



COMMONWEALTH OF PENNSYLVANIA

November 10, 2020

E-FILED

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:

Dear Secretary Chiavetta:

Enclosed please find the Main Brief, on behalf of the Office of Small Business Advocate ("OSBA"), in the above-captioned proceedings.

Copies will be served on all known parties in these proceedings, as indicated on the attached Certificate of Service.

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

Sincerely,

/s/ Erin K. Fure

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

cc: Brian Kalcic
Parties of Record

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**MAIN BRIEF
ON BEHALF OF THE
OFFICE OF SMALL BUSINESS ADVOCATE**

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

**For: John R. Evans
Small Business Advocate**

**Office of Small Business Advocate
555 Walnut Street, 1st Floor
Harrisburg, PA 17101
(717) 783-2525
(717) 783-2831 (fax)**

Date: November 10, 2020

TABLE OF CONTENTS

I.	Introduction and Overview	1
II.	Summary of Argument	6
III.	Overall Position on Rate Increase	7
IV.	PAWC's Proposed Multi-Year Rate Plan.....	10
V.	Rate Base.....	10
VI.	Revenue.....	11
VII.	Operating and Maintenance Expenses.....	11
VIII.	Taxes.....	11
IX.	Rate of Return.....	12
X.	Regionalization and Consolidation Surcharge.....	13
XI.	Pension/OPEB Tracker.....	14
XII.	Rate Structure and Rate Design.....	15
XIII.	Recommendations for Actions Related to the COVID-19 Emergency.....	23
XIV.	Low-Income Customer Assistance.....	24
XV.	Service Quality and Customer Service.....	25
XVI.	Tariff Changes.....	26
XVII.	Conclusion.....	27
	APPENDIX.....	29

TABLE OF CITATIONS

Order, entered October 13, 2020, at Docket No. M-2020-3019244, p. 4-5.....	23
--	----

I. INTRODUCTION AND OVERVIEW

The Office of Small Business Advocate (“OSBA”) is an agency of the Commonwealth of Pennsylvania authorized by the Small Business Advocate Act (Act 181 of 1988, 73 P.S. §§ 399.41 – 399.50) to represent the interests of small business consumers as a party in proceedings before the Pennsylvania Public Utility Commission (“Commission”). 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 on June 28, 2020. PAWC’s tariff filings sought approval of rates and rate changes which would increase total annual operating revenues of the Company by \$138.6 million over two years (\$92.4 million in 2021 and \$46.2 million in 2022). On May 11, 2020, the OSBA filed its Notices of Appearance and Formal Complaint (docketed at Nos. C-2020-3019767 and C-2020-3019772) in response to PAWC’s tariff filings.

In accordance with 52 Pa. Code § 5.502 and the procedural schedule established in this matter by Orders entered on June 15, 2020 and September 2, 2020, the OSBA submits this Main Brief opposing the relief requested by PAWC in its tariff filings.

A. Description of Company

PAWC is a public utility that provides water and wastewater services to approximately 740,000 residential, commercial, industrial, and governmental communities located in 36 counties in Pennsylvania.¹

¹ Prehearing Memorandum of Pennsylvania-American Water Company, p. 1.

B. Procedural History

On April 29, 2020, PAWC 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 on June 28, 2020. PAWC's tariff filings seek approval of rates and rate changes which would increase total annual operating revenues of the Company by \$138.6 million over two years (\$92.4 million in 2021 and \$46.2 million in 2022).

On April 29, 2020, Jessica and Jeffrey Labarge filed a Complaint in opposition to PAWC's filings (docketed at No. C-2020-3019627). On April 30, 2020, Mr. and Mrs. Gerald S. Lepre, Jr. filed a Complaint in opposition to PAWC's filings (docketed at No. C-2020-3019646).

On May 1, 2020, State Representative Austin Davis filed a letter in opposition to PAWC's filings. On May 5, 2020, State Senator Judith L. Schwank filed a letter in opposition to PAWC's filings. On May 7, 2020, the Office of Consumer Advocate ("OCA") filed its Notice of Appearance and Formal Complaint (docketed at Nos. C-2020-3019751 and C-2020-3019754). The Commission's Bureau of Investigation and Enforcement ("I&E") also filed its Notice of Appearance on May 7, 2020.

On May 11, 2020, the OSBA filed its Notices of Appearance and Formal Complaint (docketed at Nos. C-2020-3019767 and C-2020-3019772). On May 12, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA") filed a Petition to Intervene. On May 12, 2020, Victoria Lozinak filed a Complaint in opposition to PAWC's filings (docketed at No. C-2020-3019778). The Commission on Economic Opportunity ("CEO") filed a Petition to Intervene on May 18, 2020.

By Order entered May 21, 2020, the proposed 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 were suspended

by operation of law until January 28, 2021. The Commission ordered an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed 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.

A PreHearing Conference Order and Notice were issued on May 22, 2020 scheduling a telephonic prehearing conference in this matter for June 4, 2020 before Administrative Law Judge (“ALJ”) Conrad A. Johnson.

On May 28, 2020, the OCA filed an Expedited Motion for an Extension of the Statutory Suspension Period of Pennsylvania-American Water Company’s Base Rate Proceedings. On June 1, 2020 CAUSE-PA filed an Answer in Support of the OCA’s motion.

On June 2, 2020, AK Steel Corporation (“AK Steel”) filed a Notice of Appearance, Petition to Intervene, and Motion for Admission Pro Hac Vice.

A telephonic PreHearing Conference was held on June 4, 2020, at which time the OCA’s motion was granted and a litigation schedule was determined. The litigation schedule was memorialized in an Order issued on June 15, 2020.

On June 18, 2020, PAWC filed Supplement No. 21 to Tariff Water-PA P.U.C. No. 5 and Supplement No. 21 to Tariff Wastewater-PA P.U.C. No. 16 further suspending the proposed rates’ effective date until March 15, 2021.

On June 24, 2020, PAWC filed a Petition for Reconsideration seeking reversal of the Order granting the OCA’s motion to extend the statutory suspension period.

On July 6, 2020, the OCA and I&E filed Answers to the Petition. On July 8, 2020, CAUSE-PA filed an Answer to the Petition. On July 14, 2020, the OSBA filed an Answer to the Petition.

On August 20, 2020, the Commission issued an Opinion and Order, granting, in part and denying, in part, PAWC's Petition, and directing modification, if necessary, of the litigation schedule appearing in the ALJ's Prehearing Order issued on June 15, 2020.

Eight public input hearings were held over the course of August 18, 2020 and August 25 through 27, 2020.

On September 2, 2020, an Order was issued which modified the litigation schedule and rescheduled the evidentiary hearings for October 23, 26-29, 2020, starting at 9:30 a.m. each day.

On September 8, 2020, the OSBA submitted the direct testimony of Brian Kalcic.

On September 29, 2020, the OSBA submitted the rebuttal testimony of Brian Kalcic. On October 20, 2020, the OSBA submitted the surrebuttal testimony of Brian Kalcic.

The parties engaged in settlement discussions to try to achieve a resolution of some or all the issues in this case. On October 20, 2020, the parties jointly requested cancellation of the first day of the evidentiary hearings to facilitate settlement discussions. The ALJ granted the request to cancel the hearing and directed that the first day of evidentiary hearings would convene as a Second Prehearing Conference.

A Second Prehearing Conference was held on October 23, 2020. During the Second Prehearing Conference, a modified hearing schedule was decided, with the October 26, 2020 hearing date being cancelled but all remaining hearing dates continuing to be scheduled.

Evidentiary hearings were held before ALJ Johnson on October 27 and 28, 2020. At the October 27, 2020 hearing, the OSBA moved the testimony of its witness, Brian Kalcic, into the record.

On October 30, 2020, PAWC and CAUSE-PA filed a Joint Stipulation addressing the joint resolution of a few issues raised by CAUSE-PA in this proceeding.

On October 30, 2020, PAWC, I&E and PAWLUG filed a *Joint Petition for Non-Unanimous Settlement of Rate Investigation* (“*Non-Unanimous Settlement*”).

C. Overview of PAWC’s Filing

In its April 29, 2020 tariff filings, PAWC sought an increase in the rates of its water and wastewater operation based on a multi-year rate plan (“MYRP”) that would produce additional operating revenues of \$92.4 million in Year 1 and \$46.2 million in Year 2, for a combined increase of \$138.6 million over two years.² Also in its tariff filings, PAWC sought approval to establish a Regionalization and Consolidation Surcharge (“RCS”) and tracker mechanisms for pension and other post-employment benefit (“OPEB”) expenses (“pension and OPEB tracker”).³

D. Overview of *Non-Unanimous Settlement*

On October 3, 2020, the *Non-Unanimous Settlement* was filed by the signing parties PAWC, I&E, and PAWLUG (collectively, the “settling parties”). The OSBA is not a signatory to the *Non-Unanimous Settlement*.

The *Non-Unanimous Settlement* contains various terms that were reached between the settling parties, including, but not limited to: (1) a revenue increase of \$70.5 million, to be offset by an annualized credit of \$10.5 million in each of the years 2021 and 2022, (2) the withdrawal of PAWC’s request for a MYRP, (3) the withdrawal of PAWC’s proposed RCS, and (4) the withdrawal of PAWC’s proposed pension and OPEB tracker.

On November 5, 2020, ALJ Johnson issued a Third Interim Order directing that any comments to the *Non-Unanimous Settlement* be filed by November 20, 2020.

² PAWC Statement No. 1, p. 7.

³ PAWC Statement No. 1, p. 25-26.

E. Burden of Proof

Section 332(a) of the Public Utility Code, 66 Pa. C.S. § 332(a), provides that the party seeking a rule or order from the Commission has the burden of proof in that proceeding. It is axiomatic that “[a] litigant’s burden of proof before administrative tribunals as well as before most civil proceedings is satisfied by establishing a preponderance of evidence which is substantial and legally credible.” *Samuel J. Lansberry, Inc. v. Pennsylvania Public Utility Commission*, 578 A.2d 600, 602 (Pa. Cmwlth. 1990).

II. SUMMARY OF ARGUMENT

The OSBA avers that PAWC’s request for a rate increase should be denied in its entirety at this time due to the ongoing COVID-19 pandemic and its devastating impact on Pennsylvania’s economy. All of the Company’s ratepayers have been affected, and many have been overwhelmed, by the pandemic. It would be inappropriate to award PAWC a rate increase at a time when its customers are experiencing rampant joblessness and business closings. In the event that the Commission determines that PAWC is entitled to a rate increase at this time, despite the COVID-19 emergency, the Commission should order PAWC to submit revised capital investment and expenditure budgets for the fully projected future test year (“FPFTY”) periods that minimize the need for any rate increase at this time.

The OSBA agrees with PAWC’s Year 1 and Year 2 class revenue allocation proposals for water service exclusive of PAWC’s proposed allocation of its unrecovered wastewater and Steelton revenue requirements to water customers. However, PAWC’s proposed allocation of its unrecovered wastewater and Steelton revenue requirements to water customers in Year 1 and

Year 2 should be rejected and the Commission should instead adopt the OSBA's recommended allocation in the amounts of \$32.3 million for Year 1 and \$30.4 million for Year 2.

The Commission should reject PAWC's requests for the RCS and pension and OPEB tracker as these risk mitigation mechanisms are unnecessary at this time.

III. OVERALL POSITION ON RATE INCREASE

The OSBA urges the ALJ and the Commission to deny PAWC's "ill-timed request for rate relief."⁴ On March 6, 2020, Governor Tom Wolf issued a *Proclamation of Disaster Emergency* ("Executive Order") attesting to the existence of a disaster emergency in Pennsylvania due to COVID-19. PAWC initiated the current base rates case on April 29, 2020, fifty-four days after Governor Wolf's issuance of the *Executive Order*.⁵ PAWC chose to file for a rate increase approximately seven weeks after the *Executive Order* was issued and while the *Executive Order* remained in effect. At the time of its filing, PAWC was fully aware that the rate case, and the relief PAWC seeks through its rate case, could be denied. PAWC could have delayed its filing or chosen another time to file. As a result, PAWC should bear the cost associated with its poor choice of timing, not its customers who have already been adversely affected by the COVID-19 pandemic's economic impact.

At the time the OSBA served its direct testimony, (1) there were over 6,113,000 confirmed cases of COVID-19 in US;⁶ (2) there were over 187,000 confirmed deaths from

⁴ OSBA Statement No. 1, p. 3.

⁵ OSBA Statement No. 1, p. 4.

⁶ <https://coronavirus.jhu.edu/data/cumulative-cases>; reviewed by Mr. Kalcic on September 4, 2020.

COVID-19 in US;⁷ (3) the US unemployment rate was 8.4% as of August, 2020;⁸ (4) the Pennsylvania unemployment rate was 13.7% as of July, 2020;⁹ (5) the total US small business revenue was down 19.1% from January, 2020, with PA small business revenue down 24.0% for the same period;¹⁰ and (6) the total US small businesses openings were down 19.1% from January, 2020, with PA small business openings down 14.5% for the same period.¹¹

Nevertheless, PAWC sought to increase its water and wastewater rates at a time when the COVID-19 pandemic had already caused immeasurable personal suffering and economic devastation.¹²

At the time direct testimony was served, the COVID-19 pandemic was ongoing, with the seven day moving average number of new cases in the US at a level of 41,200 as of September 2, 2020, up from a level of 28,900 as of April 29, 2020 (the date PAWC filed its base rates case).¹³ The near-term outlook for small businesses was uncertain at best.¹⁴ At the time of the filing of this brief, the COVID-19 pandemic continues to wreak havoc globally, and in Pennsylvania, resulting in economic disruption. This is not a period of “business as usual” for Pennsylvania small businesses, and should not be considered “business as usual” for Pennsylvania utilities, who serve these suffering small businesses.¹⁵ It is unconscionable to increase rates at a time of rampant joblessness, business closings, and a struggling economy. The ALJ and Commission should not ignore the fact that PAWC chose to file for a rate increase during a global pandemic,

⁷ <https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6>; reviewed by Mr. Kalcic on September 4, 2020.

⁸ <https://fred.stlouisfed.org/series/UNRATE>

⁹ <https://www.bls.gov/regions/mid-atlantic/pennsylvania.htm#eag>

¹⁰ <https://tracktherecovery.org>; reviewed by Mr. Kalcic on September 4, 2020.

¹¹ <https://tracktherecovery.org>; reviewed September 4, 2020.

¹² OSBA Statement No. 1, at p. 5.

¹³ *Id.*

¹⁴ OSBA Statement No. 1, at p. 6.

¹⁵ *Id.*

and should not grant any increase to PAWC at a time when its consumers are experiencing ongoing hardship.

However, if the ALJ and Commission are inclined to grant a rate increase to PAWC despite the ongoing COVID-19 emergency, the OSBA urges the ALJ and the PUC to direct PAWC to submit revised capital investment and expenditure budgets for the FPFTY periods that minimize the need for any rate increase at this time.¹⁶ PAWC appeared not to have scaled back any of its otherwise planned FPFTY capital expenditures in Year 1 or Year 2 in its filing, despite the COVID-19 pandemic.¹⁷ Again, at a time of continuous economic distress, the Company appears not to acknowledge the impact of the COVID-19 pandemic, and seeks to proceed as though the global emergency does not exist. The record does not contain any explanation from PAWC as to why it is absolutely necessary to undertake its proposed capital expenditures at this time, despite the COVID-19 crisis. The OSBA believes that PAWC should adjust its planned capital expenditures and reduce its requested Year 1 and Year 2 water and wastewater revenue requirements in response to the COVID-19 pandemic.¹⁸ As the Company has not done so in this proceeding, the OSBA respectfully requests that ALJ and the PUC to direct PAWC to submit revised capital investment and expenditure budgets to the FPFTY periods that will minimize the need for a rate increase at this time, should the ALJ and PUC determine that PAWC is entitled to a rate increase despite the COVID-19 pandemic.

¹⁶ OSBA Statement No. 1, at p. 3.

¹⁷ OSBA Statement No. 1, at p. 6.

¹⁸ *Id.*

IV. PAWC'S PROPOSED MULTI-YEAR RATE PLAN

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

V. RATE BASE

A. Utility Plant in Service

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

B. Average Versus Year End Rate Base

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

C. Deduction from Rate Base of EADIT

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

D. Cash Working Capital

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

VI. REVENUES

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

VII. OPERATING AND MAINTENANCE EXPENSES

A. Payroll Costs—Prorating Wage Increases

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

B. Performance Based Compensation (PAWC and Service Company)

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

C. Capitalization Rate

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

D. Annual Depreciation

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

VIII. TAXES

A. Taxes Other Than Income Taxes

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

B. Income Taxes—Excess ADIT

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

IX. RATE OF RETURN

A. Capital Structure

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

B. Cost of Long-Term Debt

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

C. Common Equity Cost Rate

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

D. Business Risks and Management Performance

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

E. Other Parties' Equity Cost Rate Recommendations and Principal Areas of Dispute

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

X. REGIONALIZATION AND CONSOLIDATION SURCHARGE

The OSBA recommends that the ALJ and Commission deny PAWC's request to implement a regionalization and consolidation surcharge ("RCS"). PAWC claimed that the RCS is needed to provide a reasonable opportunity to mitigate the earnings erosion created by the regulatory lag in recognizing the revenue deficiency created by a Section 1329 acquisition as soon as the acquisition is completed.¹⁹ The proposed RCS would allow PAWC to recover the revenue shortfalls associated with all Section 1329 acquisitions completed during the period since the effective date of the Company's then-existing base rates.²⁰ PAWC proposed to calculate the RCS as a single rate applied equally to the bills of all water and wastewater customers other than the newly acquired systems, and to cap the RCS at 5%.²¹ The sole purpose of the RCS is to mitigate the financial impact on PAWC of acquiring water and wastewater systems between base rate cases.²²

It is unreasonable and unnecessary to grant PAWC's request for the RCS because the business or financial risk PAWC may incur from operating in Pennsylvania is more than sufficiently mitigated.²³ PAWC's business or financial risk is mitigated by Pennsylvania regulatory mechanisms such as (1) a distribution system improvement charge ("DSIC") capped at 7.5%, (2) permission to employ a FPFTY, (3) permission to file a multi-year rate plan, and (4) the ability to recover a portion of its claimed wastewater revenue requirement its water service customers.²⁴ PAWC has sufficient financial and business protections without the approval of an

¹⁹ OSBA Statement No. 1, at p. 31.

²⁰ *Id.*

²¹ *Id.*

²² OSBA Statement No. 1, at p. 32.

²³ OSBA Statement No. 1, at p. 31-32.

²⁴ OSBA Statement No. 1, at p. 32.

RCS. The ALJ and PUC should deny PAWC's request for an RCS as unnecessary. However, if the RCS is approved, the PUC should implement a commensurate reduction to PAWC's otherwise allowed return on equity ("ROE") at the conclusion of the proceeding.²⁵

XI. PENSION/OPEB TRACKER

The OSBA recommends that the ALJ and PUC deny PAWC's request to implement a pension tracker. PAWC requested a pension tracker mechanism that would allow PAWC to track (1) the pension and OPEB expenses included in its approved base rates and (2) the actual costs incurred for pension and OPEB expenses.²⁶ Any over-recovery of pension and OPEB expenses would be returned to customers and any shortfalls would be recovered by the Company.²⁷ The purpose of the pension and OPEB tracker is to provide protection to both customers and PAWC against variations in forecast and actual pension and OPEB expenses between base rate cases.²⁸

Similar to the RCS, the pension and OPEB tracker would make another mechanism available to PAWC to reduce its business risk between rate cases.²⁹ As noted *supra*, PAWC's business or financial risk is mitigated by Pennsylvania regulatory mechanisms such as (1) a "DSIC capped at 7.5%, (2) permission to employ a FPFTY, (3) permission to file a multi-year rate plan, and (4) the ability to recover a portion of its claimed wastewater revenue requirement its water service customers.³⁰ PAWC has sufficient financial and business protections without the approval of a pension and OPEB tracker. The ALJ and PUC should deny PAWC's request

²⁵ OSBA Statement No. 1, at p. 33.

²⁶ OSBA Statement No. 1, at p. 32.

²⁷ OSBA Statement No. 1, at p. 33.

²⁸ *Id.*

²⁹ *Id.*

³⁰ OSBA Statement No. 1, at p. 32.

for a pension and OPEB tracker as unnecessary. However, if the pension and OPEB tracker is approved, the PUC should implement a commensurate reduction to PAWC's otherwise allowed ROE at the conclusion of the proceeding.³¹

XII. RATE STRUCTURE AND RATE DESIGN

A. Introduction

PAWC provided testimony that its proposed rates complied with the following rate design guidelines: (1) increasing customer charges for water service so as to recover, at minimum, the direct portion of customer-related costs, (2) increasing Private Fire Protection Costs to full cost of service, (3) increasing Public Fire Hydrant Rates, as needed, so as to recover 25% of allocated cost of service, and (4) increasing rates for all customer classes in a manner that moves each class toward its indicated cost of service, taking into account the combined wastewater and Steelton revenue requirements that are allocated to PAWC's non-Steelton water operations.³² The OSBA investigated PAWC's proposed rate design and revenue allocation by examining changes in the levels of the class revenues subsidies at present and PAWC's proposed rates, exclusive of the Company's proposed allocation of its unrecovered wastewater and Steelton revenue requirements to water customers.³³ As Mr. Kalcic testified, if a class is not paying exactly its full cost of service, it is either receiving a subsidy by paying too little, or providing a subsidy by paying too much.³⁴ In comparing present and proposed subsidy levels, if

³¹ OSBA Statement No. 1, at p. 33.

³² PAWC Statement No. 12, p. 36-37.

³³ OSBA Statement No. 1, p. 12.

³⁴ OSBA Statement No. 1, p. 13.

the subsidy grows, the class is moving away from the cost of service, but if the subsidy shrinks, then the class is moving toward the cost of service.³⁵

Exclusive of the Company's proposed allocation of its unrecovered wastewater and Steelton revenue requirements to water customers, the OSBA found that all of PAWC's non-Steelton water service customers would move closer to cost of service under PAWC's proposed Year 1 revenue allocation.³⁶ Similarly, all of PAWC's non-Steelton water service classes would move closer to the cost of service under PAWC's proposed Year 2 revenue allocation, with the exception of the Residential class, which exhibits a nominal increase in subsidy received, but which remains essentially at full cost of service.³⁷

Therefore, exclusive of the Company's proposed allocation of its unrecovered wastewater and Steelton revenue requirements to water customers, the OSBA is in agreement with PAWC's proposed increases to its Water Operations excluding Steelton classes. However, as discussed below, the OSBA disagrees with the overall magnitude of PAWC's proposed shift in revenue responsibility to water customers, and the manner in which such additional revenue responsibility is allocated to water service classes. As a result, the OSBA's recommended allocations of Year 1 and Year 2 revenues to PAWC's Water Operations excluding Steelton customers differ from the Company's proposals.

B. Cost of Service Study

The OSBA accepted the methodologies employed in PAWC's filed water and wastewater cost-of-service studies. Nevertheless, the OSBA reserves its right to address any arguments concerning such methodologies in a reply brief, exceptions, or reply exceptions.

³⁵ *Id.*

³⁶ OSBA Statement No. 1, p. 14.

³⁷ OSBA Statement No. 1, p. 27.

C. PAWC's Rate Design Proposals

PAWC requested a Year 1 increase for its Water Operations excluding Steelton of 12.7%, increasing the Private Fire Protection Class by 15.3%, and increasing the Public Fire Protection Class by 7.0%.³⁸ PAWC also proposed water increases to its metered service classes ranging from 4.1% to 19.1%.³⁹ Such increases reflect the Company's proposal to recover a combined \$34.6 million of its claimed Year 1 wastewater and Steelton revenue requirements from its Water Operations excluding Steelton customers.⁴⁰ PAWC proposed to increase its Year 1 Steelton Water Operations revenue by 21.5%, with all metered service classes receiving an increase of 20.0%.⁴¹ Finally, PAWC proposed to increase its overall wastewater rate revenues by \$12.3 million, or 16.9% in Year 1.⁴² Individual wastewater rate zone increases ranged from a decrease of 5.8% to an increase of 35.2%.⁴³

PAWC's requested a Year 2 increase for its Water Operations excluding Steelton of 5.9%, including a Private Fire Protection Class rate adjustment of 4.9%, a Public Fire Protection Class rate adjustment of 1.3%, and increases to its metered-service classes ranging from a low of 2.1% to a high of 8.8%.⁴⁴ Such increases reflect the Company's proposal to recover a combined \$36.5 million of its claimed Year 2 wastewater and Steelton revenue requirements from its Water Operations excluding Steelton customers.⁴⁵ PAWC proposed to increase its Year 2 Steelton Water Operations revenue by 16.5%, with all metered service classes receiving an increase of

³⁸ OSBA Statement No. 1, p. 8.

³⁹ OSBA Statement No. 1, p. 8.

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² OSBA Statement No. 1, p. 9.

⁴³ *Id.*

⁴⁴ OSBA Statement No.1, p. 24.

⁴⁵ *Id.*

16.6%.⁴⁶ Finally, PAWC proposed to increase its overall wastewater revenues by \$4.5 million or 5.4% in Year 2, with individual wastewater rate zones increases ranging from 1.2% to 19.6%.⁴⁷

D. Allocation of Wastewater Revenue Requirement to Water Operations

Act 11 permits the recovery of a portion of PAWC's wastewater revenue requirement from water customers in a given rate proceeding, and may be used to mitigate the rate increases that wastewater customers might otherwise experience if their rates were established on a stand alone basis.⁴⁸ The OSBA agrees with PAWC's proposed increases in class water revenues, exclusive of the unrecovered cost of wastewater and Steelton service, **but** the OSBA *disagrees* with (1) the overall magnitude of PAWC's proposed shift in wastewater revenue responsibility to water customers and (2) the manner in which such additional revenue responsibility is allocated to water service classes.⁴⁹

YEAR 1

Regarding the overall magnitude of PAWC's proposed Act 11 revenue shift, the OSBA opposes PAWC's proposed Year 1 wastewater increase of only 12.1% to Zone 3—Scranton, and instead recommends a smaller Act 11 shift of wastewater revenue responsibility to water customers in Year 1.⁵⁰ The OSBA also opposes PAWC's proposed 1.2% increase to Scranton in Year 2.⁵¹ PAWC's proposed Year 1 and Year 2 Scranton wastewater increases are deficient because they would result in Scranton's rates moving away from PAWC's Zone 1 wastewater

⁴⁶ *Id.*

⁴⁷ OSBA Statement No. 1, p. 25.

⁴⁸ OSBA Statement No. 1, p. 16.

⁴⁹ OSBA Statement No. 1, p. 14-15, 2.

⁵⁰ OSBA Statement No. 1, p. 16.

⁵¹ OSBA Statement No. 1, p. 28.

rate, which undermines PAWC's goal of wastewater rate consolidation.⁵² Additionally, PAWC's proposal would result in an unnecessary Year 1 shift of wastewater revenue responsibility to water customers.⁵³

The OSBA recommends that Scranton receive a Year 1 increase of approximately \$5.1 million (or 21.5%), which is slightly less than PAWC's proposed Year 1 increase to its Kane wastewater operations.⁵⁴ The OSBA's recommendation impacts PAWC's requested Year 1 Act 11 shift of \$32.9 million of its claimed revenue requirement to non-Steelton water customers in that the OSBA's proposed Year 1 Scranton increase is approximately \$2.3 million greater than that proposed by PAWC, resulting in the OSBA's recommended Act 11 revenue shift in Year 1 being \$2.3 million less than PAWC's proposal (or approximately \$30.6 million).⁵⁵

YEAR 2

For Year 2, the OSBA recommends Scranton receive an increase of approximately 16.5% over the OSBA's proposed 2021 rates, which is less than PAWC's proposed Year 2 increase to its Kane wastewater operations.⁵⁶ The OSBA's recommendation impacts PAWC's requested Year 2 Act 11 shift of its claimed revenue requirement to non-Steelton customers in that the OSBA's proposed Year 1 Scranton increase is approximately \$6.1 million greater than that proposed by PAWC, resulting in the OSBA's recommended Act 11 revenue shift in Year 2 being \$6.1 million less than PAWC's proposal (or approximately \$29.1 million).⁵⁷

YEAR 1--ALLOCATION

⁵² OSBA Statement No. 1, p. 17, 28.

⁵³ OSBA Statement No. 1, p. 18.

⁵⁴ OSBA Statement No. 1, p. 19.

⁵⁵ OSBA Statement No. 1, p. 20.

⁵⁶ OSBA Statement No. 1, p. 29.

⁵⁷ *Id.*

The OSBA also disagrees with respect to the manner in which PAWC allocates additional revenue responsibility to water service customers. In Year 1, PAWC proposes to allocate the revenue shortfall based on the class cost of service results shown in the applicable cost of service studies that contribute toward the overall \$34.6 million shortfall.⁵⁸ However, as Mr. Kalcic explained, this methodology is inconsistent with the method by which PAWC determines the overall level of the revenue shortfall.⁵⁹ PAWC's total proposed Year 1 shift in revenue responsibility of \$34.6 million is determined by the difference between (1) its claimed revenue requirement and (2) the level of proposed revenues, across its total wastewater and Steelton water operations.⁶⁰ To recover the \$34.6 million in a consistent fashion, PAWC should make each non-Steelton water service class responsible for an amount equal to the difference between (1) the corresponding class's total revenue requirement, i.e. total cost of service as measured by the applicable cost-of-service study and (2) the proposed level of class revenues, summed across PAWC's total wastewater and Steelton's operations.⁶¹

Additionally, PAWC's filed allocation methodology fails to reflect the difference between total class cost of service and proposed class revenues because PAWC's proposed wastewater and Steelton rates do not produce class revenue levels equal to each class's adjusted Year 1 cost of service, i.e., total class cost of service less the allocated Act 11 or Steelton subsidy.⁶² Had the Company set its proposed wastewater and Steelton rates so as to recover each class's adjusted cost of service, the methods employed by the Company and OSBA would produce identical results.⁶³

⁵⁸ OSBA Statement No. 1, p. 20.

⁵⁹ OSBA Statement No. 1, p. 21.

⁶⁰ OSBA Statement No. 1, p. 21.

⁶¹ *Id.*

⁶² OSBA Statement No. 1, p. 22.

⁶³ OSBA Statement No. 1-S, p. 6.

The OSBA's recommended Year 1 Act 11 and Steelton revenue requirement shortfall should be allocated as shown on line 22 of Schedule BK-4.⁶⁴ Each water class's share of the shortfall should be determined as the difference between total class cost of service and the proposed class revenues, summed across PAWC's wastewater and Steelton water operations.⁶⁵ Schedule BK-5 shows the OSBA's recommended Year 1 revenue allocation for PAWC's Water Operations excluding Steelton, which reflects a total increase of \$77.3 million or \$2.3 million less than PAWC's proposal.⁶⁶ As PAWC's wastewater and Steelton water operations are subsidized in Year 1, the OSBA recommends any required Year 1 scale back be applied only to PAWC's Water Operations excluding Steelton customer classes, and that the OSBA's recommended class increases (exclusive of Public Fire) shown in Column 5 of Schedule BK-5 be reduced proportionately.⁶⁷ However, the OSBA agrees with I&E witness Kubas that wastewater rates should be included in the scale back in the case where the aggregate disallowance of PAWC's requested wastewater revenue requirement exceeds the level of the applicable Act 11 subsidy.⁶⁸

YEAR 2--ALLOCATION

For Year 2, the OSBA again believes that each class's share of the revenue requirement shortfall should be determined as the difference between the total class cost of service and the proposed class revenues, summed across PAWC's wastewater and Steelton water operations.⁶⁹ The OSBA's recommended Year 2 Act 11 and Steelton revenue requirement shortfall should be

⁶⁴ OSBA Statement No. 1, p. 22. Schedule BK-4, which was admitted into the record as part of Mr. Kalcic's direct testimony, is attached in the Appendix to the OSBA's Main Brief, for ease of reference.

⁶⁵ *Id.*

⁶⁶ OSBA Statement No. 1, p. 23. Schedule BK-5, which was admitted into the record as part of Mr. Kalcic's direct testimony, is attached in the Appendix to the OSBA's Main Brief, for ease of reference.

⁶⁷ OSBA Statement No. 1, p. 23.

⁶⁸ OSBA Statement No. 1-R, p. 6.

⁶⁹ OSBA Statement No. 1, p. 29-30.

allocated as shown on line 22 of Schedule BK-9.⁷⁰ Schedule BK-10 shows the OSBA's recommended Year 2 revenue allocation for PAWC's Water Operations excluding Steelton, which reflects a total increase of \$37.3 million over the OSBA's Year 2 starting revenues of \$712.2 million.⁷¹ If the PUC awards PAWC an overall Year 2 increase that is less than its combined request of \$46.2 million, the OSBA recommends that any required scale back be applied only to PAWC's Water Operations excluding Steelton customers, and the OSBA's recommended class increases (exclusive of Public Fire) shown in Column 7 of Schedule BK-10 be reduced proportionately.⁷²

E. Allocation of Steelton Revenue Requirement to Other Water Operations

The OSBA accepted the Company's proposal to shift approximately \$1.8 million and \$1.4 million of revenue responsibility, respectively, in Years 1 and 2 from Steelton customers to PAWC's Water operations excluding Steelton customers. However, the OSBA disagreed with the manner in which the Company proposed to allocate its Steelton revenue shortfall to non-Steelton water classes. For the reasons discussed in the previous section, the OSBA avers that the Company's Steelton revenue shortfall should be allocated to non-Steelton classes based on the difference between the total Steelton class cost of service and the proposed Steelton class revenues, in both Years 1 and 2.

⁷⁰ OSBA Statement No. 1, p. 29. Schedule BK-9, which was admitted into the record as part of Mr. Kalcic's direct testimony, is attached in the Appendix to the OSBA's Main Brief, for ease of reference.

⁷¹ OSBA Statement No. 1, p. 30. Schedule BK-10, which was admitted into the record as part of Mr. Kalcic's direct testimony, is attached in the Appendix to the OSBA's Main Brief, for ease of reference.

⁷² *Id.*

F. Separate Stormwater Rate

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

XIII. RECOMMENDATIONS FOR ACTIONS RELATED TO THE COVID-19 EMERGENCY

Except for urging the ALJ and PUC to deny PAWC's request for a rate increase in its entirety at this time due to the ongoing COVID-19 pandemic, or alternatively to direct PAWC to submit revised capital investment and expenditure budgets for the FPFTY periods that minimize the need for any rate increase at the present time, the OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

Additionally, the OSBA encourages the ALJ and PUC to incorporate any required or recommended actions found in the October 13, 2020 Order issued by the Commission at docket M-2020-3019244. In particular, the OSBA encourages the Commission to repeat its directive in that Order that:

Unless otherwise authorized by the Commission, a utility shall offer a payment arrangement for a period of no less than eighteen (18) months to small business customers, as defined by a utility's tariff, with past due amounts. A small business customer which remains current on its payment arrangement and current bill shall not be terminated. A small business customer which is denied a payment arrangement by a utility may file a complaint with the Commission.⁷³

⁷³ Order, entered October 13, 2020, at Docket No. M-2020-3019244, p. 4-5.

XIV. LOW-INCOME CUSTOMER ASSISTANCE

A. H2O Discount Program Design

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

B. Hardship Fund

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

C. Low-Income Customer Outreach, Data Collection and Reporting

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

D. Comprehensive Universal Service Plan

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

E. Winter Shut-Off Moratorium

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

XV. SERVICE QUALITY AND CUSTOMER SERVICE ISSUES

A. Customer Performance Service Standards

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

B. Call Centers

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

C. Customer Complaints

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

D. Customer Satisfaction Surveys

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

E. Training on Termination of Service

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

F. Pressure Surveys and Pressures

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

G. Main Extensions

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

H. Sewage Backups

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

I. Tenant Issues and Protections

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

J. Language Access

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

K. Protection for Victims of Domestic Violence

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

XVI. TARIFF CHANGES

A. Limitation of Liability

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

B. Chapter 56 Customer Protections to Be Included in Tariff

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

C. Align Tariff Language on Low-Income Customers with Actual Practice

The OSBA took no position on this issue. Nevertheless, the OSBA reserves its right to address any arguments concerning this issue in a reply brief, exceptions, or reply exceptions.

XVII. CONCLUSION

In view of the foregoing, the OSBA respectfully requests that the ALJs and Commission:

1. Deny PAWC's request for a rate increase; or, in the alternative,
2. Direct PAWC to submit revised capital investment and expenditure budgets for the FPFTY periods that minimize the need for any rate increase at the present time,
3. Adopt PAWC's Year 1 and Year 2 class revenue allocation proposals for water service, exclusive of PAWC's proposed allocation of its unrecovered wastewater and Steelton revenue requirements to water customers,
4. Reject PAWC's proposed allocation of its unrecovered wastewater and Steelton revenue requirements to water customers in Year 1 and Year 2,
5. Adopt the OSBA's recommended allocation of unrecovered wastewater and Steelton revenue requirements to water customers in Year 1 and Year 2, in the amounts of \$32.3 million and \$30.4 million, respectively,
6. Adopt the OSBA's recommended scaleback methodology,

7. Reject PAWC's proposed RCS, and
8. Reject PAWC's proposed pension and OPEB tracker.

Respectfully submitted,

/s/ Erin K. Fure

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

Office of Small Business Advocate
555 Walnut Street, 1st Floor
Harrisburg, PA 17101

Dated: November 10, 2020

APPENDIX

PENNSYLVANIA AMERICAN WATER COMPANY
OSBA RECOMMENDED ALLOCATION OF PAWC'S UNRECOVERED 2021 WASTEWATER AND STEELTON COST OF SERVICE, TO WATER CUSTOMER CLASSIFICATIONS

Line	Description	Residential	Commercial	Industrial	Public	Large Industrial	VA / Bulk Users	Public Fire	Total
Wastewater Cost of Service									
(1)	WW Excluding Sadsbury and Exeter	\$ 21,256,824	\$ 4,937,261	\$ 261,403	\$ 1,072,005	\$ 743,049	\$ 3,569,034		\$ 31,839,576
(2)	Sadsbury	1,595,360	232,413		3,372				1,831,145
(3)	Exeter	10,652,447	1,820,944	1,165,164	124,593		323,053		14,086,201
(4)	Scranton	20,473,103	11,557,710		1,355,291	1,146,107			34,532,211
(5)	McKeesport	18,438,973	5,050,911		591,821		5,761,669		29,843,375
(6)	Kane	2,542,283	593,852	35,491	105,444				3,287,070
(7)	Total Claimed 2021 Wastewater Cost of Service	\$ 74,958,990	\$ 24,183,091	\$ 1,462,058	\$ 3,252,526	\$ 1,889,156	\$ 9,653,757		\$ 115,399,578
PAWC Proposed 2021 Wastewater Revenues									
(8)	WW Excluding Sadsbury and Exeter	\$ 17,912,195	\$ 4,207,488	\$ 222,765	\$ 913,553	\$ 674,061	\$ 5,481,390		\$ 29,411,453
(9)	Sadsbury	824,472	126,308		1,832				952,612
(10)	Exeter	6,512,699	1,968,396	1,259,513	134,882		151,539		10,026,829
(11)	Scranton	14,646,246	9,112,610		1,068,572	1,247,737			26,075,165
(12)	McKeesport	7,452,190	2,403,997		281,879		4,160,999		14,298,866
(13)	Kane	1,432,176	282,676	17,183	51,051				1,783,086
(14)	Total 2021 PAWC Proposed Wastewater Rate Revenues	\$ 48,779,977	\$ 18,101,476	\$ 1,499,461	\$ 2,451,369	\$ 1,921,799	\$ 9,793,928		\$ 82,548,011
(15)	Subtotal Act 11 Subsidy from Water (Ln 7 - Ln 14)	\$ 26,179,013	\$ 6,081,615	\$ (37,403)	\$ 801,157	\$ (32,643)	\$ (140,171)		\$ 32,851,567
(16)	Reallocate VA/Bulk to Public				(140,171)		140,171		-
(17)	Total OSBA Act 11 Subsidy from Water (Ln 17 + Ln 18)	\$ 26,179,013	\$ 6,081,615	\$ (37,403)	\$ 660,986	\$ (32,643)	\$ -		\$ 32,851,567
Water Cost of Service & Revenues									
(18)	Steelton Cost of Service	\$ 2,117,096	\$ 238,809	\$ 2,482,550	\$ 36,503			\$ 231,976	\$ 5,106,934
(19)	Proposed Steelton Rate Revenues	1,059,899	153,268	2,044,671	30,770			41,500	3,330,107
(20)	Total OSBA Steelton Subsidy from Water (Ln 18 - Ln 19)	\$ 1,057,197	\$ 85,541	\$ 437,879	\$ 5,733			\$ 190,476	\$ 1,776,827
Additional OSBA Proposed Increases to Wastewater									
(21)	Scranton 1/	\$ 1,669,015	\$ 493,073		\$ 59,660	\$ 29,794			\$ 2,251,542
(22)	Total OSBA Trans. to Water Operations exc. Steelton (Ln 17 + Ln 20 - Ln 21)	\$ 25,567,195	\$ 5,674,083	\$ 400,476	\$ 607,059	\$ (62,437)	\$ -	\$ 190,476	\$ 32,376,852

SOURCE:
 WW Excluding Sadsbury and Exeter: Exhs. 12-C & 12-K
 Sadsbury: I&E-RS-23 D & Exh. 12-L
 Exeter: Exhs. 12-D & 12-M
 Scranton: Exhs. 12-F & 12-N
 McKeesport: Exhs. 12-G & 12-O
 Kane: Exhs. 12-H & 12-P
 Steelton: Exh. 12-B

Notes:

1/ Assign Increase of 21.5% to Scranton in 2021.

**PENNSYLVANIA-AMERICAN WATER COMPANY
WATER OPERATIONS EXCLUDING STEELTON**

OSBA Recommended Year 1 Class Revenue Allocation
Inclusive of Act 11 and Steelton Revenue Assignments
(Test Year Ending December 31, 2021)

Line	Classification	PAWC				OSBA Recomm. Increase (5) = (4) - (1)	OSBA Recomm. Increase (5) = (4) - (1)	%
		Present* Rate Revenue (1)	Proposed Revenue exc. Act 11 & Steelton (2)	OSBA Assignment of Act 11 & Steelton (3)	Total OSBA Recomm. Revenues (4) = (2) + (3)			
1	Residential	\$411,275,976	\$441,547,072	\$25,567,195	\$467,114,267	\$55,838,291		13.6%
2	Commercial	\$153,439,150	\$165,866,129	\$5,674,083	\$171,540,213	\$18,101,063		11.8%
3	Industrial	\$25,850,899	\$26,702,550	\$338,039	\$27,040,589	\$1,189,690		4.6%
4	Municipal	\$19,986,305	\$19,990,082	\$607,059	\$20,597,142	\$610,837		3.1%
<u>Other Water Utilities</u>								
5	Group A	\$667,212	\$694,619		\$694,619	\$27,407		4.1%
6	Group B	\$100,640	\$119,850		\$119,850	\$19,210		19.1%
7	Subtotal	\$767,852	\$814,469		\$814,469	\$46,617		6.1%
8	Private Fire Prot.	\$4,179,699	\$4,821,047		\$4,821,047	\$641,348		15.3%
9	Public Fire Prot.	\$8,222,893	\$8,607,527	\$190,476	\$8,798,003	\$575,110		7.0%
10	Total Sales	\$623,722,774	\$668,348,876	\$32,376,852	\$700,725,728	\$77,002,954		12.3%
11	Contract Sales	\$5,221,350	\$5,221,350		\$5,221,350	\$0		0.0%
12	Other Water Revenues	\$10,596,199	\$10,874,802		\$10,874,802	\$278,603		2.6%
13	Total Water	\$639,540,323	\$684,445,028		\$716,821,880	\$77,281,557		12.1%

Source: Exh. No. 12-A, Sch. BK-3, Sch. BK-4,
Sch. A - 2021 p.2, col. 4 line 22

* Includes current DSIC & TCJA surcharges.

PENNSYLVANIA AMERICAN WATER COMPANY
OSBA RECOMMENDED ALLOCATION OF PAWC'S UNRECOVERED 2022 WASTEWATER AND STEELTON COST OF SERVICE, TO WATER CUSTOMER CLASSIFICATIONS

Line	Description	Residential	Commercial	Industrial	Public	Large Industrial	VA / Bulk Users	Public Fire	Total
Wastewater Cost of Service									
(1)	WW Excluding Sadsbury and Exeter	\$ 23,556,967	\$ 5,393,343	\$ 292,215	\$ 1,175,327	\$ 814,162	\$ 3,711,076		\$ 34,943,089
(2)	Sadsbury	1,589,907	233,022	3,444					1,826,373
(3)	Exeter	10,770,393	1,866,078	1,185,433	129,422		330,433		14,281,760
(4)	Scranton	21,748,796	12,436,888		1,465,524	1,238,072			36,889,280
(5)	McKeesport	18,371,901	5,022,472		594,017		5,789,415		29,777,804
(6)	Kane	2,959,252	668,543	40,638	120,741				3,789,174
(7)	Total Claimed 2022 Wastewater Cost of Service	\$ 78,997,216	\$ 25,620,346	\$ 1,518,286	\$ 3,488,475	\$ 2,052,234	\$ 9,830,923		\$ 121,507,480
PAWC Proposed 2022 Wastewater Revenues									
(8)	WW Excluding Sadsbury and Exeter	\$ 19,268,782	\$ 4,524,548	\$ 245,143	\$ 985,998	\$ 725,056	\$ 5,687,101		\$ 31,436,629
(9)	Sadsbury	862,858	134,817	1,992					999,667
(10)	Exeter	6,833,725	2,092,622	1,329,346	145,134		160,954		10,561,781
(11)	Scranton	14,487,845	9,204,595		1,084,641	1,268,638			26,045,719
(12)	McKeesport	7,834,973	2,566,774		303,577		4,453,058		15,158,382
(13)	Kane	1,713,488	338,214	20,559	61,083				2,133,343
(14)	Total 2021 PAWC Proposed Wastewater Rate Revenues	\$ 51,001,671	\$ 18,861,570	\$ 1,595,047	\$ 2,582,425	\$ 1,993,694	\$ 10,301,114		\$ 86,335,521
(15)	Subtotal Act 11 Subsidy from Water (Ln 7 - Ln 14)	\$ 27,995,545	\$ 6,758,776	\$ (76,761)	\$ 906,050	\$ 58,539	\$ (470,190)		\$ 35,171,959
(16)	Reallocate VA/Bulk to Public				\$ (470,190)		470,190		
(17)	Total OSBA Act 11 Subsidy from Water (Ln 17 + Ln 18)	\$ 27,995,545	\$ 6,758,776	\$ (76,761)	\$ 435,860	\$ 58,539	\$ -		\$ 35,171,959
Water Cost of Service & Revenues									
(18)	Steelton Cost of Service	\$ 2,247,715	\$ 219,936	\$ 2,514,539	\$ 37,812			\$ 192,801	\$ 5,212,803
(19)	Proposed Steelton Rate Revenues	1,213,230	174,916	2,384,148	35,880			43,788	3,851,962
(20)	Total OSBA Steelton Subsidy from Water (Ln 18 - Ln 19)	\$ 1,034,485	\$ 45,020	\$ 130,391	\$ 1,932			\$ 149,013	\$ 1,360,841
(21)	Additional OSBA Proposed Increases to Wastewater								
	Scranton	\$ 4,116,308	\$ 1,643,622		\$ 201,218	\$ 144,851			\$ 6,105,999
(22)	Total OSBA Trans. to Water Operations exc. Steelton (Ln 17 + Ln 20 - Ln 21)	\$ 24,913,722	\$ 5,160,174	\$ 53,630	\$ 236,574	\$ (86,312)	\$ -	\$ 149,013	\$ 30,426,800

1/ Source:
 WW Excluding Sadsbury and Exeter: Exhs. 12-C & 12-K
 Sadsbury: Exhs. 12-E & 12-L
 Exeter: Exhs. 12-D & 12-M
 Scranton: Exhs. 12-F & 12-N
 McKeesport: Exhs. 12-G & 12-O
 Kane: Exhs. 12-H & 12-P
 Steelton: Exh. 12-B

Notes:
 1/ Assign 16.5% increase to Scranton in 2022 (over 2021 OSBA Rates)

**PENNSYLVANIA-AMERICAN WATER COMPANY
WATER OPERATIONS EXCLUDING STEELTON**

OSBA Recommended Year 2 Class Revenue Allocation
Inclusive of Act 11 and Steelton Revenue Assignments
(Test Year Ending December 31, 2022)

Line	Classification	PAWC Present* Rate Revenue (1)	Difference in OSBA & PAWC Act 11/ Steelton Assign. (2)	OSBA Present* Rate Revenue (3) = (1) + (2)	PAWC Proposed Revenue exc. Act 11 & Steelton (4)	OSBA Assignment of Act 11 & Steelton (5)	Total OSBA Revenues (6) = (4) + (5)	OSBA Recomm. 2022 Increase (7) = (6) - (3)	% (8) = (7) / (3)
1	Residential	\$461,560,764	\$1,120,243	\$462,681,007	\$462,564,198	\$24,913,722	\$487,477,920	\$24,796,913	5.4%
2	Commercial	\$172,958,861	(\$1,824,975)	\$171,133,885	\$176,276,072	\$5,160,174	\$181,436,247	\$10,302,361	6.0%
3	Industrial	\$28,290,394	(\$1,249,805)	\$27,040,589	\$28,627,950	(\$32,682)	\$28,595,268	\$1,554,679	5.7%
4	Municipal	\$20,894,149	(\$297,007)	\$20,597,142	\$20,316,660	\$236,574	\$20,553,234	(\$43,908)	-0.2%
Other Water Utilities									
5	Group A	\$694,382		\$694,382	\$734,019		\$734,019	\$39,637	5.7%
6	Group B	\$119,850		\$119,850	\$130,408		\$130,408	\$10,558	8.8%
7	Subtotal	\$814,232		\$814,232	\$864,427		\$864,427	\$50,195	6.2%
8	Private Fire Prot.	\$4,821,047		\$4,821,047	\$5,058,921		\$5,058,921	\$237,875	4.9%
9	Public Fire Prot.	\$8,875,537	\$0	\$8,875,538	\$8,838,846	\$149,013	\$8,987,859	\$112,321	1.3%
10	Total Sales	\$698,214,982	(\$2,251,544)	\$695,963,438	\$702,547,074	\$30,426,800	\$732,973,874	\$37,010,436	5.3%
11	Contract Sales	\$5,346,669		\$5,346,669	\$5,346,669		\$5,346,669	\$0	0.0%
12	Other Water Revenues	\$10,874,717		\$10,874,717	\$11,117,944		\$11,117,944	\$243,227	2.2%
13	Total Water	\$714,436,369		\$712,184,824	\$719,011,687		\$749,438,488	\$37,253,663	5.2%

Source: Exh. No. 12-A,
Sch. A - 2022

Sch. BK-8,
p.2, col. 4

Sch. BK-9,
line 22

* Includes current DSIC & TCJA surcharges.

Proposed Findings of Fact

1. On March 6, 2020, Governor Tom Wolf issued a *Proclamation of Disaster Emergency* attesting to the existence of a disaster emergency in Pennsylvania due to COVID-19.
2. PAWC initiated the current base rates case on April 29, 2020, fifty-four days after Governor Wolf's issuance of the *Proclamation of Disaster Emergency*.
3. PAWC could have delayed its filing or chosen another time to file.
4. In September 2020 there were over 6,113,000 confirmed cases of COVID-19 in US and there were over 187,000 confirmed deaths from COVID-19 in US.
5. In August 2020, the US unemployment rate was 8.4% as of August, 2020.
6. The Pennsylvania unemployment rate was 13.7% as of July, 2020.
7. The total US small business revenue was down 19.1% from January, 2020, with PA small business revenue down 24.0% for same period.
8. The total US small businesses openings were down 19.1% from January, 2020, with PA small business openings down 14.5% for same period.
9. PAWC has not proven by substantial evidence that an increase in its rates is just and reasonable at a time when its customers have been adversely affected by the COVID-19 pandemic's economic impact.

Proposed Conclusions of Law

1. Every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable, and in conformity with regulations or orders of the commission. 66 Pa. C.S. § 1301(a).
2. No public utility shall, as to rates, make or grant any unreasonable preference or advantage to any person, corporation, or municipal corporation, or subject any person, corporation, or municipal corporation to any unreasonable prejudice or disadvantage. 66 Pa. C.S. § 1304.
3. No public utility shall establish or maintain any unreasonable difference as to rates, either as between localities or as between classes of service. 66 Pa. C. S. § 1304.
4. The rate increase sought by PAWC during the COVID-19 pandemic is neither just nor reasonable, as it increases rates for consumers at a time of economic hardship and decline.
5. PAWC has failed to prove by substantial evidence that an increase in its rates is necessary during the COVID-19 pandemic.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

CERTIFICATE OF SERVICE

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

Christine M. Hoover, Esq.
Erin L. Gannon, Esq.
Lauren E. Guerra, Esq.
Harrison W. Breitman, Esq.
Office of Consumer Advocate
555 Walnut Street
5th Floor Forum Place
Harrisburg, PA 17101
CHoover@paoca.org
EGannon@paoca.org
LGuerra@paoca.org
hbreitman@paoca.org

Carrie B. Wright, Esquire
Bureau of Investigation & Enforcement
400 North Street
Commonwealth Keystone Building
Harrisburg, PA 17120
carwright@pa.gov
(*Counsel for BIE*)

Susan Simms Marsh, Esquire
Pennsylvania-American Water Company
852 Wesley Drive
Mechanicsburg, PA 17055
susan.marsh@amwater.com
(*Counsel for PAWC*)

Gerald S. Lepre, Jr.
3623 California Avenue
Pittsburgh, PA 15212
leprejrlaw@gmail.com

Richard A. Baudino
J. Kennedy & Associates
1347 Frye Road
Westfield, NC 27053
rbaudino@jkenn.com

The Honorable Conrad A. Johnson
Administrative Law Judge
Pennsylvania Utility Commission
Piatt Place, Suite 220
301 5th Avenue
Pittsburgh, PA 15222
cojohnson@pa.gov

Victoria Lozinak
609 Waterfall Way
Phoenixville, PA 19460
(First Class Mail Only)

Joseph L Vullo, Esquire
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704
jvullo@bvrrlaw.com

David F. Boehm, Esq.
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202
dboehm@bklawfirm.com

Ria M. Pereira
John W. Sweet
Elizabeth R. Marx
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
pulp@palegalaid.net

Jan K. Vroman
623 Eastman Street
West Mifflin, PA 15122
jan.vroman@yahoo.com

Jeffrey Pollock*
Billie S. LaConte*
Kitty Turner*
J. Pollock, Inc.
12647 Olive Boulevard, Suite 585
St. Louis, MO 63141
jcp@jpollockinc.com
bsl@jpollockinc.com
kat@jpollockinc.com

Judith L Schwank, Senator
Senate of Pennsylvania - 11th district
Senate box 203011
Harrisburg, PA 17120
(First Class Mail Only)

Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
Jody Kyler Cohn, Esq.
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
mkurz@BKLlawfirm.com
kboehm@BKLlawfirm.com
jkylercohn@BKLlawfirm.com

Jessica and Jeffrey LaBarge
123 Fairmount Avenue
Reading, PA 19606
jessi@russolawllc.com

Rep Austin Davis
G-07 Irvis Office Building
Po Box 202035
Harrisburg Pa 17120-2035
(First Class Mail Only)

Kenneth M. Kulak, Esq.
Anthony C. Decusatis, Esq.
Brooke E. McGlinn, Esq.
Mark A. Lazaroff, Esq.
Morgan Lewis & Bockius, LLP
1701 Market Street,
Philadelphia, PA 19103
ken.kulak@morganlewis.com
anthony.decusatis@morganlewis.com
brooke.mcglinn@morganlewis.com
mark.lazaroff@morganlewis.com

Dan Grieser
Kilkenny Law LLC
519 Swede Street
Norristown, PA 19401
dan@skilkennylaw.com

Ahmed Rashed
6127 Galleon Dr
Mechanicsburg, PA 17050
amrashed@ship.edu

Charles and Jennifer Spryn
899 Bullcreek Rd Butler, PA 16002
sprynhouse@live.com

Adeolu A. Bakare, Esq.
Jo-Anne Thompson, Esq.
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
abakare@mcneeslaw.com
jthompson@mcneeslaw.com

DATE: November 10, 2020

Jan K. Vroman
623 Eastman Street
West Mifflin, PA 15122
jan.vroman@yahoo.com

David P. Zambito, Esq.
Cozen O'Connor
17 North Second St Suite 1410
Harrisburg, PA 17101
dzambito@cozen.com

/s/ Erin K. Fure

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