

PAWC STATEMENT NO. 1 & Exh. 1

8/21/19

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**IMPLEMENTATION OF CHAPTER 32 OF THE PUBLIC UTILITY CODE:**

**PITTSBURGH WATER AND SEWER AUTHORITY**

**Docket Nos. M-2018-2640802 and M-2018-2640803**

**DIRECT TESTIMONY**

**OF**

**JOHN R. COX  
PENNSYLVANIA-AMERICAN WATER COMPANY**

**CONCERNING**

**CITY OF PITTSBURGH DISCOUNT**

**DATE: April 5, 2019**

**PENNSYLVANIA-AMERICAN WATER COMPANY**

**DIRECT TESTIMONY OF JOHN R. COX**

1    **Q.    What is your name and business address?**

2    A.    My name is John R. Cox. My business address is 852 Wesley Drive  
3           Mechanicsburg, Pennsylvania 17055.

4    **Q.    By whom are you employed and in what capacity?**

5    A.    I am employed by American Water Works Service Company, Inc. (the "Service  
6           Company") as Director of Rates and Regulations - Pennsylvania.

7    **Q.    Please summarize your educational background and professional experience.**

8    A.    I am a 1985 graduate of Shippensburg University of Pennsylvania with a Bachelor of  
9           Science degree in Business Administration, with a major in accounting. In 1999, I  
10          received my Masters Degree in Business Management from Lebanon Valley College. I  
11          have also completed the continuing education program sponsored by the National  
12          Association of Regulatory Utility Commissioners ("NARUC") and the University of  
13          Utah.

14          I have been employed by Pennsylvania-American Water Company ("PAWC") or  
15          the Service Company since June 1986. From 1986 through June 1988, I served as a staff  
16          accountant in the Accounting Department. In July 1988, I was transferred to the Rate  
17          Department, and, in July 1989, I was promoted to Senior Rate Analyst. In 1991, I was  
18          promoted to accounting supervisor and held that position until December 2000 when I  
19          was promoted to Fleet and Materials Management Superintendent. In July 2004, I was  
20          promoted to the position of Senior Financial Analyst assigned to the Finance Department.

1 In 2007, I was promoted to the position of Manager of Rates and Regulations and in  
2 2016, I was promoted to my current position of Director of Rates and Regulations.

3 **Q. What are your duties as Director of Rates and Regulations?**

4 A. My duties include, principally, preparing and presenting rate applications for PAWC. In  
5 addition, I am responsible for certain aspects of the financial, budgeting and regulatory  
6 functions of the Company.

7 **Q. Have you previously submitted testimony before the Pennsylvania Public Utility  
8 Commission (the "Commission" or "PUC")?**

9 A. Yes. I have presented testimony on accounting and rate matters before this Commission  
10 on numerous occasions. I have also prepared water rate applications that were presented  
11 to the Maryland Public Service Commission and the Virginia State Corporation  
12 Commission by subsidiaries of the American Water Works Company, Inc. that operate in  
13 those states.

14 **Q. What is the purpose of your testimony?**

15 A. The purpose of my testimony is to address the City of Pittsburgh Discount provided to  
16 certain PAWC customers located in certain City Wards within the City of Pittsburgh.

1    **Q.    Do you have any exhibits to accompany your testimony?**

2    A.    Yes, I am sponsoring PAWC Exhibit No. 1, which is described later in my direct  
3           testimony.

4    **Q.    Please describe the City of Pittsburgh Discount provided to certain PAWC**  
5           **customers residing in the City of Pittsburgh.**

6    A.    As authorized under the terms of the 1973 Agreement between the City of Pittsburgh  
7           (predecessor to PWSA) and Western Pennsylvania Water Company (predecessor to  
8           PAWC), certain PAWC customers receive a City of Pittsburgh Discount on their water  
9           bill. This discount has the effect of reducing the PUC approved PAWC water charges on  
10          the customers' bills to the current PWSA water charge level. This discount is the  
11          difference between the water bill calculated under the current PAWC water rate schedule  
12          and a bill calculated on PWSA's current water rate schedule. If the bill calculated under  
13          PWSA's current water rate schedule is greater than under PAWC's current water rate  
14          schedule, no discount is provided to customers.

15   **Q.    How does PAWC recover the City of Pittsburgh Discount provided to these**  
16          **customers?**

17   A.    At the end of each month, PAWC downloads a file detailing each discount issued, then  
18          summarizes these discounts and issues a bill to PWSA for the combined amount of all the  
19          discount issued that month. PWSA then makes payment to PAWC for the total amount  
20          of the monthly invoice.

1 Q. **What is the City of Pittsburgh Discount amount for an average PAWC residential**  
2 **customer located in the City of Pittsburgh, under the PWSA's new rates effective**  
3 **March 1, 2019?**

4 A. By Order entered on February 27, 2019, the Commission approved a Joint Settlement of  
5 PWSA's base rate case. PWSA's new rates became effective on March 1, 2019. Under  
6 those new rates, the discount amount for an average residential customer using 3,500  
7 gallons per month will be \$0.37 per month. As shown in PAWC Exhibit No. 1, an  
8 average residential customer using 3,500 gallons per month under PAWC current rates  
9 would be charged \$55.24 and under PWSA current rates that same customer would be  
10 charged \$54.87. The difference between a customer's bill under PAWC's rates and that  
11 same bill under PWSA's rates is \$0.37 or a 0.7% reduction to the PAWC bill amount.

12 Q. **Does PWSA's Compliance Plan address the City of Pittsburgh Discount?**

13 A. Yes. Page 113 of the Compliance Plan states that PWSA proposes to eliminate the City of  
14 Pittsburgh Discount in its next base rate case.

15 Q. **Do any of PWSA's witnesses address the City of Pittsburgh Discount in their**  
16 **testimony?**

17 A. Yes. PWSA witness Debbie Lestitian addresses the City of Pittsburgh Discount on page  
18 18 of her testimony (PWSA Statement No. C-2). She says that depending on the level of  
19 the next rate increase, the Discount may be automatically eliminated due to the lack of  
20 any gap between the PWSA rate and the PAWC rate. She also says that PWSA does not  
21 believe it is possible to establish a date certain by which the Discount will be eliminated

1 or phased out. That will depend on the timing of the next base rate case, and the level of  
2 any rate increase. To the extent that the City of Pittsburgh Discount would remain after  
3 the next PWSA base rate case, Ms. Lestitian states that it will be addressed as part of the  
4 negotiations between the City of Pittsburgh and PWSA regarding their Cooperation  
5 Agreement.

6 **Q. What concerns does PAWC have if the City of Pittsburgh Discount is modified**  
7 **and/or eliminated?**

8 A. PAWC's concern is that all of the parties, including PAWC customers located in certain  
9 City Wards within the City of Pittsburgh, are given reasonable and adequate notice that  
10 the City of Pittsburgh Discount is an issue in any proceeding in which the customer's  
11 water bill could be impacted.

12 **Q. Does this conclude your direct testimony at this time?**

13 A. Yes. However, I reserve the right to supplement my testimony as additional issues or  
14 facts arise during the course of this proceeding. Thank you.

15

Example of the City of Pittsburgh Discount calculation for an average residential customer using 3,500 gallons per month under PAWC current and PWSA rates effective on March 1, 2019.

PAWC - Current Rates		PWSA - Rates Effective 3.1.19	
	Water		Water
Service Charge 5/8" Mtr	\$ 16.50	Minimum Charge 5/8" Mtr	\$ 27.27
Usage / Month Gallons	3,500	Usage / Month Gallons	3,500
Rate Per 100 Gallons	\$ 1.2217	Allowance	1,000
Usage Charge	42.76	Billable Usage	2,500
		Rate Per 100 Gallons	\$ 1.104
		Usage Charge	\$ 27.60
Subtotal	\$ 59.26		
TCJA Voluntary Surcharge -6.79%	\$ (4.02)		
Total Charge (Prior to Subsidy Credit)	\$ 55.24	Total	\$ 54.87
City of Pittsburgh Discount	\$ (0.37)		
Total Charge to Customer	\$ 55.24		
Discount %	-0.7%		

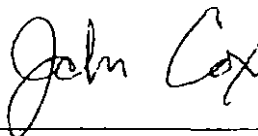
**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Chapter 32 of the	:	Docket Nos.
Public Utility Code Re: Pittsburgh	:	M-2018-2640802
Water and Sewer Authority	:	M-2018-2640803
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I, John Cox, Director of Rates and Regulations, Pennsylvania-American Water Company, verify that the statements made in the foregoing Testimony are true and correct to the best of my knowledge, information and belief. I understand that false statements herein are made subject to the penalties of 18 Pa. C.S. §4904, relating to unsworn falsifications to authorities.

Date: August 20, 2019



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John Cox  
Director of Rates and Regulations



PAWC STATEMENT NO. 1-R

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**IMPLEMENTATION OF CHAPTER 32 OF THE PUBLIC UTILITY CODE:**

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**Docket Nos. M-2018-2640802 and M-2018-2640803**

**REBUTTAL TESTIMONY**

**OF**

**JOHN R. COX  
PENNSYLVANIA-AMERICAN WATER COMPANY**

**CONCERNING**

**CITY OF PITTSBURGH DISCOUNT**

**DATE: May 6, 2019**

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**PENNSYLVANIA-AMERICAN WATER COMPANY**

**REBUTTAL TESTIMONY OF JOHN R. COX**

1    **Q.    What is your name and business address?**

2    A.    My name is John R. Cox. My business address is 852 Wesley Drive  
3           Mechanicsburg, Pennsylvania 17055.

4    **Q.    Are you the same John Cox that submitted Direct Testimony in this proceeding?**

5    A.    Yes.

6    **Q.    What is the purpose of your testimony?**

7    A.    The purpose of my testimony is to respond to certain statements made in the Direct  
8           Testimony of D.C. Patel on behalf of the Bureau of Investigation & Enforcement,  
9           regarding the City of Pittsburgh Discount provided to PAWC customers located in certain  
10          City Wards within the City of Pittsburgh.

11   **Q.    Does Mr. Patel accurately describe the City of Pittsburgh Discount?**

12   A.    No. On page 50 of Mr. Patel's testimony, at lines 10-11, 18, and 21-22; page 51, at lines  
13          3, 13, 17, 19, and 22; and page 52, at lines 7, 9 and 19, Mr. Patel refers to the City of  
14          Pittsburgh Discount as a "PAWC Subsidy" and a "subsidy payment to PAWC". As  
15          discussed in my Direct Testimony, the City of Pittsburgh Discount is not a subsidy to  
16          PAWC. Rather, it is a discount to certain PAWC water customers in the City of  
17          Pittsburgh, which is reflected as an adjustment on their PAWC water bill. The discount  
18          has the effect of reducing the PAWC water charges on the customers' bills to the current  
19          PWSA water charge level. This discount is the difference between the water bill  
20          calculated under the current PAWC water rate schedule and a bill calculated on PWSA's

1 current water rate schedule. PWSA then reimburses PAWC each month, based on the  
2 amount of the discounts provided to the customers in question.

3 **Q. Does PAWC receive a subsidy from PWSA or the City of Pittsburgh in connection**  
4 **with the City of Pittsburgh Discount process?**

5 A. No, PAWC does not receive a subsidy from anyone in connection with the City of  
6 Pittsburgh Discount. It is not accurate to refer to the City of Pittsburgh Discount as a  
7 “subsidy to PAWC.” PAWC is only reimbursed by PWSA for the amounts of billing  
8 discounts provided to PAWC customers under this arrangement. At the end of each  
9 month, PAWC downloads a file detailing each discount issued, then summarizes these  
10 discounts and issues a bill to PWSA for the combined amount of all the discount issued  
11 that month. PWSA then makes payment to PAWC for the total amount of the monthly  
12 invoice. PAWC receives lower payments from these customers than otherwise would be  
13 owed under PAWC’s tariffed rates, but then PAWC receives the payment from PWSA in  
14 the exact amount of the total discounts provided. PAWC does not receive any extra  
15 payments from PWSA over or above the total amount of billing discounts provided by  
16 PAWC.

17  
18 **Q. How do you respond to Mr. Patel’s recommendation to phase out the City of**  
19 **Pittsburgh Discount by the end of 2019?**

20 A. PAWC does not object to Patel’s recommendation to phase out the City of Pittsburgh  
21 Discount by the end of 2019. As stated in my Direct Testimony, PAWC’s only concern  
22 with any modification or elimination of the City of Pittsburgh Discount is that all of the

1 parties, including PAWC customers located in certain City Wards within the City of  
2 Pittsburgh, are given reasonable and adequate notice that the City of Pittsburgh Discount  
3 is being phased out.

4 **Q. Does this conclude your Rebuttal testimony at this time?**

5 A. Yes. However, I reserve the right to supplement my testimony as additional issues or  
6 facts arise during the course of this proceeding. Thank you.

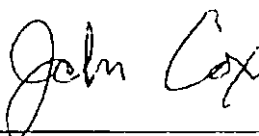
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Date: August 20, 2019



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John Cox  
Director of Rates and Regulations