direct testimony in this**
5 **proceeding regarding PWSA's lead service line replacement ("LSLR") program?**

6 **A. Yes.**

7

8 **Q. What is the subject of your supplemental direct testimony?**

9 **A. I will comment on PWSA's revised LSLR program policy, which was approved by**
10 **PWSA's Board of Directors ("Board") on July 26, 2019.**

11

12 **Revised LSLR Program Policy**

13

14 **Q. Mr. Kalcic, please provide a general description of PWSA's revised policy with**
15 **respect to the replacement of LSLs.**

16 **A. The revised LSLR policy provides for the replacement of both the public and private**
17 **portions of residential lead service lines through December 31, 2026, at no direct cost to the**
18 **customer, under most circumstances.¹ The revised policy commits PWSA to provide "full-**
19 **line" LSLRs at residential properties with no more than four dwelling units, with service**
20 **lines no greater than 1-inch in diameter, and where PWSA has maintenance responsibility**
21 **for the "public side" of such service lines (i.e., the portion of the service line that runs from**
22 **the water main to the customer's curb stop), through December 31, 2026.**

¹ Under the prior Board-approved policy, the replacement of the private portion of LSLs at no cost to the customer was only authorized through December 31, 2019.

Supplemental Direct Testimony of Brian Kalcic

1

2 **Q. Under what circumstances would an eligible residential property owner not qualify**
3 **for a free full-line LSLR under PWSA's revised policy?**

4 **A. The only exception applies to homeowners who elect to initiate replacement of their private**
5 **side LSLs after January 1, 2019. In such instances, PWSA will replace the public side of**
6 **such LSLs at no cost to homeowners. However, the degree to which PWSA will reimburse**
7 **homeowners for the cost of their private side replacements depends on their income levels,**
8 **with reimbursements ranging from (a low of) \$1,000 to 100% of cost incurred.**

9

10 **Q. Are non-residential customers eligible to participate in the LSL replacement program**
11 **under PWSA's revised policy?**

12 **A. No. As such, the revised policy does nothing to address the public health hazard associated**
13 **with non-residential LSLs.**

14

15 **Q. Does PWSA's revised policy provide any new rationale for excluding non-residential**
16 **customers from the LSLR program?**

17 **A. No, it does not. If anything, the revised policy provides support for *including* non-**
18 **residential customers.**

19

20 **Q. In what way?**

21 **A. Recall that, in support of its position to limit the LSLR program to residential customers,**
22 **the Authority argues that it was unusual for service lines greater than 1" to be made of lead,**
23 **simply due to cost considerations. More typically, iron or galvanized pipe were normally**
24 **seen as cheaper options for larger pipe diameters. Therefore, PWSA expects that the vast**

Supplemental Direct Testimony of Brian Kalcic

1 majority of LSLs on its system to be 1" or smaller in diameter, which just happens to be the
2 typical sizes used to provide water service to single-family residential properties.²

3 However, PWSA's revised LSLR policy now deems "galvanized iron" service lines
4 to be lead service lines, since such lines have "been proven to release lead into water." As a
5 result, PWSA will now also replace residential galvanized iron service lines less than 1" in
6 diameter at no cost to the homeowner.

7 Given that PWSA expects non-residential service lines to include galvanized iron
8 pipe, there is all the more reason to expand PWSA's LSLR program to include all non-
9 residential customers.

10
11 **Q. In light of PWSA's revised LSLR policy, how should the Commission modify PWSA's**
12 **LSL replacement program?**

13 **A. The Commission should direct PWSA to make all service lines eligible for its full LSL**
14 **replacement program. Where applicable, in lieu of an income-based reimbursement**
15 **schedule, non-residential customers should receive \$1,000 to offset the cost of what would**
16 **normally be considered the private side of their service lines, i.e., the portion of the service**
17 **line that runs from the curb stop to the meter.**

18
19 **Q. Does this conclude your supplemental direct testimony?**

20 **A. Yes.**

² See OSBA Statement No. 1 at pages 3-4.


**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Chapter 32 of the	:	Docket No. M-2018-2640802
Public Utility Code Regarding Pittsburgh	:	Docket No. M-2018-2640803
Water and Sewer Authority – Stage 1	:	
	:	
Petition of The Pittsburgh Water and	:	Docket No. P-2018-3005037
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Term Infrastructure Improvement Plan	:	

VERIFICATION

I, Brian Kalcic, hereby state that the facts set forth in my supplemental direct testimony labeled OSBA Statement No. 1-SD are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).

Date: August 1, 2019


(Signature)

Brian Kalcic

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Chapter 32 of the	:	Docket No. M-2018-2640802
Public Utility Code Regarding Pittsburgh	:	Docket No. M-2018-2640803
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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email and/or First-Class mail (*unless other noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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The Honorable Conrad A. Johnson
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Michelle Naccarati-Chapkis
Mayor's Blue Ribbon Panel on
Restructuring the PWSA
c/o Women for a Healthy Environment
5877 Commerce Street
Pittsburgh, PA 15206

DATE: August 2, 2019,



Erin K. Fure
Assistant Small Business Advocate
Attorney ID No. 312245



COMMONWEALTH OF PENNSYLVANIA

August 14, 2019

The Honorable Mark A. Hoyer
The Honorable Conrad A. Johnson
Pennsylvania Public Utility Commission
Piatt Place
301 5th Avenue, Suite 220
Pittsburgh, PA 15222

Re: Implementation of Chapter 32 of the Public Utility Code Regarding Pittsburgh Water And Sewer Authority – Stage 1 and Petition of The Pittsburgh Water and Sewer Authority for Approval of Its Long-Term Infrastructure Improvement Plan / Docket Nos. M-2018-2640802, M-2018-2640803 and P-2018-3005037, P-2018-3005039

Dear Judge Hoyer and Judge Johnson

Enclosed please find the Supplemental Rebuttal Testimony and Exhibit of Brian Kalcic, labeled OSBA Statement No. 1-SR, with Exhibit, on behalf of the Office of Small Business Advocate ("OSBA"), in the above-captioned proceedings.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Erin K. Fure
Assistant Small Business Advocate
Attorney ID No. 312245

Enclosures

cc: Brian Kalcic
Parties of Record

OSBA STATEMENT NO. 1-SR

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Chapter 32 of the	:	Docket No. M-2018-2640802
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Term Infrastructure Improvement Plan	:	

Supplemental Rebuttal Testimony of

BRIAN KALCIC

And Exhibit

On Behalf of the

Pennsylvania Office of Small Business Advocate

Topics:

Lead Service Line Replacement Program

Date Served: August 14, 2019

Date Submitted for the Record: August 21, 2019

Supplemental Rebuttal Testimony of Brian Kalcic

1 **Q. Please state your name and business address.**

2 **A. Brian Kalcic, 225 S. Meramec Avenue, Suite 720, St. Louis, Missouri 63105.**

3

4 **Q. Are you the same Brian Kalcic who previously submitted testimony in this proceeding**
5 **regarding PWSA's lead service line replacement ("LSLR") program?**

6 **A. Yes.**

7

8 **Q. What is the subject of your supplemental rebuttal testimony?**

9 **A. I will respond to the supplement direct testimony of PWSA witness Robert A. Weimar. I**
10 **will also provide some additional brief comments on PWSA's revised LSLR program**
11 **policy.**

12

13 **PWSA Witness Weimar**

14

15 **Q. On pages 25-26 of PWSA Supplemental St. No. C-1SD, Mr. Weimar discusses**
16 **PWSA's revised LSLR policy ("July 2019 Policy") and, in particular, whether PWSA**
17 **was required to continue its LSLR program after December 31, 2019. In Mr.**
18 **Weimar's view, PWSA's orthophosphate program should shortly reduce lead levels**
19 **well below the "action level" contained in federal regulations that would require**
20 **PWSA to continue LSL replacements. In that regard, Mr. Weimar characterizes**
21 **PWSA's decision to continue its LSLR program beyond December 31, 2019 as**
22 **voluntary in nature, in that such policy goes "above and beyond what is required by**
23 **environmental regulations or any federal or state mandates with regard to lead." Do**
24 **you have any comment?**

Supplemental Rebuttal Testimony of Brian Kalcic

1 A. Yes. Recall that PWSA's LSL replacement program was implemented to address the
2 November 2017 Consent Order and Agreement ("COA") entered into with the
3 Pennsylvania Department of Environmental Protection ("PA DEP"). While the COA only
4 required PWSA to replace the public-side of LSLs, PWSA decided it was appropriate to
5 replace the private-side of LSLs, so as to refrain from "partial" LSL replacements wherever
6 possible, due to public health concerns.

7 Throughout this proceeding, the OSBA has argued that the Commission should
8 direct PWSA to make *all* non-residential service lines eligible for its LSLR program, in
9 order to address the public health concerns associated with non-residential LSLs. However,
10 Mr. Weimar is now suggesting that PWSA's rationale for continuing its LSLR program has
11 changed. In short, PWSA has not decided to extend its LSLR program in order to address a
12 public health issue, but rather to respond voluntarily "to what it believes is the sentiment in
13 the community and among policymakers to go above and beyond what is required by
14 environmental regulations or any federal or state mandates with regard to lead."¹ In that
15 regard, PWSA now appears to be laying the foundation for a new argument that there is no
16 need to extend its LSLR program to all non-residential customers since LSLs will (shortly)
17 no longer constitute a public health issue.

18

19 Q. Is such an argument valid?

20 A. No. With all due respect, PWSA cannot have it both ways. If LSLs are deemed a public
21 health concern, necessitating replacement in order to reduce the amount of lead in PWSA's
22 distribution system, then all LSLs should be eligible for PWSA's LSLR program. On the
23 other hand, if LSLs will not constitute a public health issue going forward, then the

Supplemental Rebuttal Testimony of Brian Kalcic

1 Commission should: 1) direct PWSA to discontinue its LSLR program when system wide
2 lead levels are reduced below required action levels, or 2) deny PWSA recovery of the costs
3 associated with its voluntary LSLR program in future base rate proceedings, since the
4 program would not be available to all PWSA customers.

5
6 **Q. To be clear, is the OSBA advocating that PWSA discontinue its LSLR program when**
7 **system wide lead levels fall below required action levels?**

8 **A. No. Instead, the proper course of action would be to make all non-residential service lines**
9 **eligible for PWSA's LSLR program.**

10
11 **Revised LSLR Program Policy**

12
13 **Q. Mr. Kalcic, in your supplemental direct testimony, you discussed the fact that**
14 **PWSA's July 2019 Policy deems galvanized iron pipe to be eligible for PWSA's**
15 **residential LSLR program, and noted that PWSA's *non-residential* service lines may**
16 **be expected to use galvanized iron pipe. Do you now have any information regarding**
17 **the prevalence of non-residential galvanized iron service lines on PWSA's system?**

18 **A. Yes. In response to OSBA-I-5, PWSA currently estimates that there are 566 non-**
19 **residential public- and/or private-side galvanized iron service lines on its system.**

20
21 **Q. Do you have any other comment on PWSA's July 2019 Policy?**

22 **A. Yes. On page 1 of OSBA Statement No. 1-SD, I noted that the revised policy commits**
23 **PWSA to provide full-line LSLRs at "eligible residential properties," which include**

¹ See PWSA Supplemental St. No. C-1SD, at page 25.

Supplemental Rebuttal Testimony of Brian Kalcic

1 residential properties with no more than four dwelling units. The OSBA now understands
2 that PWSA has clarified that the term "eligible residential properties" also includes dual use
3 (commercial and residential) property with service lines 1-inch in diameter or less.
4

5 **Q. Does the fact that dual use properties will be eligible for PWSA's LSLR program**
6 **going forward effectively extend the program to all non-residential customers, as**
7 **advocated by OSBA?**

8 **A. Certainly not. The clarification that the program includes an indeterminate number of dual**
9 **use properties, which presumably take water service on PWSA's *residential* rate schedule,**
10 **does nothing to address the current exclusion of approximately 9,700 non-residential**
11 **customers (accounts) from the program.²**
12

13 **Q. Does this conclude your supplemental rebuttal testimony?**

14 **A. Yes.**

² See PWSA's response to OSBA-I-1 and OSBA-I-3.

EXHIBIT

REFERENCED INTERROGATORY RESPONSES

(in numeric order)

OSBA-I-1

OSBA-I-3

OSBA-I-5

**Response of Pittsburgh Water and Sewer Authority ("PWSA")
to the Interrogatories of Office of Small Business Advocate, Set I in
Docket No. M-2018-2640802 and Docket No. M-2018-2640803**

Request: OSBA-I-5 Please provide an estimate of the number of galvanized iron water service lines on PWSA's system, by customer class, as of the latest month available.

Response:

Customer Class	Public Side GI	Private Side GI
Residential	4	9,544
Non-Residential	4	562
City/County/State	-	98
Unknown/Fireline	-	96
Total	8	10,300

**Response
Provided by:**

Daniel T. Duffy, P.E., PMP, Lead Service Line Replacement
Project Manager
The Pittsburgh Water and Sewer Authority

Dated:

August 12, 2019

**Response of Pittsburgh Water and Sewer Authority ("PWSA")
to the Interrogatories of Office of Small Business Advocate, Set I in
Docket No. M-2018-2640802 and Docket No. M-2018-2640803**

Request: OSBA-I-1

Please identify the total number of dual use properties (commercial and residential) with water service lines 1-inch in diameter or less for which PWSA has maintenance responsibility for the water service line from the water main to and including the curb stop, as of the latest month available.

Response:

PWSA does not have this data.

**Response
Provided by:**

Julie Quigley, Director of Administration/Information Technology
The Pittsburgh Water and Sewer Authority

Dated:

August 12, 2019

**Response of Pittsburgh Water and Sewer Authority ("PWSA")
to the Interrogatories of Office of Small Business Advocate, Set I in
Docket No. M-2018-2640802 and Docket No. M-2018-2640803**

Request: OSBA-I-3

Please identify the total number of commercial and industrial water service customers (accounts) served by PWSA, as of the latest month available.

Response:

PWSA currently provides water service to 9,019 Commercial customers (including fire lines), 558 Health & Education customers, and 101 Industrial customers.

**Response
Provided by:**

Julie Quigley, Director of Administration/Information Technology
The Pittsburgh Water and Sewer Authority

Dated:

August 12, 2019

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Chapter 32 of the	:	Docket No. M-2018-2640802
Public Utility Code Regarding Pittsburgh	:	Docket No. M-2018-2640803
Water and Sewer Authority – Stage 1	:	
	:	
Petition of The Pittsburgh Water and	:	Docket No. P-2018-3005037
Sewer Authority for Approval of Its Long-	:	Docket No. P-2018-3005039
Term Infrastructure Improvement Plan	:	

VERIFICATION

I, Brian Kalcic, hereby state that the facts set forth in my supplemental rebuttal testimony labeled OSBA Statement No. 1-SR are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).

Date: August 13, 2019



(Signature)

Brian Kalcic

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Chapter 32 of the	:	Docket No. M-2018-2640802
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	:	
Petition of The Pittsburgh Water and	:	Docket No. P-2018-3005037
Sewer Authority for Approval of Its Long-	:	Docket No. P-2018-3005039
Term Infrastructure Improvement Plan	:	

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email and/or First-Class mail (*unless other noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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Michelle Naccarati-Chapkis
Mayor's Blue Ribbon Panel on
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c/o Women for a Healthy Environment
5877 Commerce Street
Pittsburgh, PA 15206

DATE: August 14, 2019,

Erin K. Fure

Erin K. Fure
Assistant Small Business Advocate
Attorney ID No. 312245

**BEFORE THE
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Public Utility Code Regarding Pittsburgh	:	Docket No. M-2018-2640803
Water and Sewer Authority – Stage 1	:	
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Petition of The Pittsburgh Water and	:	Docket No. P-2018-3005037
Sewer Authority for Approval of Its Long-	:	Docket No. P-2018-3005039
Term Infrastructure Improvement Plan	:	

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