


COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place  
Harrisburg, Pennsylvania 17101-1923  
(717) 783-5048  
800-684-6560

 @pa\_oqa

 /pennoca

FAX (717) 783-7152  
consumer@paoca.org

May 7, 2020

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

Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania-American Water Company  
Docket Nos. R-2020-3019369 (Water)  
R-2020-3019371 (Wastewater)

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Formal Complaint and Public Statement in the above-referenced proceedings.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Christine Maloni Hoover  
Christine Maloni Hoover  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 50026  
E-Mail: CHoover@paoca.org

Enclosures:

cc: Office of Special Assistants (**email only**)  
Office of Administrative Law Judge (**email only**)  
Bureau of Technical Utility Services (**email only**)  
Certificate of Service

\*286579

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :  
v. : Docket Nos. R-2020-3019369 (Water)  
Pennsylvania-American Water Company : R-2020-3019371 (Wastewater)

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Formal Complaint and Public Statement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 7<sup>th</sup> day of May 2020.

**SERVICE BY E-MAIL ONLY**

Richard A. Kanaskie, Esquire  
Bureau of Investigation & Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

John R. Evans, Esquire  
Office of Small Business Advocate  
555 Walnut Street  
1<sup>st</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923

Susan Simms Marsh, Esquire  
Pennsylvania-American Water Company  
852 Wesley Drive  
Mechanicsburg, PA 17055

Jessica and Jeffrey LaBarge  
123 Fairmount Avenue  
Reading, PA 19606  
[jessi@russolawllc.com](mailto:jessi@russolawllc.com)

Mr. & Mrs. Gerald S. Lepre, Jr.  
4015 Fairfield Avenue  
Munhall, PA 15120  
[leprejrlaw@gmail.com](mailto:leprejrlaw@gmail.com)

/s/ Christine Maloni Hoover  
Christine Maloni Hoover  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 50026  
E-Mail: [CHoover@paoca.org](mailto:CHoover@paoca.org)

Erin L. Gannon  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 83487  
E-Mail: [EGannon@paoca.org](mailto:EGannon@paoca.org)

Lauren E. Guerra  
Assistant Consumer Advocate  
PA Attorney I.D. # 323192  
E-Mail: [LGuerra@paoca.org](mailto:LGuerra@paoca.org)

Harrison W. Breitman  
Assistant Consumer Advocate  
PA Attorney I.D. #  
E-Mail: [HBreitman@paoca.org](mailto:HBreitman@paoca.org)

Counsel for:  
Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152  
Dated: May 7, 2020  
\*286926

# PENNSYLVANIA PUBLIC UTILITY COMMISSION

## Formal Complaint

### 1. COMPLAINANT INFORMATION

Tanya J. McCloskey, Acting Consumer Advocate

555 Walnut Street, 5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Dauphin County

Phone: (717) 783-5048

Facsimile: (717) 783-7152

### 2. FULL NAME OF UTILITY COMPANY:

Pennsylvania-American Water Company  
Docket No. R-2020-3019369 (Water)  
Docket No. R-2020-3019371 (Wastewater)

### 3. TYPE OF UTILITY:

Water and Wastewater

### 4. COMPLAINT:

- A.** On April 29, 2020, Pennsylvania-American Water Company (PAWC or the Company) filed Supplement No. 19 to Tariff Water – PA P.U.C. No 5 and Supplement No. 19 to Tariff Wastewater – PA P.U.C. No. 16 to become effective June 28, 2020. Through this filing, PAWC requests that the Commission approve multiyear rate increases to its water and wastewater rates pursuant to Section 1308(d), 66 Pa. C.S. § 1308(d). PAWC's proposed tariffs propose to increase the Company's total annual operating revenues by approximately \$138.6 million over a two-year period; \$92.4 million in 2021 or 12.9% over the amount of annual revenues at present rates, and \$46.2 million in 2022 or 5.8% over the amount of annual revenues at present rates.
- B.** PAWC serves customers located in 37 counties across Pennsylvania. As of December 31, 2019, the Company provides water service to approximately 665,829 customers in portions of Adams, Allegheny, Armstrong, Beaver, Berks, Bucks, Butler, Centre, Chester, Clarion,

Clearfield, Clinton, Columbia, Cumberland, Dauphin, Fayette, Indiana, Jefferson, Lackawanna, Lancaster, Lawrence, Lebanon, Luzerne, McKean, Monroe, Montgomery, Northampton, Northumberland, Pike, Schuylkill, Susquehanna, Union, Warren, Washington, Wayne, Wyoming, and York Counties. The Company also provides wastewater service to approximately 74,354 customers in portions of Adams, Allegheny, Beaver, Berks, Chester, Clarion, Cumberland, Lackawanna, McKean, Monroe, Northumberland, Pike, Washington, and York Counties.

- C.** According to the customer notices included in the Company’s proposal, typical residential water customer using 3,458 gallons per month would see the following increases in their monthly bill as provided by Zone in the following table:

Rate Zone	Area	Present	Proposed For Jan. 2021 (vs. present rates)			Proposed For Jan. 2022 (vs. Jan. 2021 rates)			Proposed For Jan. 2022 (vs. present rates)		
			Rate	\$ Increase	% Increase	Rate	\$ Increase	% Increase	Rate	\$ Increase	% Increase
Zone 1		57.85	65.91	8.06	13.9%	69.73	3.82	5.8%	69.73	11.88	20.5%
Zone 2		46.90	65.91	19.01	40.5%	69.73	3.82	5.8%	69.73	22.83	48.7%
Zone 3	McEwensville	33.28	49.06	15.78	47.4%	69.73	20.67	42.1%	69.73	36.45	109.5%
Zone 4	Turbotville	45.40	65.91	20.51	45.2%	69.73	3.82	5.8%	69.73	24.33	53.6%
New Zone 2	Winola	33.23	33.23	-	0.0%	33.23	-	0.0%	33.23	-	0.0%
Zone 5	Steelton	29.30	35.17	5.87	20.0%	41.00	5.83	16.6%	41.00	11.70	39.9%

A typical residential wastewater customer using 3,458 gallons of water per month would see the following increases to their monthly bill as provided by Zone in the following table:

Rate Zone	Area	Present	Proposed For Jan. 2021 (vs. present rates)			Proposed For Jan. 2022 (vs. Jan. 2021 rates)			Proposed For Jan. 2022 (vs. present rates)		
			Rate	\$ Increase	% Increase	Rate	\$ Increase	% Increase	Rate	\$ Increase	% Increase
Zone 1		60.42	71.97	11.55	19.1%	76.85	4.88	6.8%	76.85	16.43	27.2%
Zone 2	New Cumberland	44.58	53.53	8.95	20.1%	63.04	9.51	17.8%	63.04	18.46	41.4%
Zone 4	Koppel	50.87	71.97	21.10	41.5%	76.85	4.88	6.8%	76.85	25.98	51.1%
Zone 5	Franklin	72.80	71.97	(0.83)	-1.1%	76.85	4.88	6.8%	76.85	4.05	5.6%
Zone 8	Turbotville	52.04	71.97	19.93	38.3%	76.85	4.88	6.8%	76.85	24.81	47.7%
	Delaware	95.52	71.97	(23.55)	-24.7%	76.85	4.88	6.8%	76.85	(18.67)	-19.5%
Zone 7	Sadsbury	74.03	71.97	(2.06)	-2.8%	76.85	4.88	6.8%	76.85	2.82	3.8%
Zone 9	Exeter	42.72	71.97	29.25	68.5%	76.85	4.88	6.8%	76.85	34.13	79.9%
Zone 3	Scranton	40.55	44.44	3.89	9.6%	44.87	0.43	1.0%	44.87	4.32	10.7%
Zone 6	McKeesport	51.75	71.97	20.22	39.1%	76.85	4.88	6.8%	76.85	25.10	48.5%
Zone 6	Port Vue	41.82	71.97	30.15	72.1%	76.85	4.88	6.8%	76.85	35.03	83.8%
New Zone 4	Kane	50.73	61.89	11.16	22.0%	74.05	12.16	19.6%	74.05	23.32	46.0%

- D.** The Consumer Advocate is empowered to represent the interests of Pennsylvania consumers before the Pennsylvania Public Utility Commission, pursuant to Act 1976-161 of the General Assembly, as amended, 71 Pa. C.S. §§ 309-1 *et seq.*

- E.** A preliminary examination of PAWC's rate increase requests indicates that PAWC's present rates and proposed charges, increases and changes in rates, rules and regulations contained within the request are or may be unjust, unreasonable, and in violation of law; will or may allow PAWC an opportunity to recover an excessive rate of return on its utility property investment, in violation of the Public Utility Code; will or may discriminate against certain customers; will or may compensate PAWC for providing inadequate service to some or all of its customers; may be contrary to the provisions of prior Commission-approved settlements and orders; and otherwise may be contrary to sound ratemaking principles and public policy.
- F.** PAWC proposes a multiyear rate increase pursuant to Section 1330 of the Public Utility Code. 66 Pa. C.S. § 1330. PAWC proposes an increase of \$92.4 million or 12.9%, in 2021 (Rate Year 1) and \$46.2, or 5.8%, in 2022 (Rate Year 2). The proposed increases may result in rates that are unjust and unreasonable in violation of Chapter 13 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1301 *et seq.*, sound ratemaking principles, and public policy.
- G.** For ratemaking purposes, PAWC proposes a return on equity of 10.80% resulting in overall rates of return of 8.02% for Rate Year 1 and 7.95% for Rate Year 2 for the Company's water operations, and 7.46% for Rate Year 1 and 7.46% for Rate Year 2 for the Company's wastewater operations. The proposed rates of return are excessive and, if accepted, would result in rates that are unjust and unreasonable in violation of Chapter 13 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1301, *et seq.*, sound ratemaking principles, and public policy.
- H.** A preliminary examination of PAWC's existing rates, rules, and regulations indicates that certain rates, rules, and regulations may not be just and reasonable or otherwise proper under the Pennsylvania Public Utility Code and applicable ratemaking principles.
- I.** Further, PAWC has identified stormwater costs in its filing but it is not proposing a stormwater fee for the entities who are responsible for the expenses and capital investment related to stormwater and the treatment of stormwater. As a result, PAWC's proposed wastewater and water costs may be overstated, may not be just and reasonable or otherwise proper under the Pennsylvania Public Utility Code and applicable ratemaking principles.
- J.** Further, PAWC is proposing a Regionalization and Consolidation Surcharge and expense tracker. As filed, beginning April 1 2021, the Regionalization and Consolidation Surcharge may increase rates once per year on April 1, up to a cumulative amount of 5%. PAWC's proposed Regionalization and Consolidation Surcharge and expense tracker are or

may be unjust, unreasonable, and in violation of law; may be contrary to the provisions of prior Commission-approved settlements and orders; and otherwise may be contrary to sound ratemaking principles and public policy.

**5. RELIEF**

The Acting Consumer Advocate respectfully requests that Your Honorable Commission take the following actions:

- A. Suspend and investigate the operation of the proposed tariff supplements, pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d);
- B. Consolidate all complaints filed against the proposed increase;
- C. Hold full evidentiary hearings examining the reasonableness of PAWC's current rates and its proposed increases in rates;
- D. After providing the public with adequate notice, hold public input hearings in PAWC's service territory, in order to provide its customers with an opportunity to be heard on the record;
- E. Deny any charges or changes contained in the proposal which cannot be fully justified by PAWC, or which otherwise are contrary to the Public Utility Code, sound ratemaking principles, and public policy; and
- F. Grant such other relief that the Commission may deem to be necessary and proper.

**6. VERIFICATION AND SIGNATURE**

***I, Tanya J. McCloskey, hereby state that the facts above set forth are true and correct (or 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).***

**Signature** Tanya J. McCloskey

**Date** 5/7/2020

## 7. LEGAL REPRESENTATION

Christine Maloni Hoover, Sr. Assistant Consumer Advocate, PA Bar No. 50026  
Erin L. Gannon, Sr. Assistant Consumer Advocate, PA Bar No. 83487  
Harrison W. Breitman, Assistant Consumer Advocate, PA Bar No. 320580  
Lauren E. Guerra, Assistant Consumer Advocate, PA Bar No. 323192

555 Walnut Street, 5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Dauphin County

Phone: (717) 783-5048  
Facsimile: (717) 783-7152  
E-mail: [CHoover@paoca.org](mailto:CHoover@paoca.org)  
[EGannon@paoca.org](mailto:EGannon@paoca.org)  
[HBreitman@paoca.org](mailto:HBreitman@paoca.org)  
[LGuerra@paoca.org](mailto:LGuerra@paoca.org)

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**PUBLIC STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE  
PURSUANT TO 71 P.S. SECTION 309-4(e)**

Act 161 of the Pennsylvania General Assembly, 71 Pa. C.S. § 309-2, as enacted July 9, 1976, authorizes the Consumer Advocate to represent the interests of consumers before the Pennsylvania Public Utility Commission (PUC). In accordance with Act 161, and for the following reasons, the Acting Consumer Advocate determined to file a Formal Complaint and participate in the proceedings before the PUC involving the proposed water and wastewater rate increases requested by Pennsylvania-American Water Company (PAWC).

The objective of the Acting Consumer Advocate in filing a Formal Complaint in this matter is to protect the interests of PAWC's customers. The Acting Consumer Advocate will seek to ensure that PAWC is permitted to implement only a level of rates that is fully justified and in accordance with sound ratemaking principles. The Acting Consumer Advocate will strive to prevent PAWC from collecting from ratepayers all alleged costs that cannot be justified, or are unreasonable or unduly discriminatory, or otherwise violative of the Public Utility Code. The Acting Consumer Advocate submits that PAWC's current rates and the rates sought by PAWC may be unjustifiable and unlawful based upon information filed by PAWC in support of its claim.

The Acting Consumer Advocate has filed this Formal Complaint and will, in the course of the proceeding, investigate PAWC's proposed annual revenue increase of approximately \$138.6 million and request that the PUC deny all proposed increases or changes that are not proven to be justified, reasonable, and in accordance with sound ratemaking principles. Under PAWC's proposal, a typical residential water customer in Rate Zone 1 using 3,458 gallons per month would see their monthly bill increase from



\$57.85 to \$65.91 per month in 2021 and to \$69.73 in 2022. Increases for residential water customers in other rate zones will vary widely, with increases ranging from 0% to approximately 109% by the end of Rate Year 2. A typical wastewater customer in Rate Zone 1 using 3,458 gallons would see their monthly bill increase from \$60.42 to \$71.97 in 2021 and to \$76.85 in 2022. Similarly, the proposed increase for a typical residential wastewater customer will also vary significantly by rate zone, ranging from an approximate 19.5% decrease to an approximate 83% increase by the end of Rate Year 2.

PAWC serves approximately 665,000 water customers and 74,354 wastewater customers in 37 counties across Pennsylvania.