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November 22, 2019

Via Hand Delivery
Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Implementation of Act 120 of 2018; Docket No. M-2019-3013286

Dear Secretary Chiavetta:

Enclosed please find the Pittsburgh Water and Sewer Authority's responses to the directed questions contained in the October 24, 2019 Secretarial Letter issued in the above-referenced matter.

Sincerely,

Sarah C. Stoner

Enclosure

The Pittsburgh Water and Sewer Authority's Responses to the Directed Questions in the Pennsylvania Public Utility Commission's October 24, 2019 Secretarial Letter Regarding the Implementation of Act 120 of 2018

General Response: Many of the issues related to lead service lines (LSLs) are also subject of the federal Environmental Protection Agency (EPA) Lead and Copper Rule (LCR). As the Commission may be aware, the EPA recently proposed Lead and Copper Rule Revisions (LCRR) that were published in the Federal Register on November 13, 2019. The LCR is enforced by the Pennsylvania Department of Environmental Protection (PA DEP) and the PA DEP will enforce the LCRR, if approved. PWSA fully understands and supports the PUC's review of how water utilities recover the costs of replacing customer-owned lead service lines in their rates, including how those costs should be displayed in a water utility's LTIIP or DSIC and the nature and extent of tariff provisions that would apply to a water utility's voluntary decision to replace customer-owned lines. PWSA submits however, that questions regarding a water utility's obligation to replace LSLs, or the technical manner in which such replacements will occur is beyond the PUC's jurisdiction. The Commission does not have jurisdiction regarding water quality issues caused by lead distribution facilities. If the Commission claims jurisdiction over lead remediation issues, utilities may be unable to comply with conflicting directives from PA DEP and the Commission.

Note: References to LSLs and damaged wastewater laterals (DWWLs) below are intended to reference only customer-owned LSLs and/or DWWLs, unless specifically identified as company-owned LSLs and/or DWWLs.

Planning and Reporting

M-1 What information should utilities seeking to replace LSLs and DWWLs provide in a distinct comprehensive replacement plan or as integrated elements within their long-term infrastructure improvement plans (LTIIPs)?

Important components include:

- *Inventory of LSLs, including sources and status of the inventory;*
- *Schedule for replacement of LSLs;*
- *Method of replacement (emergency, water main relay, neighborhood based, customer request, etc.);*
- *Description of methods and outreach to use for customer agreements;*
- *Prioritization scheme for scheduling replacements.*

M-2 What are the most effective methodologies for completing a thorough study to locate and identify LSLs and DWWLs within a utility's service territory?

Notwithstanding PWSA's General Response, PWSA provides the following feedback:

LSLs:

Locating and identifying LSLs is a complex issue that requires efforts on multiple fronts. The initial (and, based on the data, possible final) efforts should be based on records of service line materials. These records could consist of information gathered during the service line installation (by either the utility or a private developer), any service line, water main or meter maintenance or replacement records, data from plumbing permits, and other information. These records may be within the utility or spread among several locations and various unrelated agencies. Records are likely incomplete, outdated and inaccurate, and in some situations not available at all.

Another method to identify LSLs is a review of local, county, state or federal codes and regulations. While the US Congress banned the use of lead pipes in 1986, many other government agencies may have banned their use at an earlier date. Knowing and understanding the dates and applying this information to service line inventory efforts is important to help fill in any gaps in other records.

Developing a comprehensive data collection process for all ongoing maintenance and construction activities is also an important component to identifying service line material type and providing inventory updates.

Other methods can be helpful but may be limited in their usefulness or costly and disruptive. These include curb box inspections (where a camera is inserted in the curb box and service line materials determined) – this is valuable to identify lead, but the absence of lead at the curb box does not always indicate the absence of a lead service line. Excavation verification is costly, and disruptive.

DWWLs:

DWWLs – Damaged wastewater laterals can be identified utilizing closed-circuit television inspections from either a cleanout/access port located on private property or a side launch lateral camera from the sewer main. Many municipalities in the Commonwealth use a Point of Sale or Real Estate Transaction to trigger lateral inspections.

Other industry methods include smoke-testing or dye/flood testing the property. In urban environments, such as the City of Pittsburgh, smoke-testing and dye/flood testing are not as effective as utilizing closed-circuit television inspections.

M-3 What would be a reasonable timeframe, based upon a concerted effort, for a utility to identify all the LSLs within its service territory via historical records, city permits, direct visual inspections and other such means early in an LSL replacement plan's schedule as part of a utility's LTIIP?

See General Response. PWSA suggests that the PUC defer to the LCRR and associated enforcement actions by DEP/EPA for this requirement.

M-4 What are the best practices and avenues for reporting and/or communicating the results of a thorough study to locate and identify LSLs and DWWLs within a utility's service territory?

See General Response. Developing a web-map of the data can be an effective strategy for communicating the results of service line inventory. Again, the LCRR and DEP enforcement actions provide requirements for communicating service line inventory.

M-5 Other than annual asset optimization plans filed pursuant to 66 Pa. C.S. § 1356, what is/are the most effective means of reporting the progress of LSL and DWWL replacement program efforts, including the number of LSL and/or DWWL replacements, the size and length of pipe removed, the cost per service, the location of removal, site conditions, etc.?

See General Response. PWSA does not believe any additional reporting requirement should be imposed on utilities, however if the Commission choses to do so PWSA believes appropriate metrics include the number of replacements completed (potentially by customer class), the locations for each replacement and the total cost for the reporting period or project.

Communications

M-6 What information should be provided to customers that are or may be affected by a known or suspected LSL or DWWL (e.g., the utility's replacement schedule, the material type of the company owned service line, etc.)?

See General Response. The LCRRs, if approved, would require annual notification to all customers with a known or suspected LSL. Again, PWSA recommends that the Commission defer regulation of this to the LCR. PWSA's current practice is to make all known information public on PWSA's website, and to notify the customer and provide a tap water lead testing kit whenever PWSA replaces a water meter at a residence that has a LSL.

For DWWLs, utilities should provide the closed-circuit television (CCTV) video (when available) and inspection report identifying the DWWL.

M-7 How and when should information be provided to customers that are or may be affected by a known or suspected LSL or DWWL? Discussions may include, but are not limited to, providing information in a website portal and/or printed materials, sending out materials at periodic intervals and/or providing materials when a customer completes an application for service.

See General Response. PWSA recommends that the Commission defer to the requirements of the proposed LCRR.

Once a utility inspects a DWWL, it should notify the customer via letter and provide a copy of the closed-circuit television (CCTV) video (when available).

M-8 What information, if any, should the utility provide a municipality about the number of known and suspected LSLs within its jurisdictional boundaries and the potential schedule for replacement?

See General Response. PWSA submits that it is not within the Commission's jurisdiction to direct what a utility is required to provide a municipality about the number of known and suspected LSLs within its jurisdictional boundaries and the potential schedule for replacement. Any reporting requirements have either been considered by EPA/DEP or ordered by them as part of their enforcement of the LCR.

M-9 What processes and procedures should utilities follow based upon a customer's acceptance of an LSL or DWWL replacement?

Each utility should develop their own process. Some leave this entirely up to the contractor doing the work, while others work more closely with their contractors and customers to coordinate the work.

M-10 What content should be included in notices to utility customers when a utility files a new tariff or tariff supplement pursuant to 66 Pa. C.S. § 1308 to replace LSLs and DWWLs?

No additional notice to utility customers should be required when a utility files a new tariff or tariff supplement pursuant to 66 Pa.C.S. § 1308 to replace LSLs and DWWLs. The notices required for the filing of a general rate increase are sufficient as notice to customers. PWSA is uncertain why additional notices would be necessary or appropriate.

Replacements

M-11 What are the best ways to prioritize LSL replacements outside of scheduled main replacement and relocation projects to allow for a proactive and distinct LSL replacement program in an efficient and effective manner?

Notwithstanding PWSA's General Response, PWSA uses a model that prioritizes LSL replacements based on four major factors. It evaluates census tract data and information from the county in completing this evaluation. These factors include:

1. *The percent of children under 6 years of age and women of child-bearing age;*
2. *The average blood lead levels reported for the area;*
3. *The number of LSLs based on historic record;*

4. *Income levels.*

Each criteria is ranked from 1 (best) to 5 (worst) and then a weight is assigned, with a 40% weight factor assigned to the first two categories and a weight factor of 10% assigned to the second two categories. From there each of the census tracts within the water service area are ranked from 1-5. Priority is placed on the higher-ranked census tract areas, and other considerations are employed such as schedule, conflicts with other work, coordination with other utilities, etc.

M-12 Should priority LSL replacement scheduling be provided for customers where water is/will likely be consumed by sensitive populations (e.g., children in schools or day-care centers, pregnant women, etc.), what criteria should make a customer eligible for prioritization and how should utilities obtain this information?

See PWSA's Response to M-11.

M-13 Describe the considerations and replacement procedure of an LSL on a property where the site conditions would be conducive to a standard approach?

PWSA's policy provides for the replacement of private lead service lines when PWSA replaces the public service line but does not provide for any restoration of private property. While most private side work completed by PWSA can be accomplished using a trenchless method limiting private property impacts, some locations may include retaining walls, stairs and other features that could be affected by the work. In addition, properties can have obstacles inside the home that restrict the work, including finished basements, appliances (washer/dryer, water heaters, sinks, etc.) blocking access to the service line entry point or safety and sanitary concerns.

A PWSA employee conducts a customer coordination at every location where a homeowner has accepted its offer to replace their private service line. The employee acts as a liaison between PWSA's contractor and the customer. The contractor reviews the site conditions and describes the anticipated impacts. If the work will result in cost to the customer, it is described, and the customer is asked if they want to proceed or not. If there are obstructions, safety or sanitary concerns, the customer is requested to resolve these by a deadline in order for PWSA to be able to proceed with the private side replacement.

M-14 Describe the considerations and replacement procedure of an LSL on a property where the site conditions would require the utility to take unique or extraordinary efforts?

See PWSA's Response to M-13.

M-15 Should the Commission establish a cap on the amount a utility is permitted to invest in a LSL or DWWL replacement for a customer, what should this amount be and would it be reasonable to establish this cap based on a customer's meter size?

Each utility should be allowed to create its own policy and plan regarding investment in LSL or DWWL replacements and the amount it will invest for each customer. PWSA's policy includes private side replacement for residential customers only and not commercial customers. The costs for replacement can vary, mostly related to the length of the service line not the meter size. The annual amount of LSLs or DWWLs that are projected for replacement pursuant to the utility's plan should be established as the utility's annual cap.

Refusals

M-16 What processes or procedures should utilities follow based upon a customer's refusal of a LSL replacement, including:

a. Should there be any implications for residential real estate property where the presence of an LSL is identified but the current property owner refuses to voluntarily and affirmatively collaborate with the public utility in question in the replacement of such identified LSL (e.g., filing of notices with appropriate municipal authorities and property registration records whether the LSL and the corresponding company-owned LSL have been identified and have or have not been replaced)?

b. Should utilities install a backflow prevention device on the company's service line and/or terminate service to the customer if an LSL is not replaced within a reasonable period?

a. This may result in a greater number of customers deciding to accept the offer to replace the private side. It will likely require the amendment of state and/or local laws and/or regulation.

b. Adding a backflow prevention device may be challenging if a customer will not allow access to a dwelling, since often an expansion tank must be installed if there is not a backflow prevention device present. Allowing a utility to terminate service if a customer does not accept an offer to replace the private side at no cost will provide a tremendous benefit to the utility, especially with the proposed revisions to the LCR which would not allow a utility to take credit for a partial LSL replacement. Another possible approach would be to require, as a condition of new service that an applicant show that his or her service location does not have a lead service line.

M-17 What processes or procedures should utilities follow based upon a customer's refusal of a DWWL replacement?

PWSA submits that each utility should have the discretion to establish its own procedures and processes. PWSA is in the process of establishing a policy that if a customer has a DWWL and does not make repairs in a timely manner PWSA will make the necessary repairs and invoice the customer/property owner for the cost of repairs.

M-18 If a customer refuses to accept full replacement of a LSL, what considerations should be addressed to reduce potential liabilities for the utility and its ratepayers?

If a customer refuses to accept full replacement of a LSL, a utility could request that the customer sign a written agreement that acknowledges the material composition of the

service line and contains provisions that protect the utility from any potential liabilities associated with the LSL.

M-19 Considering health implications associated with partial LSL replacements, should Company-owned LSLs be replaced where a customer refuses to allow replacement of the customer-owned LSL and, if so, what additional procedures should a utility follow than those previously discussed?

See General Response. PWSA currently replaces the public side when a customer provides a written refusal to allow PWSA to replace the private side, and when the customer lives at the service address (i.e. if a landlord refuses and any impacts would affect a tenant, PWSA does not complete the partial replacement). Presently PWSA does this to replace as much of its inventory/asset as possible in an efficient manner. However, under the LCRR, the advantage of this will be negated since the revisions would count either a public or private service line as lead if it exists on either side.

Note that when performing an emergency or water main replacement, a partial replacement will be unavoidable when the customer refuses to allow the private side to be replaced.

M-20 When a number of LSLs are identified within a municipal boundary, should the utility seek legislative support regarding LSLs from the municipal entity to support a complete LSL replacement effort?

Pursuant to the Joint Petition for Settlement entered into in PWSA's most recent base rate proceeding (Docket Nos. R-2018-3002645 and R-2018-3002647), PWSA agreed to consult with its Community Lead Response Advisory Committee regarding whether to ask the City of Pittsburgh to establish a process through which partial lead service line replacements conducted by PWSA are documented in the property record for the relevant address. If such a process is established, property owners will be notified by PWSA that their refusal will become part of the property record when their consent is sought for a no-cost private-side replacement.

1311(b) Analysis

M-21 What is the appropriate definition of a DWWL?

The definition of a DWWL should account for the difference between the type of system (i.e. separated or combined) and the National Association of Sewer Service Companies' classifications for structural defects. The definition of a DWWL could also be defined as a customer-owned wastewater lateral that: (1) causes a sinkhole in a public right of way resulting in a safety issue; or (2) causes sewage/storm water to backup into the property or surfacing on the property causing a health issue or damage to other properties.

M-22 What are reasonable standards, processes, and procedures for establishing the maximum number of LSLs and DWWLs that can be replaced annually?

The utility should decide the maximum number of LSLs and DWWLs that are to be replaced based on their capacity as a utility, the capacity of their contractors, and other financial and technical considerations.

M-23 What are reasonable standards, processes, and procedures for establishing a reasonable LSL or DWWL warranty term?

The warranty term should be in accordance with accepted industry practice for plumbing installation and cover materials and workmanship only. Any warranty should specifically exclude the actions of others including the homeowner.

M-24 What are reasonable standards, processes, and procedures for establishing the amount and means for reimbursing customers that have replaced a LSL and/or DWWL within one year of commencement of a replacement project?

The Commission should ensure that its procedures for establishing the amount and means for reimbursing customers that have replaced a LSL and/or DWWL within one year of commencement of a replacement project include the submission and verification of appropriate documentation such as an invoice from a licensed plumber and a final inspection report from the local plumbing enforcement authority.

M-25 What constitutes customer LSL and DWWL projects as referenced in 66 Pa. C.S. 1311(vii)(B) and how would reimbursements be linked to the referenced project (e.g., proximity or direct impact)?

LSL and DWWL projects should be defined to include the area of the actual work of the utility's project (location of main replacement, limits of neighborhood area, etc.). PWSA interprets 66 Pa. C.S. 1311(vii)(B) as providing for reimbursement to a customer who has replaced their own LSL or DWWL in the year prior to commencement of a project and not in the year after commencement of a project. This interpretation provides efficiency in the expenditure of ratepayer funds.

Rates

M-26 What benefits do LSL and DWWL replacements provide to each customer class, including the public and private fire protection, bulk/wholesale and industrial customer classes?

Regardless of customer class, replacing a LSL may have water quality impacts to the customer served by the LSL. All customer classes benefit from DWWL replacements and

the resulting reduction in ground water infiltration and maintenance efforts, as more fully described in PWSA's Response to M-27.

M-27 What benefits do utilities and ratepayers realize from LSL and DWWL replacements apart from a return on and of the utility's investment?

LSL replacements create externalities which benefit all customers on the system. Customer-owned LSL replacements not only mitigate lead exposure through water consumption for a customer but also further compliance efforts with state and federal regulations. There is a community consensus that LSLs should be replaced. LSL replacements increase public confidence in the public water system. Large scale efforts to replace LSLs are likely to encourage residents to continue residing in the service territory which benefits the economy of the region and enables a workforce to fill jobs in the region's businesses and industries. Such efforts may also provide a utility the opportunity to use different water treatment options.

The replacement of both LSLs and DWWLs modernize aging infrastructure. Benefits of replacing a DWWL include the reduction of ground water infiltration and the reduction of dirt and debris that would enter into the mains. DWWL replacements could potentially reduce the cost of treating the water or cleaning downstream pipes of dirt and debris and possible backups to customers. DWWLs can cause a significant amount of infiltration into the sewer system. Reducing the infiltration will reduce the cost of pumping and treatment and the frequency of sanitary sewer overflows.

M-28 What is the applicable depreciation or amortization rate for LSL and DWWL replacement costs for DSIC purposes and would this change over the life of the investment?

PWSA has no response to this inquiry.

M-29 What is the applicable depreciation or amortization rate for LSL and DWWL replacement costs for base rate purposes and would this change over the life of the investment?

PWSA has no response to this inquiry as it has not evaluated the applicable depreciation or amortization rate for LSL and DWWL replacement costs for base rate purposes or whether this would change over the life of the investment. Recall that PWSA is a "cash flow" regulated company and depreciation expense is not recovered in its rates.

M-30 When allocating LSL and DWWL replacement costs between customer classes, what guidelines should balance cost causation, benefits received and LSL/DWWL replacement program participation while ensuring just and reasonable rates?

Each utility should be allowed to create its own policy regarding LSL/DWWL replacement program participation. See PWSA Response to M-15. PWSA submits that

residential LSL and DWWL replacement costs should be allocated to all customer classes because the community and members of the public benefit from LSL and DWWL replacements. See PWSA Response to M-27.

M-31 When allocating LSL and DWWL replacement costs within a customer class, should customers with larger meters and greater consumption than the average member of their customer class have a lesser, equal or greater proportionate financial responsibility for LSL and DWWL replacement costs and should this responsibility be capped at a fixed amount for customers with meters larger than a certain size?

See PWSA Response to M-30.

M-32 What alternative financial support sources exist for the replacement of LSLs and DWWLs, e.g., grants, and how should the potential and actual use of such funding sources be recognized by public utilities for accounting and ratemaking purposes in their respective LSL and DWWL replacement programs?

PWSA has used PENNVEST funding for LSLs. PWSA is not aware of any alternative financial support sources for the replacement of DWWLs.

M-33 Should utilities be required to continually seek out alternative financial support sources to fund the replacement of LSL and DWWLs and how should these efforts be documented and/or reported?

PWSA seeks alternative financial support to fund the replacement of LSLs on a regular basis.

M-34 Should utilities be required to submit and receive approval of a new tariff or a tariff supplement pursuant to 66 Pa. C.S. § 1311(b)(v) before LSL and DWWL replacement costs are incorporated into a utility's LTIIP?

It is not obvious to PWSA why approval of a tariff or a tariff supplement would be required before LSL and DWWL replacement costs are incorporated into a utility's LTIIP. Utilities should be permitted to recover costs regardless of whether LSL and DWWL replacement costs are incorporated into their LTIIP.