

October 30, 2023

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
400 North Street
Harrisburg, PA 17120

RE: The Pittsburgh Water and Sewer Authority – Water – R-2023-3039920;
The Pittsburgh Water and Sewer Authority – Wastewater – R-2023-3039921;
The Pittsburgh Water and Sewer Authority – Stormwater – R-2023-3039919

Petition of The Pittsburgh Water and Sewer Authority for Authorization to Implement a
Customer Assistance Charge – Docket No. P-2023-3040678

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the Joint Petition for Settlement which includes the Statements in Support from all signatories as well as pro forma tariff supplements to implement the proposed settlement terms with regard to the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,



Deanne M. O'Dell

DMO/lww

Enclosure

cc: Hon. Gail M. Chiodo w/enc.
Cert. of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of **PWSA's Joint Petition for Settlement and supporting Appendices** upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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Deanne M. O'Dell, Esq.

Dated: October 30, 2023

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission : Docket Nos. R-2023-3039919 (stormwater)
Office of Small Business Advocate : C-2023-3040789
Office of Consumer Advocate : C-2023-3040847

v. :

Pittsburgh Water and Sewer Authority :

Pennsylvania Public Utility Commission : Docket Nos. R-2023-3039920 (water)
Office of Small Business Advocate : C-2023-3040785
Office of Consumer Advocate. : C-2023-3040845

v. :

Pittsburgh Water and Sewer Authority :

Pennsylvania Public Utility Commission : Docket No. R-2023-3039921 (wastewater)
Office of Small Business Advocate : C-2023-3040780
Office of Consumer Advocate. : C-2023-3040846

v. :

Pittsburgh Water and Sewer Authority :

Petition of the Pittsburgh Water and Sewer : Docket No. P-2023-3040734 (water)
Authority for Authorization to Increase : P-2023-3040735 (wastewater)
Water and Wastewater DSIC Charge Caps to :
7.5% :

Petition of the Pittsburgh Water and Sewer : Docket No. P-2023-3040578
Authority for Authorization to Implement a :
Customer Assistance Charge :

**JOINT PETITION FOR SETTLEMENT OF ALL ISSUES
WITH ALL PARTIES**

Date: October 30, 2023

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I. INTRODUCTION

The Pittsburgh Water and Sewer Authority (“PWSA” or the “Authority”), the Bureau of Investigation and Enforcement, (“BIE” or “I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Pittsburgh United’s Our Water Table (“Pittsburgh United”), the School District of Pittsburgh (“School District”) and the City of Pittsburgh (“City”) (collectively, the “Joint Petitioners” or “Parties”),¹ by their respective counsel, submit and join in this Joint Petition For Settlement (“Settlement” or “Joint Petition”), between and among all of the active parties in the above-captioned consolidated proceeding; and request that Administrative Law Judge Gail M. Chiodo (“ALJ”) and the Pennsylvania Public Utility Commission (“Commission” or “PUC”): 1) approve the Settlement and all of its terms and conditions without modification; and, 2) find that the terms of the Settlement are in accordance with the law and are in the public interest.

In support of this Settlement, the Joint Petitioners state as follows:

II. BACKGROUND

1. PWSA, a municipal authority, is a body politic and corporate, organized and existing under the Pennsylvania Municipality Authorities Act, 53 Pa. C.S. §§ 5601, *et seq.* PWSA manages the water, wastewater conveyance and stormwater systems of the City of Pittsburgh (“City”) pursuant to a 1995 Capital Lease Agreement dated July 15, 1995, which provides for PWSA’s purchase of the water supply, distribution and wastewater collection systems in 2025. PWSA’s management of the City’s assets and other details of their relationship are governed by 71 P.S. §§ 720.211 to 720.213.

¹ Joint Petitioners are authorized to represent that River Development Corporation (“RDC”) does not oppose the Settlement. As such, the Settlement has been agreed to by all of the active parties in this proceeding. In accordance with the directives of ALJ Chiodo, PWSA and OCA have coordinated to ensure that a copy of this Settlement is simultaneously being served to the consumer complainants explaining their opportunity to file comments or responses, if any, by November 9, 2023.

2. PWSA became subject to the Commission’s jurisdiction effective April 1, 2018. *See* 66 Pa. C.S. § 3201 *et seq.* (“Chapter 32”). The Authority provides water service to approximately 80,000 residential, commercial and industrial customers in portions of the City; the Borough of Millvale; and portions of Reserve, O’Hara, and Blawnox Townships, Allegheny County. The Authority also provides wastewater conveyance and stormwater service to customers located in the City and conveys wastewater for portions of twenty-four neighboring communities.
3. On May 9, 2023, PWSA initiated this proceeding, including (i) a request for a multi-year total overall increase of \$146.1 million in its combined water, wastewater conveyance and stormwater rates, and (ii) an increase from 5.0% to 7.5% in its Distribution System Improvement Charge (“DSIC”) cap via simultaneously filed Petitions for PWSA’s water and wastewater conveyance utility services.² The proposed increase included a \$46.8 million or 22.5% increase in the FPFTY (FY 2024), \$45.4 million or 17.8% in FY 2025, and \$53.9 million or 17.9% in FY 2026.
4. In support of its proposals, PWSA also filed: (a) Petition for Consolidation of the Water, Wastewater, and Stormwater Rate Proceedings and for Authorization to use Combined Revenue Requirements (“Revenue Consolidation Petition”), (b) Petition for Waiver of Statutory Definition of Fully Projected Future Test Year (“FPFTY Petition”), and a Petition for Authorization to Implement a Customer Assistance Charge (“CAC Petition”).³

² *See, Petition of the Pittsburgh Water and Sewer Authority for Authorization to Increase Water and Wastewater DSIC Charge Caps to 7.5%*, Docket Nos. P-2023-3040734 (water) and P-2023-2040735 (wastewater).

³ *Petition of the Pittsburgh Water and Sewer Authority for Authorization to Implement a Customer Assistance Charge*, Docket No. P-2023-3040578.

On May 23, 2023, PWSA filed a Petition to Consolidate its DSIC Petition and CAC Petition with the Rate Filing (“DSIC and CAC Consolidation Petition”).

5. By Scheduling Order entered July 10, 2023, ALJ Chiodo granted the FPPTY Petition, and the DSIC and CAC Consolidation Petition, and directed a litigation schedule for this proceeding. In a second Order entered on July 10, 2023, ALJ Chiodo granted PWSA’s Revenue Consolidation Petition.
6. A more complete description of the related proceedings and the procedural history of this proceeding as well as a stipulation of facts, proposed conclusions of law and ordering paragraphs are attached hereto as Appendix A.
7. Section III below sets forth the agreed-to proposals of the Joint Petitioners that they respectfully request the Commission approve. In support of the agreed-to proposals, Appendix B sets forth the agreed-to allocation of the proposed settlement rate increase by customer class and by utility service. Appendix C sets forth the customer bill impacts and a comparison of the existing rates, PWSA’s original request and proposed settlement rates. Appendix D sets forth the revenue allocation comparison of existing rates, PWSA original request and the settlement proposed rates. Appendices E-G present the pro forma tariffs implementing the settlement.
8. Joint Petitioners submit that this Settlement is in accordance with the law, just and reasonable, and in the public interest. Section V below sets forth the reasons why the Settlement is in the public interest and should be approved. Appendices H-N include individual Statements in Support of the Settlement from each Joint Petitioner explaining why they support the Settlement (or specific terms of the Settlement).

III. TERMS AND CONDITIONS OF SETTLEMENT

9. The Joint Petitioners support approving PWSA’s May 9, 2023 base rate filing in this proceeding as modified by the terms and conditions that follow.

A. Revenue Requirements, Rates, and Charges

1. Rates

- a. Effective February 15, 2024 a total base rate revenue increase of \$35,997,325, exclusive of 5% DSIC, will be implemented and allocated as follows:
 - i. The rates to collect the settlement level of water, wastewater and stormwater revenues from each class are shown on **Appendix B**.
 - ii. PWSA will recover the water, wastewater conveyance and stormwater revenue from each utility service and by each customer class as shown in **Appendix C**.
- b. PWSA will amortize its \$263,215 COVID-19 expense claim over a two year period.
- c. As the contractual timelines become available for renegotiation of PWSA’s current wholesale water contracts, PWSA agrees to engage in good faith negotiations to negotiate new rates intended to move closer to PWSA’s tariffed wholesale rate.

2. Base Rate Case Stay Out

- a. PWSA shall not file a general rate increase pursuant to 66 Pa C.S. § 1308(d) any sooner than January 1, 2025 for rate implementation in 2026. This paragraph does not apply to extraordinary or emergency rate relief pursuant to 66 Pa. C. S. § 1308(e) (or upon a petition for emergency rate increase), including, but not limited to, a final unappealable court or Commission decision terminating PWSA’s legal ability to continue to charge stormwater rates pursuant to its Stormwater Tariff.

3. Rate Design and Charges

a. Minimum Charge

- i. PWSA will undertake the software and billing system changes necessary to be able to implement a rate structure change to remove the minimum allowance.
- ii. As part of its next base rate filing, PWSA will propose to remove the minimum allowance with the then-proposed rate effective date and will include a customer bill impact analysis that illustrates the effect on customer rates of the rate structure change.

- iii. In its next rate case, PWSA will include a customer cost analysis and rate proposals that fully eliminate usage allowances.
- b. PennVest Charge
 - i. PWSA will implement the software and billing system changes necessary to be able to recover the debt service associated with PennVest loans in accordance with 52 Pa Code §§69.361 – 69.364 but the rate will be set at \$0.00 effective February 15, 2024.
 - ii. PWSA may seek recovery of the debt service costs of PennVest loans no earlier than January 1, 2025.
 - (a) PWSA will provide notice of its intent to recover qualified PennVest loans consistent with 52 Pa. Code §69.363.
 - (b) PennVest loan obligations satisfying the requirements of 52 Pa. Code §69.363(d) may include loans closed on or after January 1, 2025. The term “loans” is understood to be defined as excluding any PennVest grants. When applicable, the final settlement date of loans funded through the PennVest Programmatic Financing (Pro-Fi) program is what will be used to determine which loans closed on or after January 1, 2025. The loans may not be included in the surcharge until the plant is used and useful.
 - (c) The PennVest Charge will be displayed as a separate line item on customer bills.
 - iii. PWSA withdraws its request to seek recovery of costs related to the federal government program known as the Water Infrastructure Finance and Innovation Act (“WIFIA”) through a separate reconcilable charge to customers.
 - iv. The “PennVest Charge” would be approved in lieu of PWSA’s initially proposed Infrastructure Improvement Charge (“IIC”).
- c. PWSA withdraws its proposal to implement a Customer Assistance Charge (“CAC”)
- d. In its next filed base rate case, PWSA agrees to remove its readiness-to-serve component from its monthly water and wastewater conveyance customer charges. All parties reserve the right to challenge any component of the customer charge in future base rate proceedings.

B. Third Party Collection Agency

1. PWSA will include in its training of any third party collection agency with which it enters into a debt collection services contract the requirement to warm transfer to PWSA any individuals seeking to re-establish service with PWSA so that such arrangements can be made with PWSA directly.
 - a. Any third party collection agency retained by PWSA will be trained to affirmatively ask whether an individual wishes to seek service restoration.
 - b. If PWSA enters into a contract, PWSA will track and report in the next rate case the data from the collection agency, including how many warm transfers were made and what happened with those customers.

C. Stormwater

1. Stormwater Credit Program
 - a. Within 60 days of approval of a final order, Parties to the settlement will contact PWSA to set up a collaborative meeting to work on identifying ways to help reduce impervious areas or to implement stormwater controls on property subject to the stormwater fee and to help customers obtain credits offsetting stormwater fees as a result of those efforts.
 - i. PWSA agrees to inform and advise Parties of the collaborative regarding paths to reduce impervious areas or gain stormwater credits.
 - ii. PWSA agrees to assist Parties of the collaborative in identifying potential funding opportunities and to use best efforts to assist with securing any such opportunities available, to the degree that such opportunities are available.
 - iii. Parties of the collaborative are not precluded from discussing alternatives to a stormwater fee other than basing it on square footage of impervious surface for PWSA's consideration in making future stormwater fee rate filings with the Commission.
2. Education and Outreach
 - a. PWSA will develop an outreach and education plan related to available assistance and mitigation measures connected to its stormwater fee. This outreach and education plan will include training and call scripting for PWSA's customer service representatives ("CSRs") so that CSRs are prepared to provide the following information, where applicable.
 - i. prompt stormwater customers about whether they have adopted or have an interest in adopting green stormwater mitigation;
 - ii. discuss the benefits of practicing green stormwater mitigation, including the \$40 credit for rain barrels; and

- iii. discuss whether the customers are enrolled in, and eligible for, the Bill Discount Program to take advantage of available stormwater discounts.
 - b. Enhanced outreach and education related to stormwater will include a plan for community engagement, crafted in conjunction with the LIAAC and utilizing feedback from previous stormwater strategic plan outreach.
 - c. The outreach and education plan will continue until the implementation of PWSA's next base rate case but could be continued at that time by the agreement of the Parties.
- 3. Arrangements Applicable to the Pittsburgh School District ("School District")
 - a. Because of the public nature of the School District and its unique ability to provide land for public use and benefits, as well as its potential ability (with assistance from PWSA) to access grants and other funding to assist with the implementation of stormwater mitigation projects, PWSA and the School District recognize that opportunities exist to work together to potentially address PWSA's and the School District's stormwater mitigation efforts.
 - b. Until PWSA files its next base rate case, both PWSA and the School District shall appoint designated persons to be the point of contact for issues relating the School District's stormwater management activities.
 - c. Stormwater Credit Calculated Based on Existing Infrastructure
 - i. Consistent with PWSA's current stormwater credit program permitting non-residential property owners the ability to reduce their stormwater charges for existing structures that comply with the City of Pittsburgh's 2016 and 2019 development standards or control runoff similarly, PWSA has reasonably estimated that the School District would likely have been able to qualify for a 5% credit to the School District's stormwater fee effective January 12, 2022 if it had made an application to PWSA.
 - ii. Based on this and in consideration of the other terms of the agreement reached between PWSA and the School District, PWSA agrees to apply a 5% credit retroactive to January 12, 2022 ("Retroactive Credit") to the first stormwater bills issued to the School District within the month after the effective date of the rates as approved by the Commission in this proceeding.
 - iii. The Retroactive Credit will be applied in equal installments over a four-month basis. In recognition of the volume of accounts and numbers of stormwater parcels for the School District and the varying amounts billed to each account on a monthly basis, PWSA shall retain the discretion as to the mechanics of applying the Retroactive Credit to the School District accounts to equal the monthly installment amount until the Retroactive Credit is fully applied.

- iv. Both parties agree that application of stormwater credits after the Retroactive Credit has been fully applied is contingent upon and subject to the School District and PWSA working in good faith together to fully evaluate the School District's properties to determine, consistent with PWSA's Stormwater Credit Program requirements, the amount of the future stormwater credits to be applied to the School District on a going-forward basis.
 - v. Both parties agree to work in good faith to complete the determination of the actual stormwater credits applicable to the School District within one year of a final Commission order entered in this proceeding and, as such credits are verified, they will be applied to the appropriate parcels.
- d. Longer Term Best Management Practices ("BMPs")
- i. PWSA will advise, and where appropriate in the parties' reasonable judgment, jointly work with the School District to apply for funding opportunities from third parties to assist in improving the School District's stormwater management practices, conversion of impervious surfaces to pervious surfaces and any other steps reasonably available to qualify for credits pursuant to PWSA's prevailing Stormwater Credit Program.
 - ii. The School District agrees to work cooperatively with PWSA regarding potential property presently owned by the School District that may be available for the construction of stormwater controls /projects/measures.
 - iii. PWSA shall assist the School District in identifying potential projects and provide guidance to the School District in hiring consultants and contractors for the successful completion of the identified stormwater controls/projects/measures.
 - iv. PWSA will also provide guidance to the School District on the operation and maintenance of the constructed stormwater controls/projects/measures.
- e. In consideration of the settlement terms and for purposes of this settlement only:
- i. The School District agrees to not pursue in this or any other Pennsylvania Public Utility Commission proceeding its litigation position that stormwater charges are an unlawful tax that the School District, as a tax-exempt entity, is not required to pay or any other general policy-related challenge to the Stormwater rates that will be established in this proceeding.
 - ii. However, notwithstanding Section (e)(i), the School District is not precluded from raising such arguments in:
 - (a) PWSA's next base rate case or in any subsequent PWSA rate proceeding; or

- (b) Any proceeding initiated by the Pennsylvania Public Utility Commission or another entity to determine whether changes in PWSA's stormwater and other rates are required as a result of an appellate court order or direction or other change in law; or
 - (c) Any civil or appellate proceeding unrelated to a Pennsylvania Public Utility Commission proceeding which is not initiated by the School District against PWSA; or
 - (d) Any civil or appellate proceeding following the issuance of a court order or action of the General Assembly which, in the School District's view, potentially changes the legal framework applicable to stormwater rates.
- iii. Notwithstanding this agreement with the School District, PWSA reserves all its rights to support and defend its current stormwater rate and structure in any forum where such challenge to it may arise. Nothing in this Settlement shall constitute an agreement or waiver of PWSA's position that the Pennsylvania Public Utility Commission has exclusive jurisdiction over the legality of its stormwater rates or any other argument supporting their legality.

D. Customer Service

1. Call Center Performance

- a. PWSA's Call Center will use best efforts to meet its internal standards of an average answer time of 1 minute and an abandonment rate of 3% or less for an average of all its customer queues each quarter. The quarterly calculations of the average answer time and abandonment rate will be separated by queue specific performance.

2. Screening for Eligibility for Customer Assistance Programs

- a. PWSA shall develop and implement call scripting and checklists for its CSRs so that CSRs are required to assist in screening customers for eligibility in its low income assistance programs.
- b. PWSA will screen all new and moving customers for income level and eligibility for assistance at the time their service is established. If a customer indicates through this screening, in both 2.a and 2.b, that they may reasonably have low income status, the customer will be provided a warm referral to the PGH2O Cares team so that the customer can learn about and enroll in PWSA's low income customer assistance programs as eligible.

3. Root Cause Analysis

- a. PWSA shall update its “root cause” analysis to include evaluation of informal customer complaints submitted to the Commission’s Bureau of Consumer Services (“BCS”) as well as formal customer complaints filed with the Commission.
 - i. The evaluation will include:
 - (a) Any trends or patterns regarding the informal and formal complaints;
 - (b) Any trends or patterns with respect to BCS’ informally verified infractions.
 - ii. The analysis shall be completed using internal staff resources.
 - iii. The results shall be reported either within one (1) year of a Final Order in this proceeding or as part of its next base rate filing, whichever is earlier. The results will include a description of any reforms PWSA plans to adopt.
4. PWSA withdraws its proposal regarding the cost responsibility for convenience fees.

E. Low Income Customer Assistance Programs

1. Cross Enrollments

- a. Within thirty (30) days of the entry of an Order in this case the PWSA’s Cares Team will contact the City of Pittsburgh and the Allegheny Department of Human Services (“Allegheny DHS”) to identify potential mechanisms through which it can cross-enroll customers through other municipal offices serving the City of Pittsburgh or through coordination with programs or services administered by the Allegheny DHS.
- b. PWSA will also solicit leads for contacts from its LIAAC members and report the status of this process to LIAAC

2. Household Affordability Study

- a. Within one year of the final order in this proceeding, PWSA will update its 2019 Household Affordability Study which will include, at minimum:
 - i. Identification of geographic areas with high concentrations of PWSA’s lowest income customers
 - ii. Identification of targeted outreach areas based in these identified geographic areas and a plan as to what, where and how such targeted outreach should be pursued.
 - iii. Identification of any patterns or trends regarding customers in these identified areas who exhibit payment difficulties that could

be reasonably associated with inability to pay and a plan as to how such patterns or trends are to be identified and tracked.

- iv. An analysis of the burden levels of low income customers, by household federal poverty level (“FPL”) (including 0-50%, 51-100%, 101-150%, 151-200%, 201-250% and 251-300% FPL tiers) and various usage levels (ranging between 1,000 to 6,000 gallons), based on service type (i.e. water, wastewater, stormwater, and combined services) at then-current rates.
 - v. Updated estimated low income customer count based on census data of the PWSA’s service territory, and disaggregated by service type (e.g. water, wastewater, stormwater, combined).
 - b. A preliminary draft will be shared with and discussed among the LIAAC members and PWSA will consider, in good faith, whether to incorporate any feedback provided as part of the final study. The final study will be provided to members of the LIAAC. PWSA will explain, if applicable, why any recommendations of LIAAC members were not incorporated into the final study.
3. Bill Discount Program (“BDP”)
- a. PWSA agrees to increase from 50% to 60% the volumetric discount available to customers with annual income at or below 50% of FPL.
 - b. PWSA will implement its proposal to expand the BDP maximum income eligibility from 150% to 200%.
 - c. PWSA withdraws its proposal to revise the current BDP structure effective January 1, 2025 in recognition of its agreement not to implement its proposed rate structure change to remove the minimum charge.
 - d. In recognition of the fact that PWSA will be removing the minimum charge and the readiness-to-serve component from the customer charge in its next rate case and this will adversely impact the discount available to BDP customers, in its next base rate case, PWSA will propose a BDP structure that ensures that BDP customers receive at least the same discount on a total bill basis as they are currently receiving under the rate design implemented as a result of this settlement.
 - e. PWSA will provide a 50% reduction for BDP participants for the PennVest Charge.
 - f. Arrearage Forgiveness Program (“AFP”)
 - i. PWSA agrees to increase the current \$30 credit toward a participant’s arrears to \$40.
 - ii. In the next base rate case filed by PWSA, it shall propose to implement a change to its AFP that would allow then existing and all future participants to receive arrearage forgiveness over no

longer than a 36 month period and will not require AFP participants to make a co-payment towards the pre-program frozen arrears. All parties reserve their rights regarding any cost recovery proposal proposed regarding the AFP.

4. Hardship Fund

- a. PWSA will implement its initial proposal to allocate two separate annual grants; one to be distributed to eligible water customers and one to be distributed to eligible wastewater customers.
- b. The maximum Hardship Fund grant will be increased from \$300 to \$450.
- c. PWSA agrees to include an allocation in rates as necessary to continue to fund the Hardship Fund when current settlement funds are exhausted and to the extent employee and other volunteer donations are insufficient.

5. Low Income Assistance Advisory Committee (“LIAAC”)

- a. PWSA commits to leading a discussion of the LIAAC members regarding the following topics:
 - i. Evaluation of the potential benefits of developing a program to provide no-cost stormwater mitigation measures for customers.
 - ii. Consideration of how enhanced technology could increase the enrollment and retention of low income customers in PWSA’s low income customer assistance programs.
 - iii. Discussion of how or whether to encourage low income tenants to transfer service into their own name.
- b. As part of its next base rate case, PWSA will report on the results of its collaboration with LIAAC regarding the above topics and include any proposed recommendations resulting from the collaboration.

F. Engineering and Operations Issues

1. Customer Complaint Logs

- a. PWSA agrees to maintain complete data regarding customer complaints, work order and service logs which can be made available via Excel in response to any discovery requests by the parties in, e.g., PWSA’s next base rate case. If the data is requested as part of discovery, the parties agree to collaborate on an informal basis to ensure that it is provided in a mutually acceptable and reasonably sortable format.

2. High Pressures
 - a. PWSA will continue to capture pressure inquiries or complaints in its work order logs.
3. Isolation Valves
 - a. PWSA will continue its valve exercising program where all valves are inspected and exercised on a 5-year cycle.
 - b. Starting by or before the fourth quarter of 2024, PWSA will use best efforts to inspect and exercise critical valves on a 3-year cycle.
 - c. PWSA shall maintain records of when each valve is exercised.
4. Meter Testing and Replacement
 - a. PWSA will use best efforts to test or replace 8,000 meters per calendar year after 2023 until all undocumented meters are either tested or replaced.
5. Flushing Distribution System.
 - a. PWSA will continue to make an effort to identify, locate and track dead-end lines to make sure they have a blow-off or hydrant so they can be flushed.
6. Surface Restoration
 - a. PWSA will continue to coordinate with the City of Pittsburgh and other municipalities to replace water and sewer mains, as much as possible, just prior to repaving.
 - b. PWSA will continue to coordinate projects that are not part of an emergency, Department of Environmental Protection or Environmental Protection Agency deadline with the City of Pittsburgh, the Department of Transportation and other public utilities.

IV. ADDITIONAL TERMS AND CONDITIONS

10. The Commission's approval of the Settlement shall not be construed as approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement the Settlement.

11. It is understood and agreed among the Joint Petitioners that the Settlement is a “black box” settlement,⁴ the result of compromise and does not necessarily represent the position(s) that would be advanced by any party in this or any other proceeding, if it were fully litigated.
12. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner that is fair and reasonable to the Joint Petitioners and consistent with the public interest. The Settlement represents a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings, except to the extent necessary to effectuate the terms and conditions of this Settlement.
13. This Settlement is conditioned upon the Commission’s approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify any terms and conditions herein, PWSA or any Joint Petitioner may withdraw from this Settlement, upon written notice to the Commission and all parties within five (5) business days following entry of the Commission’s Order and, in such event, the Settlement shall be of no force and effect. In the event that the Commission disapproves the Settlement or PWSA or any other Joint Petitioner elects to withdraw from the Settlement as provided above, each of the Joint Petitioners reserves their respective rights to fully litigate this case including, but not limited to, presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

⁴ As used herein, black box settlement refers to a settlement in which the agreed upon level of rates and revenue requirements are specified but not linked to particular assumptions or positions made or taken by the parties in the litigation.

14. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated the issues resolved by the Settlement and will result in the establishment of terms and conditions that – until changed on a going-forward basis as provided in the Public Utility Code – are in accordance with the law and in the public interest.
15. If the ALJ, in her Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions with respect to any issues addressed by the Settlement. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to: (a) any modifications to the terms and conditions of this Settlement; or, (b) any additional matters proposed by the ALJ in her Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.
16. This Settlement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.
17. PWSA will serve a copy of the Settlement upon the customer complainants. Such service will also include correspondence developed by the OCA to advise the complainants that they may comment or object to the Joint Petition by November 9, 2023, by submitting the comment or objection to the Commission with a copy emailed to the presiding ALJ. The Joint Petitioners recognize that this Joint Petition does not bind the customer complainants. Nothing herein is intended to limit in any way any position which any Joint Petitioner may take concerning any comment or objection to the Settlement that may be filed by the customer complainants.

V. THE SETTLEMENT IS IN THE PUBLIC INTEREST

18. This Settlement was achieved by the Joint Petitioners after an extensive investigation of PWSA's filings in the context of current and future projected increases in capital costs, the impact of inflation on operating budget costs, anticipated future regulatory and environmental compliance costs, decreased consumption, and ensuring sufficient funding to meet new financial obligations and improve financial metrics that impact PWSA's bond rating, and the impacts of such factors on the Joint Petitioners. The Joint Petitioners engaged in extensive informal and formal discovery and numerous settlement discussions. They also carefully reviewed and considered the direct, supplemental direct, rebuttal, surrebuttal, and rejoinder testimony (including all the supporting exhibits) filed by PWSA and the Joint Petitioners.
19. The Joint Petitioners submit that the Settlement is in the public interest for the following additional reasons:
- a. **The Settlement Provides A Reasonable Resolution.** The Settlement represents a balanced compromise of the issues raised by the active parties in this proceeding while recognizing the benefit to PWSA's ratepayers of providing PWSA with the opportunity to receive sufficient revenue to fund the provision of adequate, efficient, safe and reasonable service. The Settlement is also responsive to concerns about customer impacts including affordability, customer service, and continued outreach and evaluation regarding PWSA's stormwater rates and mitigation measures.
 - b. **Substantial Litigation And Associated Costs Will Be Avoided.** The Settlement amicably and expeditiously resolves a substantial number of issues permitting PWSA to provide safe and effective service at just and reasonable rates by focusing resources on implementing the agreed-to rates, the PennVest Charge and the other customer-focused commitments while also enabling PWSA to develop the processes necessary to propose a new rate structure design without the minimum charge in its next base rate case.
 - c. **The Settlement Is Consistent With Commission Policies Promoting Negotiated Settlements.** The Joint Petitioners arrived at the Settlement after conducting extensive discovery and numerous in-depth discussions. The Settlement contains reasonably negotiated

compromises on the issues addressed. Thus, the Settlement is consistent with the Commission's rules and practices encouraging settlements, 52 Pa. Code §§ 5.231, 69.391, 69.401-69.406, and is supported by substantial evidence of record.

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that the ALJ approve the Settlement as set forth herein, including all terms and conditions, without modification.

Respectfully submitted,



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Appendix A

To

**Joint Petition for
Settlement**

Docket Nos.

R-2023-3039919, et. al.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PROCEDURAL HISTORY, STIPULATION OF FACTS, CONCLUSIONS OF LAW
AND ORDERING PARAGRAPHS**

Procedural History

1. On May 9, 2023, PWSA filed a multi-year base rate increase request for water,¹ wastewater conveyance,² and stormwater service³ over three years (collectively, the “Rate Filing”).⁴ The Rate Filing included an overall revenue increase of \$46.8 million or 22.5% in the FPFTY (FY 2024), \$45.4 million or 17.8% in the second year of the MYRP (FY 2025), and \$53.9 million or 17.9% in the third year of the MYRP (FY 2026). This total amount of rate increases included assessment of a 7.5% DSIC in 2024 and the implementation of a proposed Customer Assistance Charge⁵ (“CAC”) and a proposed Infrastructure Improvement Charge⁶ (“IIC”) in 2025.

¹ PWSA filed Supplement No. 12 Tariff Water - Pa. P.U.C. No. 1 (Supplement No. 12) with the Commission to become effective July 8, 2023 (the “Water Rate Filing”). Supplement No. 12 proposes a multi-year rate increase that would increase PWSA’s total annual operating revenues for water service by approximately \$36.5 million, or 27.3%, through rates effective February 8, 2024, by approximately \$32 million, or 18.8%, through rates effective January 1, 2025, and by approximately \$38.3 million, or 18.9%, through rates effective January 1, 2026.

² PWSA filed Supplement No. 11 Tariff Wastewater - Pa. P.U.C. No. 1 (Supplement No. 11) with the Commission to become effective July 8, 2023 (the “Wastewater Rate Filing”). Supplement No. 11 proposes a multi-year rate increase that would increase PWSA-WW’s total annual operating revenues for wastewater service by approximately \$3.3 million, or 6.5%, through rates effective February 8, 2024, by approximately \$6.9 million, or 12.6%, through rates effective January 1, 2025, and by approximately \$9.5 million, or 15.4%, through rates effective January 1, 2026.

³ PWSA filed Supplement No. 3 Tariff Storm Water - Pa. P.U.C. No. 1 (Supplement No. 3) with the Commission to become effective July 8, 2023 (the “Stormwater Rate Filing”). Supplement No. 3 proposes a multi-year rate increase that would increase PWSA-SW’s total annual operating revenues for stormwater service by approximately \$6.7 million, or 28.2%, through rates effective February 8, 2024, by approximately \$6.5 million, or 21.4%, through rates effective January 1, 2025, and by approximately \$6.2 million, or 16.7%, through rates effective January 1, 2026.

⁴ See Docket Nos. R-2023-3039919 (stormwater), R-20232-309920 (water), and R-2023-3039921 (wastewater).

⁵ PWSA’s position is that its proposed CAC was designed to recover the costs incurred to administer the Customer Assistance Program (“CAP”) and to recover forgone revenue resulting from discounts provided to customers participating in PWSA’s CAP. PWSA St. No. 7 at 48.

⁶ PWSA’s position is that its proposed IIC was designed to recover the debt service for all 3 PENNVEST and WIFIA loans either awarded (although currently only in the 4 construction drawdown phase) or commencing in or after FY 2025. PWSA St. No. 7 at 48.

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2. That same day, PWSA also filed in the Rate Filing a Petition for Waiver of Statutory Definition of Fully Projected Future Test Year (“FPFTY Petition”), and a Petition for Consolidation of Water, Wastewater and Stormwater Rate Proceedings and for Authorization to Use Combined Water, Wastewater and Stormwater Revenue Requirements (“Revenue Consolidation Petition”).
3. PWSA also filed, on May 9, 2023, a Petition for Authorization to Implement a Customer Assistance Charge (“CAC Petition”),⁷ and a Petition for Authorization to Increase Water and Wastewater DSIC Charge Caps to 7.5% (“DSIC Petition”).⁸
4. On May 18, 2023, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance. Formal Complaints were filed by the Office of Small Business Advocate (“OSBA”) and the Office of Consumer Advocate (“OCA”) on May 19, 2023 and May 23, 2023, respectively.
5. On May 23, 2023, PWSA filed a Petition to Consolidate its DSIC Petition and CAC Petition with the Rate Filing (“DSIC and CAC Consolidation Petition”).
6. On June 12, 2023, Pittsburgh United’s Our Water Table (“Pittsburgh United”) filed a Petition to Intervene.
7. On June 15, 2023, the Commission entered three individual Suspension Orders which, in total, suspended the Rate Filing by operation of law until February 8, 2024, unless otherwise directed by Order of the Commission. The Suspension Orders also assigned the Rate Filing to the Office of Administrative Law Judge (“OALJ”) for the prompt scheduling of hearings as may be necessary culminating in the issuance of a

⁷ Docketed at No. P-2023-3040578.

⁸ Docketed at Nos. P-2023-3040734 (water) and P-2023-3040735 (wastewater).

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recommended decision. PWSA's Rate Filing and the above described petitions were assigned to Administrative Law Judge Gail M. Chiodo (the "ALJ")

8. On June 16, 2023, a Telephonic Prehearing Conference Notice was issued by the ALJ in the Rate Filing scheduling a Prehearing Conference for June 29, 2023.
9. On June 26, 2023, a Petition to Intervene was filed by the School District of Pittsburgh ("School District").
10. On June 27, 2023, a Petition to Intervene was filed by the City of Pittsburgh ("the City").
11. On June 27, 2023, in accordance with the Prehearing Conference Order, Prehearing Memoranda were filed by PWSA, I&E, OCA, OSBA, Pittsburgh United, the City and the School District.
12. On June 29, 2023, a Prehearing Conference was held as scheduled. The following parties were represented by counsel: PWSA, I&E, OCA, OSBA, Pittsburgh United, the City, and the School District. Various procedural matters were discussed including a litigation schedule, which was adopted at the prehearing conference. The parties also agreed to other procedural matters including the manner of service. None of the parties opposed the Petitions to Intervene filed by Pittsburgh United, School District, and the City or PWSA's Petition to consolidate base rate filings (water, wastewater, and stormwater).
13. On July 10, 2023, a Scheduling Order was issued which, *inter alia*, memorialized the litigation scheduled adopted at the Prehearing Conference, granted the Petitions to Intervene filed to date, granted PWSA's petitions to consolidate the proceedings, and modified the Commission's discovery regulations.⁹ In a second Order entered on July 10, 2023, ALJ Chiodo granted PWSA's Revenue Consolidation Petition.

⁹ On July 13, 2023, an Amended Scheduling Order was issued concerning only paragraph number 22 of the Scheduling Order which addressed the briefs and rates tables of the parties.

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14. On July 14, 2023, a Petition to Intervene in the Stormwater Rate Filing was filed by River Development Corporation (“RDC” or “River Development”). The Petition was granted by Order dated July 28, 2023.¹⁰
15. Consumer complaints were also filed by Lisa Banal (C-2023-3041703), Johnathan Bergholz (C-2023-3041707, C-2023-3041709, C-2023-3041708), Katherine Shingler (C-2023-3041815; C-2023-3041816; C-2023-3041817) and Renee Abrams (C-2023-3041818).

Parties

16. PWSA is a municipal authority. It is a body politic and corporate, organized and existing under the Pennsylvania Municipality Authorities Act, 53 Pa. C.S. §§ 5601, *et seq.* PWSA is regulated as a public utility pursuant to the Public Utility Code. 66 Pa. C.S. § 3201, *et seq.* As a public utility, the Authority provides water service to approximately 80,000 residential, commercial and industrial customers in portions of the City of Pittsburgh (“City”); the Borough of Millvale; and portions of Reserve, O’Hara, and Blawnox Townships, Allegheny County. The Authority also provides wastewater conveyance service and stormwater service to customers located in the City and conveys wastewater for portions of twenty-four neighboring communities.
17. The Bureau of Investigation and Enforcement (“I&E”) was created by the Commission pursuant to 66 Pa. C.S. § 308.2(a)(7) as a prosecutory bureau for purposes of, *inter alia*, representing the public interest in ratemaking matters before the Office of Administrative Law Judge (“OALJ”). *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered August 11, 2011, at 4-5).

¹⁰ <https://www.puc.pa.gov/pdocs/1794233.docx>.

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18. The Office of Consumer Advocate (“OCA”) is empowered to represent the interests of Pennsylvania consumers before the Commission, pursuant to Act 1976-161 of the General Assembly, as amended, 71 Pa. C.S. §§ 3-901 *et seq.* The OCA is statutorily charged with representing the interests of consumers in matters properly before the Commission related to PWSA (a water and sewer authority in a City of the Second Class). 66 Pa. C.S. § 3206(a).
19. The Office of Small Business Advocate (“OSBA”) is 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 of utility services in matters before the Commission.
20. Pittsburgh United’s Our Water Table (“Pittsburgh United”) is a coalition of community, labor, faith, and environmental organizations committed to advancing the vision of a community and economy that works for all people. Its members work collectively to build a community whereby all workers are able to care for themselves and raise their families, sharing in the prosperity generated by economic growth and development.
21. The City of Pittsburgh (“City”), a Home Rule Municipality organized and existing under the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. §§ 2901 *et seq.* and city of the second class by statutory designation, is a political subdivision of the Commonwealth of Pennsylvania. The City established PWSA in 1984 to assume responsibility for operating the City’s water supply and distribution and wastewater collection systems.
22. The School District of Pittsburgh (“School District”) is organized and maintains its existence under the Act of March 10, 1949, P.L. 30, known as the Public School Code of 1949, as amended. The School District is classified by population as a first class-A school district and is fully accredited by the Middle States Association for Elementary

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and Secondary Schools. As an independent government unit in Pennsylvania, the School District owns real property comprising more than sixty-five buildings in the City of Pittsburgh and is a water, wastewater and stormwater customer of PWSA at many of the School District's properties.

23. River Development Corporation ("RDC") is a Domestic Business Corporation established in 1996 and is a certified Minority & Women-Owned Business Enterprise. As a business with a septic system, RDC became a customer of PWSA in January 2022 when stormwater rates were initially implemented.

Progress of the Proceeding

24. The parties in this proceeding began serving discovery to PWSA on May 18, 2023 with the last set of discovery served to PWSA on September 12, 2023. PWSA reports that it responded to almost 1,200 discovery requests (inclusive of subparts) and that the parties collectively responded to almost nearly 300 discovery requests from PWSA and each other.
25. On June 22, 2023, PWSA filed Revised Schedule FR III.2 and on July 12, 2023, PWSA filed Second Revised Schedule FR III.1. On September 6, 2023, PWSA also filed notice that it had served a corrected version of PWSA St. No. 2 to the parties and the ALJ.
26. Six public input hearings were held on each of the following days: two on July 25, 2023 (in-person),¹¹ two on July 27, 2023 (telephonic),¹² and two on August 29, 2023 (telephonic).¹³ On September 20, 2023, PWSA filed its Proof of Publication for each

¹¹ Tr. 49-155.

¹² Tr. 156-306.

¹³ Tr. 323-437.

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hearing as well as a description of its published notification of the Public Input Hearings on its website and social media.

27. Pursuant to the litigation schedule, written direct testimony was served on August 9, 2023 by I&E, OCA, OSBA, Pittsburgh United, the School District and RDC. On September 8, 2023, written rebuttal testimony was served by PWSA, OCA, OSBA and Pittsburgh United. Written surrebuttal testimony from I&E, OCA, OSBA, the School District and Pittsburgh United was served on September 22, 2023. While PWSA also served written surrebuttal testimony on September 22, 2023, it subsequently filed a letter with the Commission noting the desire to withdraw the testimony and not submit it for the record. Finally, on September 29, 2023, written rejoinder testimony was served by PWSA.
28. On September 29, 2023, the City filed a Motion to Exclude and Objection to Admission of School District of the City of Pittsburgh Testimony that Violates Due Process Rights and PUC Procedural Regulations which was ultimately resolved pursuant to a Stipulation Between the City of Pittsburgh and the School District of Pittsburgh dated October 3, 2023 .
29. An evidentiary hearing was held on October 4, 2023 wherein all previously served testimony, with the exception of the direct testimony of RDC, was admitted into the record. In addition to the Stipulation Between the City of Pittsburgh and the School District of Pittsburgh, a Joint Stipulation of the Pittsburgh Water and Sewer Authority and Office of Consumer Advocate (PWSA Hearing Exhibit 2) was admitted into the record.
30. Following the evidentiary hearing, all the parties continued to discuss potential settlement of the issues and, on October 17, 2023, PWSA notified the ALJ that a full settlement of

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all issues with all parties had been reached. Pursuant to the litigation schedule, the parties stated that they would not be filing Main Briefs on October 19, 2023 but, instead, would be submitting a Joint Petition for Settlement together with Statements in Support on October 30, 2023.

Specific Information Regarding PWSA's Base Rate Proposals

31. PWSA's original base rate filing requested a multi-year total overall increase of \$146.1 million in its combined water, wastewater conveyance and stormwater rates, inclusive of the Distribution System Improvement Charge ("DSIC") cap increase from 5.0% to 7.5%. This includes a \$46.8 million or 22.5% increase in the FPFTY (FY 2024), \$45.4 million or 17.8% in FY 2025, and \$53.9 million or 17.9% in FY 2025. (PWSA St. No. 1 at 13; PWSA St. No. 2 at 4, 27-28).
32. PWSA witnesses testified that the major cost drivers behind its proposed rate increase included: (a) inflationary operating budget costs; (b) capital costs; (c) the expansion of operations to address environmental compliance; (d) continued adherence to financial obligations; and (e) improvements to the financial metrics that impact PWSA's bond rating. (PWSA St. No. 1 at 13; PWSA St. No. 2 at 5).
33. PWSA's estimated increase in operating costs, as explained by PWSA, stems largely from inflation. PWSA's witnesses testified that the annual inflation rate was 4.70% in 2021, 8.00% in 2022 and 6.89% for the first quarter of 2023. In its filing, as supported by its witness testimony, PWSA stated that a continuation of this trend would result in an estimated increase in inflation of 19.59% over a three-year period. The estimated combined total 2022 and 2023 inflation rate of 14.89% exceeded the 10.98% increase approved in PWSA's last base rate case in 2021. PWSA's witnesses testified that, to

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some degree, inflation is a primary or secondary factor for all operating cost increases PWSA is facing. (PWSA St. No. 1 at 17; PWSA St. No. 2 at 10-12).

34. The 2023-2027 Capital Improvement Plan (“CIP”) approved by PWSA’s Board of Directors on October 28, 2022 includes over \$1.8 billion in capital improvements, which is the result of multiple decades of deferred maintenance and lack of capital investment. The CIP includes detailed information about PWSA’s construction projects related to Water Treatment Plant, Water Pumping and Storage, Water Distribution, Wastewater, Stormwater, and Miscellaneous Projects. (PWSA St. No. 2 at 21-23; PWSA Exhibit EB-4; PWSA St. at 3-4, 6-7).
35. The criteria PWSA uses to evaluate and prioritize capital projects include: (a) regulatory compliance; (b) safety; (c) operating efficiency; (d) quality of service; (e) organizational goals; and (f) social impact. (PWSA St. No. 4 at 5-6).
36. PWSA’s witnesses explained that when a legal mandate has been issued, PWSA prioritizes its capital projects accordingly such that it places the highest priority on non-negotiable regulatory requirements. The current CIP includes funding for projects that are related to the Consent Order and Agreement (“COA”) issued by the Pennsylvania Department of Environmental Protection (“DEP”) on September 6, 2019. Specific obligations under the 2019 COA include construction of a clearwell bypass system to ensure uninterrupted water supply service should the existing clearwell prematurely fail and the rehabilitation or replacement of designated mains and pumpstations. (PWSA St. No. 1 at 17-18; PWSA St. No. 4 at 8-10, 16-18).
37. PWSA’s witnesses testified that the Capital Budget, as reflected in the CIP, includes \$349.2 million for FY 2024, \$398.5 million for FY 2025 and \$390.6 million for FY 2026.

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- Included in these amounts are costs associated with the COA, anticipated Wet Weather Consent Decree, and unrelated water main replacement program (which entails lead service line identification and replacement. As further explained by PWSA’s witnesses, the majority of the remaining capital requirements in FPFTY 2024 represent funding for annual replacement costs associated with meters, sewer lines, valves, hydrants, catch basins, and stormwater improvements. (PWSA St. No. 2 at 22-23).
38. For all the reasons explained in its supporting witnesses’ testimony, PWSA proposed capital revenue requirements of \$24.0 million in the FPFTY, \$27.0 million in FY 2025 and \$28.6 million in FY 2026 to support the CIP make up about 55% of the total revenue requirement sought by this rate case. (PWSA St. No. 2 at 24).
39. The total approved budget in the 2023-2027 CIP for construction projects that are necessary to comply with the 2019 COA is approximately \$377 million. PWSA claimed that a failure to timely comply with the obligations established by the 2019 COA would result in the imposition of civil penalties, including one-time amounts and per days amounts for continuing violations. (PWSA St. No. 1 at 17-18; PWSA St. No. 2 at 21-22; PWSA St. No. 4 at 15, 18-19).
40. PWSA transitioned the Lead Service Line Replacement program to its ongoing water main replacement program. This approach allows PWSA to complete the replacement of the publicly owned portions of the individual lead service lines concurrent with the replacement of again water distribution mains. (PWSA St. No. 4 at 19-20).
41. As a municipal authority, PWSA’s only available sources to fund capital improvements are debt, grants, and internally generated funds (pay-as-you-go or “PAYGO”). PAYGO is funded by base rates and the DSIC. (PWSA St. No. 2 at 26-29; PWSA St. No. 4 at 6).

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42. PWSA anticipates that its CIP projects will result in significant construction expenditures, requiring the Authority to increase its debt service by \$56.0 million. The service revenue requirement included in this rate request is comprised of Water Infrastructure Finance and Innovation Act (“WIFIA”) Loans, Public Debt, PennVest Loans and a Capital Line of Credit. (PWSA St. No. 2 at 24-30).
43. As of February 1, 2023, PWSA had \$1.5 billion of bonds outstanding, comprised of approximately \$744.0 million issued under the Senior Lien; \$104.2 million issued as Subordinate Bonds; and \$678.1 million issued as Secondary Subordinate Lien. Current PWSA management plans to be prudent with future debt issuances, with the goal of minimizing risks and keeping debt costs as low as possible for ratepayers. This is being achieved through the continued pursuit of low-cost financing from PennVest and WIFIA. (PWSA St. No. 2 at 30-32).
44. PWSA explained that its most important financial metrics are debt service coverage ratios; additional bonds test; reserves and liquidity; and bond ratings. (PWSA St. No. 2 at 34-44).
45. Until January 1, 2025, PWSA is required to comply with the terms of a 2019 Cooperation Agreement between the City of Pittsburgh and PWSA. PWSA’s obligations under the 2019 Cooperation Agreement include, but are not limited to: (i) responsibility for the operation, maintenance, repair and replacement of water mains in City Parks, and for existing and new service lines, which provide water service to City Parks larger than 50 acres; (ii) responsibility for the operation, maintenance, repair and replacement of sanitary sewer and combined sewer mains in City Parks, and for existing and new sewer laterals within City Parks larger than 50 acres; and (iii) responsibility for the operation,

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maintenance, repair and replacement of water mains providing water service to City properties, and the operation, maintenance, repair, and replacement of sanitary sewer and combination sewer mains on City properties. The 2019 Cooperation Agreement also addresses PWSA's obligations relating to service lines and sewer laterals on City properties, establishes a phase-in of PWSA charges on City-owned metered properties for all water usage and fire hydrant usage, and provides for the assessment of a City Payroll Tax on PWSA, as well as taxes that would be due pursuant to the Pennsylvania Public Utility Realty Tax. (PWSA St. No. 1 at 21-22; PWSA St. No. 1-R at 12-13; PWSA Exhibit WJP-2).

46. As part of this proceeding, PWSA proposed to begin phasing out the minimum water and wastewater charges starting in 2024 and completely removing them in 2025. PWSA proposed this transition due to the rate impacts that would flow to customers as a result of the removal of the minimum allowance, as well as the developmental and operational work that would be necessary to implement the new rate structure. (PWSA St. No. 1 at 15; PWSA St. No. 2 at 48-49; PWSA St. No. 6 at 25-26; PWSA St. No. 7 at 29-30).
47. PWSA proposed to continue implementation of stormwater charges based on the amount of impervious surface area on a property. The Stormwater Strategic Plan that is undergoing finalization recognizes that system integration and resiliency are an important part of future stormwater control planning for the service area. The primary goals of PWSA's stormwater program are to reduce Combined Sewer Overflow volume; implement a stormwater asset management program; define a publicly accepted level of stormwater management capacity; achieve regulatory compliance; develop partnership with government and other agencies to access eligible funds for flood protection and

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water quality projects; and establish an affordable stormwater utility fee structure.

PWSA's 2023-2029 stormwater capital budget is \$161.4 million, with \$34.8 million designated for the FPFTY. Total costs are currently unknown due to the need to negotiate specific roles and responsibilities for managing stormwater within the City of Pittsburgh. Under the Stormwater Strategic Plan, PWSA has an ongoing commitment to public engagement and outreach. (PWSA St. No. 1 at 10-11; 20-21; PWSA St. No. 5 at 3, 23-24, 27-28, 30; PWSA St. No. 8 at 4-7).

48. Under PWSA's proposal, residential customers would continue to be billed for stormwater charges under a three-tiered rate structure based on the number of Equivalent Residential Units ("ERUs"), which is the amount of impervious area found on a typical residential property in the service area and is about 1,650 square feet. The amount of ERUs of impervious area is also the billing unit that PWSA proposes to continue using to calculate the stormwater fee for non-residential properties. (PWSA St. No. 8 at 8-12).
49. PWSA's filing includes a proposal to continue offering a stormwater credit program that allows customers to reduce their monthly stormwater charges. In addition, PWSA proposed two updates as follows: (a) more explicitly showing how non-residential properties can receive existing 45% and 60% credits through passive management of stormwater via the property's green space; and (b) a one-time \$40 credit for installed rain barrels that capture and retain roof runoff from residential properties. (PWSA St. No. 8 at 16-18).
50. In its filing, PWSA described existing low-income customer assistance programs and proposed enhancements to these programs, including: (a) expansion of eligibility for the Bill Discount Program ("BDP") from 150% of Federal Poverty Level ("FPL") to 200%

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FPL; (b) allocation of two, separate \$300 Hardship Grants for eligible water and wastewater customers, funded by rates in the amount of \$432,640; and (c) the allocation of \$720,000 for the Arrearage Forgiveness program to support the grants and credits provided to eligible customers. (PWSA St. No. 1 at 15-17; PWSA St. No. 6 at 34-38).

51. Pursuant to Section 1330 of the Public Utility Code, and the Commission’s Policy Statement at 52 Pa. Code § 69.3302, PWSA further proposed to implement a multi-year rate increase. The intent of this proposal, as explained by PWSA’s witnesses was to give the Authority a level of financial security and better access to the capital markets, as well as to reduce the frequency of filing base rate cases. (PWSA St. No. 1 at 14; PWSA St. No. 2 at 44-47).
52. In addition, PWSA proposed to implement an Infrastructure Improvement Charge (“IIC”) starting in FY 2025. Under the IIC, PWSA proposed to establish a clause that its witnesses explained were intended to be consistent with the Commission’s Policy Statement at 52 Pa. Code § 69.363, which authorizes water and wastewater utilities to recover in an automatic adjustment clause PennVest principal and interest obligations, and to expand it to include the WIFIA, which, in the view of PWSA’s witnesses is the federal government equivalent of PennVest. PWSA’s witnesses explained that the IIC would expedite the Authority’s ability to obtain additional low-cost funding through PennVest and WIFIA by having a stable revenue source to ensure the required debt covenants and additional bonds test can be met, in addition to having funds available to pay annual debt service. PWSA’s witnesses explained how this would allow PWSA to keep rates as low as possible by financing its CIP with lost low-cost funding programs.

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PWSA's proposed to offer a 50% reduction to the IIC for customers on the BDP.

(PWSA St. No. 1 at 14-15; PWSA St. No. 2 at 47-49; PWSA St. No. 6 at 37).

53. PWSA further proposed to implement a reconcilable Customer Assistance Charge ("CAC") in FY 2025. PWSA explained that while it values the benefits that its customer service assistance program provides to vulnerable ratepayers, the administration of the program has been increasingly expensive. As proposed, the CAC would have recovered: (a) the discounts provided to customers pursuant to the BDP; (b) the operating costs for the PGH2O Cares team; (c) the costs of PWSA's Hardship Funding; and (d) past due arrearages forgiven pursuant to PWSA's Arrearage Forgiveness Program ("AFP").

PWSA proposed to offer a 100% reduction in the CAC to BDP customers. (PWSA St. No. 1 at 15; PWSA St. No. 2 at 49-50; PWSA St. No. 6 at 37).

54. In its filing, PWSA explained that pursuant to a settlement commitment made in the last base rate case, the Authority performed a cost-benefit analysis regarding a possible restructuring of its current AFP that would have included: (a) reducing the customer's account balance by 1/36th of the original pre-program balance account; (b) at the time of enrollment, separating (or "freezing") the customer's total arrears from their current and future bills; (c) forgiving the frozen arrearage at a rate of 1/36th per month for each month the customer timely and fully pays the bill; and (d) retroactively forgiving arrearages for customers who miss a monthly bill payment but make catch-up payments. Under the cost-benefit analysis, PWSA calculated that it would lose an estimated \$900,000 if the program were restructured in this manner and therefore PWSA did not pursue a restructuring of the program in this case. (PWSA St. No. 2 at 51-52; PWSA St. No. 6 at 45-47).

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55. As part of its original filing, PWSA addressed several other issues, including: Lead Levels and Lead Service Line Replacement (PWSA St. No. 1 at 6-7); Financial Policies and Goals (PWSA St. No. 9 at 6-16); Capital Markets Considerations (PWSA St. No. 9 at 16-22); Peer Review of Financial Metrics (PWSA St. No. 9 at 23-36); Cost of Service, Cost Allocations and Rate Design (PWSA St. No. 7); Customer Service and Collections Updates (PWSA St. No. 1 at 11; PWSA St. No. 6 at 3-22; PWSA St. No. 6 at 34-38); Results of Complaint Root Cause Analysis (PWSA St. No. 6 at 39-45); Summary of Stormwater Fee Disputes (PWSA St. No. 6 at 50-51); Updates on Operations Activities (PWSA St. No. 3); and Environmental Compliance Plan (PWSA St. No. 1 at 12-13, 23-25).

Key Positions of Opposing Parties

56. I&E, OCA, OSBA Pittsburgh United, and the School District (collectively, “Opposing Parties”) submitted testimony challenging many of the proposals in PWSA’s rate filing. (I&E St. Nos. 1-3; OCA Sts. 1-6; OSBA St. No. 1; Pittsburgh United St. No. 1; and School District St. Nos. 1-2).
57. While I&E initially proposed adjustments resulting in a decrease to PWSA’s revenue requirements, I&E modified its proposal in Surrebuttal Testimony to propose an increase for the FPFTY in the amount of \$25.0 million. (I&E St. No. 1 at 6-7; I&E St. No. 1-SR at 3-5). OCA proposed adjustments resulting in an increase to PWSA’s revenue requirements in the amount of \$30.6 million for the FPFTY only. (OCA St. 1 at 10-11). Although OSBA proposed adjustments, reducing the FPFTY revenue by \$7.9 million, it did not offer a recommendation for a specific total revenue requirement. (OSBA St. No. 1 at 3-5).

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58. In addition, OCA and OSBA opposed PWSA's proposal to increase its DSIC cap from 5.0% to 7.5%. (OCA St. 2 at 19-23; OSBA St. No. 1 at 5, 15-17).
59. Further, I&E and OCA opposed PWSA's proposal for a multi-year rate plan. (I&E St. No. 1 at 7-9; I&E St. No. 2 at 4-6; I&E St. No. 3 at 4-18; OCA St. 1 at 4-5; OCA St. 2 at 3-18; OCA St. 3 at 3, 10; OCA St. 4 at 37; OCA St. 5 at 12).
60. The OCA's position was that in order to avoid setting three years of rates based on what it identified as historically inaccurate and now significantly more ambitious projections, and in recognition of what it viewed as several statutory, regulatory, and practical deficiencies of PWSA's MYRP proposal, PWSA's rates should be set solely based on the FPFTY ending December 31, 2024. (OCA St. 2 at 18).
61. Additionally, Opposing Parties raised issues concerning the appropriateness of PWSA's allocation of certain costs to customer classes in the cost of service studies, as well as the proposed rate design and allocation of any rate increase to the customer classes. (I&E St. No. 3 at 25, 33-34; OCA St. 3 at 9-15, 19-21; OSBA St. No. 1 at 5, 17-21).
62. As to cost allocation, OCA noted that revenues for the Wholesale class are less than the indicated cost of service. OCA's witnesses explained that PWSA is a party to three wholesale contracts that obligate PWSA to terms that under-recover actual costs to provide wholesale service by approximately \$9 million in FY 2024, and this shortfall is allocated to other customers. On that basis, OCA recommended that PWSA issue a notice of termination for each of the Wholesale agreements and negotiate new agreements that provide for movement toward cost of service rates. (OCA St. 3 at 3-4, 9-10).

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63. In their testimony on rate design, both OCA and I&E opposed the inclusion of a readiness-to-serve component in the customer charges. (OCA St. 3 at 15, 20-21; I&E St. No. 3 at 31).
64. With respect to removal of the minimum charge, I&E agreed with the PWSA's proposal but recommended that the change be delayed until FY 2025 and occur on a revenue neutral basis. (I&E St. No. 3 at 32-33). Although OCA also agreed with the proposal to eliminate the minimum allowance, OCA opposed conditioning this change on approval of the multi-year rate plan and the proposed IICs and CAC. (OCA St. 3 at 13-14, 19-20).
65. I&E and OCA opposed the proposed IIC. One of the multiple bases of opposition was that PWSA did not propose to include the IIC as a separate line item on the bill. (I&E St. No. 1 at 24-26; OCA St. 2 at 28-32).
66. OCA also opposed the CAC proposed by PWSA. (OCA St. 2 at 32-35).
67. OSBA opposed the funding of CAP by non-residential customers. (OSBA 1 at 17-21; OSBA St. 1-R at 1-4).
68. Further, the School District disputed certain aspects of PWSA's stormwater fee, stormwater tariff, and stormwater management program, including issues as to the availability of stormwater credits, the use of community-based public-private partnerships and the method for calculating stormwater charges. The School District made recommendations related to these topics, including proposals for an exemption or discount that would be applicable to the School District. (School District St. Nos. 1 and 2; School District St. Nos. 1-SR and 2-SR).
69. Additionally, OCA challenged the adequacy of PWSA's existing customer service, critiqued a root cause analysis performed by PWSA of complaints, opposed PWSA's

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proposal to resume the imposition of charges associated with credit cards and debit cards, and raised concerns about PWSA's issuance of a request for proposals by third-party debt collection agencies. (OCA St. 5 at 3-4, 7-21).

70. OCA and Pittsburgh United also contended that PWSA's proposals to address low income customer assistance issues were inadequate and offered recommendations to enhance PWSA's handling of those issues. Among the enhancements proposed by OCA and Pittsburgh United are: (a) enrollment of more participants, including tenants, in the BDP; (b) an additional tier to reflect income ranges between 50% and 150% FPL; (c) expansion of volumetric discounts for customers at or below 50% FPL; (d) retroactive credits for the AFP; (e) freezing of pre-program arrears upon entry into AFP; (f) process for undeliverable mail; and (g) outreach to low-income customers on stormwater fee mitigation measures. (OCA St. 4; Pittsburgh United St. No. 1).
71. OCA further challenged PWSA's current operating practices associated with the reduction of high pressure; exercising isolation valves; meter testing and replacement; flushing the distribution system; customer complaint logs; and surface restoration. (OCA St. 6).

Settlement Provisions

72. In establishing a proposed base rate increase, the Joint Petition for Settlement ("Settlement") fairly balances PWSA's revenue needs with the challenges raised by the parties concerning, *inter alia*, a rate increase, rate structure, and revenue allocation. The Settlement also contains provisions to address the other concerns the parties identified about various aspects of PWSA's operations and service including customer service, customer assistance, operations, and mitigation of stormwater charges. As such, it

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represents a comprehensive resolution of issues in dispute and a reasonable compromise of differing objectives and views.

73. Fairly balancing the parties' positions, the Settlement provides for a total increase of about \$36.0 million, exclusive of 5% DSIC, million in base rate revenue, which is approximately 23.1% less than the originally proposed increase for the FPFTY, and reflects none of the increase proposed for FY 2025 and FY 2026, which totaled \$99.3 million. The rates to be collected are allocated to water, wastewater and a new stormwater rate. The Settlement also establishes that PWSA will amortize its \$263,215 COVID-10 expense claim over a two-year period. The Settlement further provides that PWSA will not file a general rate increase any sooner than January 1, 2025 for rate implementation in 2026.
74. The Settlement is also responsive to other issues raised by the parties by PWSA making the following commitments and agreements:
- a. As the contractual timelines become available for renegotiation of PWSA's current wholesale water contracts, engage in good faith negotiations to set new rates intended to move closer to PWSA's tariffed wholesale rate;
 - b. Undertake the software and billing system changes necessary to implement a rate structure change to remove the minimum charge and to propose removal of this charge in its next base rate filing, along with a customer bill impact analysis;
 - c. Establish a PennVest charge, through which PWSA may seek recovery of the debt service costs of PennVest loans no earlier than January 1, 2025, and which is displayed as a separate line item on customer bills;
 - d. Remove PWSA's readiness-to-serve component from its monthly water and wastewater conveyance customer charges;
 - e. Include in training of any third-party collection agency with which PWSA enters into a debt collection services contract the requirement to warm transfer to PWSA any individuals seeking to re-establish service so that such arrangements can be made;

- f. Implement a series of enhancements to the stormwater charge, to include:
 - (1) Convening a collaborative meeting with interested parties to work on identifying ways to help reduce impervious areas or to implement stormwater controls on property subject to the stormwater fee and to help customers obtain stormwater credits as a result of those efforts;
 - (2) Developing enhanced outreach and education, with community engagement, related to available assistance and mitigation measures associated with the stormwater fee; and
 - (3) Implementing arrangements applicable to the School District designed to improve stormwater mitigation efforts, applying retroactive credits, and assisting with identifying funding opportunities;
- g. Use best efforts in its Call Center to meet internal standards for average answer time and abandonment rate;
- h. Develop and implement call scripting and checklists for PWSA's Customer Service Representatives ("CSRs") so that CSRs are required to assist in screening customers for eligibility to participate in its low-income customer assistance programs;
- i. Update PWSA's root cause analysis of complaints to include evaluation of informal complaints submitted to the Commission's Bureau of Consumer Services ("BCS") as well as formal customer complaints filed with the Commission;
- j. Contact the City of Pittsburgh and the Allegheny Department of Human Services to identify potential mechanisms through which PWSA can cross-enroll customers in its low-income customer assistance programs;
- k. Update PWSA's 2019 Household Affordability Study;
- l. Implement changes to the BDP to: (1) increase the volumetric discount available to customers with annual income at or below 50% of FPL from 50% to 60%; (2) expand the BDP maximum income eligibility from 150% to 200%; and (3) provide a 50% reduction for BDP participants for the PennVest charge;
- m. Increase the current \$30 credit toward the arrears of participants in the AFP to \$40, and propose a change in the next base rate case so that AFP participants can receive arrearage forgiveness over no longer than a 36-month period and will not require AFP participants to make a co-payment towards the pre-program frozen arrears;

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- n. Increase the maximum Hardship Fund annual grant from \$300 to \$450 for distribution to eligible water and wastewater customers;
 - o. Discuss topics with PWSA's Low Income Assistance Advisory Committee relating to no-cost stormwater mitigation measures, the use of enhanced technology for the enrollment of low-income customers in assistance programs, and whether to encourage low-income tenants to transfer service into their own name;
 - p. Maintain complete data regarding customer complaints, work orders and service logs, to include pressure inquiries and complaints;
 - q. Continue to exercise isolation valves on a 5-year cycle, while using best efforts to inspect and exercise critical valves on a 3-year cycle;
 - r. Use best efforts to test or replace 8,000 meters per calendar year;
 - s. Continue to make an effort to identify, locate and track dead-end lines to make sure they have a blow-off or hydrant so they can be flushed; and
 - t. Continue coordination with federal, state and local governmental authorities relating to surface restoration.
75. On balance, the Settlement comprehensively resolves all issues raised during the proceeding in a manner that is consistent with the public interest.

PROPOSED CONCLUSIONS OF LAW

1. The Joint Petition for Settlement is in the public interest.
2. The rates, terms and conditions contained in PWSA’s base rate increase filings of May 9, 2023 at Docket No. R-2023-3039919 (Stormwater), Docket No. R-2023-3039920 (Water), and R-2023-3039921 (Wastewater), as modified by the Settlement, are – until changed on a going-forward basis as provided in the Public Utility Code – Commission-made, just and reasonable, and in the public interest.

PROPOSED ORDERING PARAGRAPHS

THEREFORE, IT IS ORDERED:

1. That the Joint Petition for Settlement filed October 30, 2023 by The Pittsburgh Water and Sewer Authority, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, Pittsburgh United's Our Water Table, the School District of Pittsburgh, and the City of Pittsburgh is granted, and the Settlement is thereby adopted, in full, without modification or correction.
2. That the Pittsburgh Water and Sewer Authority is authorized to file tariffs, tariff supplements or tariff revisions containing rates, rules and regulations, consistent with the Joint Petition for Settlement, to produce a total increase of \$35,997,325 million in base rate revenue, effective February 15, 2024, consistent with the rates, rules and regulations set forth in the pro forma tariffs included in Appendices E (Water), F (Wastewater) and G (Storm Water) to the Joint Petition for Settlement.
3. That the Pittsburgh Water and Sewer Authority shall be permitted to file tariffs in the form set forth in Appendices E (Water), F (Wastewater) and G (Storm Water) to the Joint Petition for Settlement, to become effective upon at least one day's notice, for service rendered on and after February 15, 2024, so as to produce an annual increase in revenues consistent with this Order.
4. That The Pittsburgh Water and Sewer Authority, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, Pittsburgh United's Our Water Table, the School District of Pittsburgh, and the City of Pittsburgh shall comply with the terms of the Joint Petition for Settlement submitted in this

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proceeding, as though each term and condition stated therein had been the subject of an individual ordering paragraph.

5. That the complaints of the Office of Consumer Advocate at Docket Nos. C-2023-3040847 (Stormwater); C-2023-3040845 (Water); and, C-2023-3040846 (Wastewater) are deemed satisfied and marked closed.
6. That the complaints of the Office of Small Business Advocate Docket Nos. C-2023-3040789 (Stormwater); C-2023-3040785 (Water); and, C-2023-3040846 (Wastewater) are deemed satisfied and marked closed.
7. That upon acceptance and approval by the Commission of the tariffs and allocation of proposed settlement rate increase filed by The Pittsburgh Water and Sewer Authority consistent with this Order, the Commission's investigation at Docket No. R-2023-3039919 (Stormwater); Docket No. R-2023-3039920 (Water); and, Docket No. R-2023-3039921 (Wastewater) shall be terminated; and, these dockets shall be marked closed.
8. That the Petition of The Pittsburgh Water and Sewer Authority for Authorization to Increase Water and Wastewater DSIC Caps to 7.5% at Docket No. P-2023-3040734 (Water) and Docket No. P-2023-3040735 (Wastewater) is deemed withdrawn, and these dockets shall be marked closed.
9. That the Petition of The Pittsburgh Water and Sewer Authority for Authorization to Implement a Customer Assistance Charge at Docket No. P-2023-3040578 is deemed withdrawn, and this docket shall be marked closed.

Appendix B

To

**Joint Petition for
Settlement**

Docket Nos.

R-2023-3039919, et. al.

Pittsburgh Water and Sewer Authority

2024 COS & Rate Design

Allocation of Proposed Settlement Rate Increase

	Proposed Settlement Revenue Increase*			Proposed Settlement % Increase			% of Proposed Settlement Increase		
	Water	Wastewater Conveyance	Total (Water and Conveyance Only)	Water	Wastewater Conveyance	Total (Water and Conveyance Only)	Water	Wastewater Conveyance	Total (Water and Conveyance Only)
Revenue Increase									
Residential	\$ 7,391,810	\$ 3,104,994	\$ 10,496,804	15.1%	14.2%	14.8%	31.1%	50.9%	35.2%
Residential - CAP	168,227	133,676	301,903	9.5%	12.9%	10.7%	0.7%	2.2%	1.0%
Commercial	8,842,529	2,068,009	10,910,537	19.7%	12.6%	17.8%	37.2%	33.9%	36.5%
Industrial	755,065	184,718	939,782	33.3%	19.9%	29.4%	3.2%	3.0%	3.1%
Health or Education	4,536,108	435,065	4,971,173	25.2%	6.8%	20.4%	19.1%	7.1%	16.6%
Municipal - Residential	4,751	1,990	6,741	13.8%	14.4%	14.0%	0.0%	0.0%	0.0%
Municipal - Commercial	757,940	168,650	926,590	19.9%	12.5%	18.0%	3.2%	2.8%	3.1%
Private Fire System	243,631	-	243,631	35.3%	N/A	35.3%	1.0%	0.0%	0.8%
Public Fire Protection***	541,477	-	541,477	40.9%	N/A	40.9%	2.3%	0.0%	1.8%
Wholesale & Bulk	523,769	-	523,769	14.3%	0.0%	14.1%	2.2%	0.0%	1.8%
Total: Revenue Increase	\$ 23,765,307	\$ 6,097,101	\$ 29,862,408	18.9%	12.6%	17.2%	100.0%	100.0%	100.0%

* Includes Base Rate Revenues only

	Stormwater		
	Proposed Settlement Revenue Increase*	Proposed Settlement % Increase	% of Proposed Settlement Increase
Revenue Increase			
Existing Accounts			
Residential			
Tier 1	\$ 141,511	26.4%	2.3%
Tier 2	1,482,157	26.5%	24.2%
Tier 3	647,280	26.5%	10.6%
Residential-CAP	29,662	26.7%	0.5%
Non-Residential	2,996,976	26.5%	48.9%
Stormwater Only (New Accounts)			
Residential	26,422	26.5%	0.4%
Non-Residential	810,898	26.5%	13.2%
Total: Revenue Increase	\$ 6,134,907	45.9%	100.0%

Appendix C

To

**Joint Petition for
Settlement**

Docket Nos.

R-2023-3039919, et. al.

Pittsburgh Water and Sewer Authority

2024 COS & Rate Design

Customer Bill Impacts

Comparison Existing Rates v. Proposed Settlement Rates

	Usage	Allowance	Storm Tier/ERU	Existing				2024 Settlement Proposed				Impact		As Originally Filed	
				Water	Wastewater Conveyance	Stormwater	Total	Water	Wastewater Conveyance	Stormwater	Total	\$ Increase	% Increase	% Increase	
<i>Residential</i>															
5/8"	1 kgal	1 kgal	Tier 1	\$ 27.85	\$ 7.69	\$ 3.98	\$ 39.51	\$ 33.12	\$ 8.66	\$ 5.03	\$ 46.81	\$ 7.30	18.5%	21.4%	
5/8"	3 kgal	1 kgal	Tier 2	58.59	19.89	7.95	86.43	67.52	22.69	10.06	100.27	13.84	16.0%	19.6%	
5/8"	5 kgal	1 kgal	Tier 2	89.33	32.09	7.95	129.37	101.91	36.72	10.06	148.69	19.32	14.9%	18.8%	
5/8"	7 kgal	1 kgal	Tier 2	120.08	44.29	7.95	172.32	136.31	50.75	10.06	197.12	24.80	14.4%	18.4%	
5/8"	12 kgal	1 kgal	Tier 3	196.94	74.79	15.90	287.63	222.31	85.82	20.12	328.24	40.61	14.1%	18.2%	
1"	20 kgal	5 kgal	Tier 3	337.76	116.99	15.90	470.66	385.43	133.93	20.12	539.48	68.83	14.6%	15.7%	
<i>Residential - CAP-BDP</i>															
5/8"	1 kgal	1 kgal	Tier 1	\$ -	\$ -	\$ 0.60	\$ 0.60	\$ -	\$ -	\$ 0.76	\$ 0.76	\$ 0.16	N/A	28.3%	
5/8"	3 kgal	1 kgal	Tier 2	30.74	12.20	1.20	44.15	34.40	14.03	1.52	49.95	5.80	13.1%	17.5%	
5/8"	5 kgal	1 kgal	Tier 2	61.49	24.40	1.20	87.09	68.80	28.06	1.52	98.37	11.28	13.0%	17.3%	
<i>Commercial</i>															
5/8"	3 kgal	1 kgal	1 ERU	\$ 56.83	\$ 18.77	\$ 7.95	\$ 83.55	\$ 67.94	\$ 21.14	\$ 10.06	\$ 99.13	\$ 15.58	18.6%	27.1%	
5/8"	5 kgal	1 kgal	2 ERU	85.81	29.86	15.90	131.57	102.75	33.61	20.12	156.48	24.92	18.9%	28.9%	
5/8"	12 kgal	1 kgal	5 ERU	187.24	68.67	39.75	295.66	224.62	77.27	50.30	352.19	56.53	19.1%	30.7%	
1"	13 kgal	5 kgal	8 ERU	223.10	69.84	63.60	356.54	266.72	78.61	80.48	425.81	69.27	19.4%	23.7%	
2"	80 kgal	17 kgal	50 ERU	1,267.01	429.38	397.50	2,093.89	1,517.86	483.21	503.00	2,504.07	410.18	19.6%	27.2%	
4"	160 kgal	70 kgal	100 ERU	2,683.73	811.36	795.00	4,290.08	3,207.19	913.41	1,006.00	5,126.60	836.52	19.5%	21.5%	
<i>Industrial</i>															
1"	30 kgal	5 kgal	3 ERU	\$ 425.60	\$ 158.05	\$ 23.85	\$ 607.49	\$ 560.57	\$ 188.58	\$ 30.18	\$ 779.33	\$ 171.84	28.3%	29.3%	
1"	60 kgal	5 kgal	5 ERU	807.69	317.12	39.75	1,164.56	1,080.32	380.42	50.30	1,511.04	346.48	29.8%	31.9%	
2"	100 kgal	17 kgal	10 ERU	1,411.27	520.21	79.50	2,010.99	1,859.07	621.02	100.60	2,580.69	569.70	28.3%	29.2%	
4"	680 kgal	70 kgal	30 ERU	9,148.89	3,546.92	238.50	12,934.31	12,208.63	4,252.72	301.80	16,763.15	3,828.84	29.6%	31.0%	
6"	400 kgal	175 kgal	50 ERU	6,199.25	1,954.96	397.50	8,551.72	7,861.72	2,297.42	503.00	10,662.14	2,110.42	24.7%	19.7%	
8"	800 kgal	325 kgal	100 ERU	12,123.54	3,915.69	795.00	16,834.23	15,451.02	4,611.81	1,006.00	21,068.83	4,234.60	25.2%	20.2%	
<i>Health or Education</i>															
5/8"	5 kgal	1 kgal	3 ERU	\$ 96.26	\$ 34.48	\$ 23.85	\$ 154.60	\$ 120.06	\$ 37.01	\$ 30.18	\$ 187.25	\$ 32.65	21.1%	29.1%	
5/8"	10 kgal	1 kgal	10 ERU	181.79	67.98	79.50	329.26	228.73	72.45	100.60	401.78	72.52	22.0%	30.3%	
1"	40 kgal	5 kgal	5 ERU	705.84	259.95	39.75	1,005.54	888.17	276.78	50.30	1,215.25	209.71	20.9%	29.4%	
2"	50 kgal	17 kgal	32 ERU	918.59	301.17	254.40	1,474.16	1,138.35	324.17	321.92	1,784.43	310.27	21.0%	25.1%	
4"	200 kgal	70 kgal	25 ERU	3,603.21	1,183.27	198.75	4,985.23	4,465.93	1,273.45	251.50	5,990.88	1,005.66	20.2%	23.4%	
6"	650 kgal	175 kgal	50 ERU	11,458.18	3,943.93	397.50	15,799.60	14,287.72	4,225.22	503.00	19,015.94	3,216.34	20.4%	24.9%	

Appendix D

To

**Joint Petition for
Settlement**

Docket Nos.

R-2023-3039919, et. al.

Existing Filed Proposed

Pittsburgh Water and Sewer Authority

2024 COS & Rate Design

Water Rates

	FPFTY 2024		
	Existing	Original Request	Proposed
Base Rates			
<u>Minimum Charges</u>			
Residential			
5/8"	\$ 26.52	\$ 32.43	\$ 31.54
3/4"	46.47	54.74	55.26
1"	102.08	113.88	121.38
1 1/2"	201.85	225.41	240.01
2"	337.28	373.78	401.04
Unmetered	70.44	83.79	80.68
Residential - CAP-BDP			
5/8"	\$ -	\$ -	\$ -
3/4"	-	-	-
1"	-	-	-
1 1/2"	-	-	-
2"	-	-	-
Unmetered	43.92	51.36	49.14
Commercial			
5/8"	\$ 26.52	\$ 32.43	\$ 31.54
3/4"	46.47	54.74	55.26
1"	102.08	113.88	121.38
1 1/2"	201.85	225.41	240.01
2"	337.28	373.78	401.04
3"	766.42	832.40	911.28
4"	1,313.93	1,408.27	1,562.27
6"	3,174.80	3,322.70	3,774.85
8"	5,784.48	5,968.71	6,877.76
10" & Above	9,582.36	9,753.09	11,393.44
Unmetered	82.92	108.23	97.86
Industrial			
5/8"	\$ 26.52	\$ 32.43	\$ 31.54
3/4"	46.47	54.74	55.26
1"	102.08	113.88	121.38
1 1/2"	201.85	225.41	240.01
2"	337.28	373.78	401.04
3"	766.42	832.40	911.28
4"	1,313.93	1,408.27	1,562.27
6"	3,174.80	3,322.70	3,774.85
8"	5,784.48	5,968.71	6,877.76
10" & Above	9,582.36	9,753.09	11,393.44
Health or Education			
5/8"	\$ 26.52	\$ 32.43	\$ 31.54
3/4"	46.47	54.74	55.26
1"	102.08	113.88	121.38
1 1/2"	201.85	225.41	240.01

Appendix D: Joint Petition for Settlement

Docket No. R-2023-3039919, *et. al.*

2"		337.28	373.78	401.04
3"		766.42	832.40	911.28
4"		1,313.93	1,408.27	1,562.27
6"		3,174.80	3,322.70	3,774.85
8"		5,784.48	5,968.71	6,877.76
10" & Above		9,582.36	9,753.09	11,393.44
Municipal - Residential				
5/8"	\$	26.52	\$ 32.43	\$ 31.54
3/4"		46.47	54.74	55.26
1"		102.08	113.88	121.38
1 1/2"		201.85	225.41	240.01
Municipal - Commercial				
5/8"	\$	26.52	\$ 32.43	\$ 31.54
3/4"		46.47	54.74	55.26
1"		102.08	113.88	121.38
1 1/2"		201.85	225.41	240.01
2"		337.28	373.78	401.04
3"		766.42	832.40	911.28
4"		1,313.93	1,408.27	1,562.27
6"		3,174.80	3,322.70	3,774.85
8"		5,784.48	5,968.71	6,877.76
10" & Above		9,582.36	9,753.09	11,393.44
Fire Protection Charges				
Public (City per Hydrant)	\$	14.68	\$ 21.80	\$ 20.69
Private				
1" or Less	\$	15.43	\$ 31.38	\$ 31.39
1 1/2"-3"		46.28	97.59	97.60
4"		152.25	314.86	314.87
6" or Greater		325.06	654.53	654.54

<u>Volume Charge</u>	Existing	Original Request	Settlement Proposed
Residential	\$ 14.64	\$ 17.12	\$ 16.38
Residential - CAP-BDP	14.64	17.12	16.38
Residential - CAP-BDP - 50FPL	7.32	8.56	6.55
Commercial	13.80	18.95	16.58
Industrial	12.13	17.14	16.50
Health or Education	16.29	22.98	20.70
Municipal - Residential	11.71	17.12	16.38
Municipal - Commercial	11.04	18.95	16.58
Private Fire System	39.05	31.79	27.11
Wholesale	10.89	15.05	12.96

DSIC

7.5%

5.0%

Pittsburgh Water and Sewer Authority
 2024 COS & Rate Design
 Wastewater Conveyance Rates

	Existing	FPFTY 2024	
		Original Request	Settlement Proposed
Base Rates			
<u>Minimum Charges</u>			
Residential			
5/8"	\$ 7.32	\$ 7.42	\$ 8.25
3/4"	11.70	11.43	13.19
1"	24.27	22.50	27.35
1 1/2"	46.19	42.56	52.06
2"	76.29	69.68	85.98
Unmetered	24.75	26.26	28.29
Residential - CAP-BDP			
5/8"	\$ -	\$ -	\$ -
3/4"	-	-	-
1"	-	-	-
1 1/2"	-	-	-
2"	-	-	-
Unmetered	17.43	18.84	20.04
Commercial			
5/8"	\$ 7.32	\$ 7.42	\$ 8.25
3/4"	11.70	11.43	13.19
1"	24.27	22.50	27.35
1 1/2"	46.19	42.56	52.06
2"	76.29	69.68	85.98
3"	173.03	155.24	195.00
4"	297.52	264.10	335.31
6"	725.62	632.71	817.77
8"	1,330.48	1,148.40	1,499.45
10" & Above	2,218.44	1,896.72	2,500.18
Unmetered	28.44	30.46	32.01
Industrial			
5/8"	\$ 7.32	\$ 7.42	\$ 8.25
3/4"	11.70	11.43	13.19
1"	24.27	22.50	27.35
1 1/2"	46.19	42.56	52.06
2"	76.29	69.68	85.98
3"	173.03	155.24	195.00
4"	297.52	264.10	335.31
6"	725.62	632.71	817.77
8"	1,330.48	1,148.40	1,499.45
10" & Above	2,218.44	1,896.72	2,500.18
Health or Education			
5/8"	\$ 7.32	\$ 7.42	\$ 8.25
3/4"	11.70	11.43	13.19
1"	24.27	22.50	27.35
1 1/2"	46.19	42.56	52.06

Appendix D: Joint Petition for Settlement

Docket No. R-2023-3039919, *et. al.*

2"		76.29		69.68		85.98
3"		173.03		155.24		195.00
4"		297.52		264.10		335.31
6"		725.62		632.71		817.77
8"		1,330.48		1,148.40		1,499.45
10" & Above		2,218.44		1,896.72		2,500.18
Municipal - Residential						
5/8"	\$	7.32	\$	7.42	\$	8.25
3/4"		11.70		11.43		13.19
1"		24.27		22.50		27.35
1 1/2"		46.19		42.56		52.06
2"		76.29		69.68		85.98
3"		173.03		155.24		195.00
4"		297.52		264.10		335.31
6"		725.62		632.71		817.77
8"		1,330.48		1,148.40		1,499.45
10" & Above		2,218.44		1,896.72		2,500.18
Municipal - Commercial						
5/8"	\$	7.32	\$	7.42	\$	8.25
3/4"		11.70		11.43		13.19
1"		24.27		22.50		27.35
1 1/2"		46.19		42.56		52.06
2"		76.29		69.68		85.98
3"		173.03		155.24		195.00
4"		297.52		264.10		335.31
6"		725.62		632.71		817.77
8"		1,330.48		1,148.40		1,499.45
10" & Above		2,218.44		1,896.72		2,500.18
Volume Charge						
Residential	\$	5.81	\$	6.28	\$	6.68
Residential - CAP-BDP		5.81		6.28		6.68
Residential - CAP-BDP - 50FPL		2.91		3.14		2.67
Commercial		5.28		5.76		5.94
Industrial		5.05		5.49		6.09
Health or Education		6.38		6.33		6.75
Municipal - Residential		5.81		6.28		6.68
Municipal - Commercial		5.28		5.76		5.94

DSIC

7.5%

5.0%

Pittsburgh Water and Sewer Authority

2024 COS & Rate Design

Stormwater Rates

	Existing	FPFTY 2024	
		Original Request	Proposed
Base Rate			
Residential			
Tier 1	\$ 3.98	\$ 5.13	\$ 5.03
Tier 2	7.95	10.26	10.06
Tier 3	15.90	20.52	20.12
Other	7.95	10.26	10.06
Residential - CAP			
Tier 1	\$ 0.60	\$ 0.77	\$ 0.76
Tier 2	1.20	1.54	1.52
Tier 3	2.40	3.08	3.04
Other	1.20	1.54	1.52
Non-Residential			
Commercial	\$ 7.95	\$ 10.26	\$ 10.06
Industrial	7.95	10.26	10.06
Health or Education	7.95	10.26	10.06
Municipal	7.95	10.26	10.06
Other	7.95	10.26	10.06

Appendix E

To

**Joint Petition for
Settlement**

Docket Nos.

R-2023-3039919, et. al.

**Appendix E: Pro Forma Supplement No. 14 to Tariff Water
(red-line of current tariff)**

Supplement No. 14
Tariff Water - Pa. P.U.C. No. 1

THE PITTSBURGH WATER AND SEWER AUTHORITY
RATES, RULES AND REGULATIONS GOVERNING
THE PROVISION OF WATER SERVICE
TO THE PUBLIC IN THE TERRITORY DESCRIBED HEREIN

Issued: ~~TBD March 3, 2023~~ Effective: TBD

BY: William J. Pickering, Chief Executive Officer
1200 Penn Avenue, Pittsburgh, PA 15222
Tel: 412-255-8800

NOTICE

This tariff makes changes in ~~rates rules and regulations~~
~~regarding private service line leak repair~~ as approved by the
Commission in its Final Order entered ~~TBD at March 2, 2023 at~~
~~Docket No. R-2023-303920 P-2022-3030253.~~

Appendix F

To

**Joint Petition for
Settlement**

Docket Nos.

R-2023-3039919, et. al.

Supplement No. ~~1310~~
Tariff Wastewater - Pa. P.U.C. No. 1

THE PITTSBURGH WATER AND SEWER AUTHORITY
RATES, RULES AND REGULATIONS GOVERNING
THE PROVISION OF WASTEWATER CONVEYANCE SERVICE
TO THE PUBLIC IN THE TERRITORY DESCRIBED HEREIN

Issued: ~~TBD~~ Effective: ~~TBD~~
~~November 15, 2022~~ ~~January 14,~~
~~2023~~

BY: William J. Pickering, Chief Executive Officer
1200 Penn Avenue, Pittsburgh, PA 15222
Tel: 412-255-8800

NOTICE

This tariff makes changes in ~~rates~~ ~~rules~~ and ~~regulations~~ as approved by the Commission in its Final Order dated ~~TBD~~ ~~July 14,~~ ~~2022~~ at Docket No. ~~R-2023-3039912M-2018-2640802~~ and ~~M-2018-2640803~~

LIST OF CHANGES

TABLE OF CONTENTS (PAGE No. 3) :

Added page numbers for new PennVest Charge (PVC)

**PART I: SCHEDULE OF RATES AND CHARGES, SECTION A - WASTEWATER CONVEYANCE -
NUMBER 1 MINIMUM OR BASE CHARGE (PAGE No. 9)**

Term "Base" added in addition to "Minimum" to describe fixed charge. Added rates for Minimum or Base Charges which will increase for all customer classes. Text moved from Page No. 9 to new Page No. 9A

**PART I: SCHEDULE OF RATES AND CHARGES, SECTION A - WASTEWATER CONVEYANCE -
NUMBER 2 CONVEYANCE CHARGE (NEW PAGE No. 9A)**

Added rates for Conveyance Charges for all customer classes effective. Removed references to 71 P.S. §§ 720.211 to 720.213 as no longer applicable.

**PART I: SCHEDULE OF RATES AND CHARGES, SECTION A - NUMBER 3 PENNVEST CHARGE
(PVC) (NEW PAGES No. 9B-9D)**

New text describing PennVest Charge to include purpose, effective rate, computation, semi-annual adjustments, and annual reconciliation.

**PART I: SCHEDULE OF RATES AND CHARGES, SECTION A - NUMBER 5 TREATMENT RATE (PAGE
No. 10)**

Updated numbering and text to include reference to PVC.

**PART I: SCHEDULE OF RATES AND CHARGES, SECTION A.1 - RATES FOR UNMETERED SERVICE
(PAGE No. 11)**

Added rates for Unmetered Service for all rate classes effective.

LIST OF CHANGES (con't)

RIDER BDP - BILL DISCOUNT PROGRAM (RESIDENTIAL) (PAGE NO. 17)

Increase eligibility from 150% of FPL to 200% of FPL. Increased the volumetric discount for BDP participants with income at or below 50% of FPL to 60%. Added text that BDP participants will pay 50% of the PVC charge.

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PART I: SCHEDULE OF RATES AND CHARGES

Section A - Wastewater Conveyance

1. Minimum (or Base) Charge*: Each customer will be assessed a service charge based upon the size of the customer's water meter as follows except that residential customers residing in newly constructed townhomes who are required to install a meter larger than 5/8" for fire protection and due to City ordinance requirements, may request assessment of the 5/8" minimum charge and usage allowance: (C)

<u>Meter Size</u>	<u>Minimum Gallons</u>	<u>Per Month Rate</u> <u>(Effective January 12, 2022)</u>		<u>Effective</u> <u>January 1,</u> <u>2023</u>	(C)
5/8"	1,000	\$8.25	\$8.09	\$7.32	(I)
3/4"	2,000	\$13.19	\$15.27	\$11.70	(I)
1"	5,000	\$27.35	\$35.01	\$24.27	(I)
1 1/2"	10,000	\$52.06	\$70.91	\$46.19	(I)
2"	17,000	\$85.98	\$119.36	\$76.29	(I)
3"	40,000	\$195.00	\$271.91	\$173.03	(I)
4"	70,000	\$335.31	\$465.73	\$297.52	(I)
6"	175,000	\$817.77	\$1,120.70	\$725.62	(I)
8"	325,000	\$1,499.45	\$2,035.83	\$1,330.48	(I)
10" or Larger	548,000	\$2,500.18	\$3,361.79	\$2,218.44	(I)

[text previously on page moved to next page]

(C) = Change (I) = Increase (D) = Decrease

[text from previous page carried over here]

2. Conveyance Charge: In addition to the Minimum or Base Charge, the following wastewater conveyance charges (based on water consumption/usage or wastewater flows, at the Authority's discretion) will apply for each 1,000 gallons above the Minimum Gallons for each meter size: (C)

Customer Class	Conveyance Charge Rate Per 1000 Gals.		
	Effective January 12, 2022	Effective January 1, 2023	(C)
Residential	\$6.99	\$6.68\$5.81	(I)
Commercial*	\$6.22	\$5.94\$5.28	(I)
Industrial	\$5.76	\$6.09\$5.05	(I)
Health or Education	\$7.71	\$6.75\$6.38	(D)

~~* Rate applies to City of Pittsburgh Municipal Accounts but bills will be calculated based on a phase-in factor pursuant to 71 P.S. §§ 720.211 to 720.213.~~ (C)

(D)= Decrease (I)=Increase (c) = Change

3. **PennVest Charge (PVC):** In addition to the charges provided in this tariff, and pursuant to the Commission's Statement of Policy at 52 Pa. Code §§ 69.361 et seq., and Section 1307(a) of the Public Utility Code, the PVC will apply uniformly to all classes of wastewater conveyance customers (for each 1,000 gallons conveyed).
- a. **Purpose.** The purpose of the PVC is to begin timely recovery of specific interest only and principal and interest ("PI") obligations due by PWSA for loans, not grants, received from the Pennsylvania Infrastructure Investment Authority ("PennVest") when they first become due and until fully repaid and will remain in effect until costs are fully recovered.
- b. The currently effective PVC is:

Customer Class	PennVest Charge Rate per 1000 Gals.
All Customers	\$0.00

The above charge per 1000 Gallons is determined as follows:

$$\text{PVC} = \text{PI} / \text{Conveyance}$$

$$\text{PVC} = \text{PennVest Charge per 1,000 gallons}$$

$$\text{PI} = \text{Annual Interest Only and/or Principal and Interest payments per PENNVEST identified below}$$

$$\text{Conveyance} = \text{total projected conveyance in 1000s gallons conveyed by all customers in forecast year}$$

- c. **Computation.** The PVC will be adjusted to conform to the specific interest only and principal and interest ("PI") obligations payable pursuant to the final PennVest amortization schedules. The loans may not be included in the PVC until the plant is used and useful. When applicable, the final settlement date of loans funded through the PennVest Programmatic Financing (Pro-Fi) program is what will be used to determine which loans closed on or after January 1, 2025. Currently, the PVC is recovering the following loans:

Loan Source	Loan Number / Identifier	Start Date of Interest Only Payments	Start of Final Amortization Schedule

- d. **Semi-Annual Adjustments.** The PVC is subject to change on a semi-annual basis effective February 1 and August 1 based on the status of applicable PennVest loan. Semi-annual updates to be filed by PWSA at least ten (10) days prior to the effective date of the update. Supporting data for each semi-annual update will be provided.
- e. **Annual Reconciliation.** The PVC will be subject to annual reconciliation based on actual consumption for the prior 12 months ending December 31. The PVC will be adjusted to reflect either a credit, as calculated below, or an increase in the charge as determined by the reconciliation process to be effective February 1. Supporting data for each annual reconciliation will be provided.

- f. **Credit Calculation.** An over-collection occurs after the annual PI is fully recovered within the 12-months subject to the Annual Reconciliation. Interest on over-collections will be calculated in the first full month after the over-collection occurred at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, et seq.).
- g. The charge will be effective the first billing cycle immediately following the effective date of the tariff supplement. The PVC shall remain in effect if and until included in the general base rates of the Authority; provided, however, that the charge may be continued or adjusted by the Authority as additional PennVest loans, which have been approved for other PWSA Infrastructure Improvement projects, become due and payable.
- h. The charge will be reflected as a separate line item on each customer's bill.
- i. The Authority will segregate all revenues dedicated for PennVest repayment so long as the charge remains in effect.

35. Treatment Rate:

(C)

- a. In addition to the Minimum ~~or Base Charge~~, ~~and the Conveyance Charge~~, ~~and the PVC~~, customers will be required to pay rates for Wastewater/Sewage treatment to Premises. (C)
- b. The rates for Wastewater/Sewage treatment to Premises within the Authority's service area are established by ALCOSAN, and are paid by the Authority to ALCOSAN. Information on ALCOSAN's rates is available on its website.
- c. Wastewater/Sewage treatment charges may be reflected on Authority bills/invoices as ALCOSAN charges, basic service and sewage treatment.

Section A.1 - Wastewater Conveyance (Unmetered Service)

1. Customer Charge. As of September 1, 2018 enrollment for Unmetered Service will be closed and no new Unmetered Service customers will be accepted by the Authority. Customers who are receiving unmetered service will be assessed a monthly customer charge per unmetered connection as follows:

<u>Customer Class</u>	<u>Customer Charge</u>		
	<u>Effective January 12, 2022</u>	<u>Effective January 1, 2023</u>	
			(C)
Residential (per unit)	\$28.29 \$29.06	\$24.75	(I)
Commercial*	\$32.01 \$32.97	\$28.44	(I)

*Rate does not apply to City of Pittsburgh Municipal Accounts pursuant to 71 P.S. §§ 720.211 to 720.213.

2. Treatment Rate: In addition to the Customer Charge, Customers who are receiving unmetered service will be required to pay rates for Wastewater/Sewage treatment to Premises, as set forth in Section A.3.

Section B - Bulk Wastewater Conveyance

1. Application: This schedule applies to all bulk wastewater conveyance for other wastewater utilities or public authorities.
2. Rates and Terms of Service: Contracts stipulating the negotiated rate and negotiated terms of Bulk Wastewater Conveyance may be entered into between the Authority and Customer or Applicant when the Authority, in its sole discretion, deems such offering to be economically advantageous to the Authority.

(D) = Decrease (I) = Increase (C) = Change

Rider BDP - Bill Discount Program (Residential)

1. Bill Discount Program: This rider is a program designed to enroll residential ratepayers who satisfy the criteria set forth below in a monthly discounted rate program
2. Availability: This rider is available for a Residential customer that meets the low-income criteria of annual household gross income at or below ~~200~~150% based on the Federal Poverty Level. (C)
 - a. A residential ratepayer who meets the eligibility criteria should complete an application for the Bill Discount Program.
 - b. Eligible customers may be asked to verify income every two years.
3. Rate (Minimum or Base Charge): The Minimum or Base Charge for residential service pursuant to Rider BDP will be 0% of the prevailing Minimum Service Charge under Part I, Section A. Any other rates, fees and charges will be at the prevailing amounts under this tariff.
4. Rate (Conveyance Charge): The Consumption Charge for residential service pursuant to Rider BDP for participants with income at or below 50% of the Federal Poverty Level will pay ~~5~~40% of the prevailing Consumption Charge under Part I, Section A (which represents a ~~5~~60% discount off the charge). Any other rates, fees and charges will be at the prevailing amounts under this tariff. (D)
4. PennVest Charge ("PVC"): BDP participants will pay 50% of the PVC charge. (C)

(D) = Decrease; (C) = Change

Appendix G

To

**Joint Petition for
Settlement**

Docket Nos.

R-2023-3039919, et. al.

Appendix G: Pro Forma Supplement No. 5 to Tariff Storm Water

The Pittsburgh Water
and Sewer Authority

Supplement No. 5
Tariff Storm Water - Pa. P.U.C. No. 1

THE PITTSBURGH WATER AND SEWER AUTHORITY

RATES, RULES AND REGULATIONS GOVERNING
THE PROVISION OF STORM WATER COLLECTION, CONVEYANCE,
TREATMENT AND/OR DISPOSAL SERVICE
TO THE PUBLIC IN THE TERRITORY DESCRIBED HEREIN

Issued: TBD

Effective: TBD

By: William J. Pickering, Chief Executive Officer
1200 Penn Avenue, Pittsburgh, PA 15222
Tel: 412-255-8800

NOTICE

This tariff makes changes in ~~rates rules and regulations~~ as approved by the Commission in its Final Order dated ~~TBD July 14, 2022~~ at Docket Nos. ~~R-2018-2640802 and M-2018-2640803~~ ~~R-2023-3039919M-2018-2640802 and M-2018-2640803~~

LIST OF CHANGES

TABLE OF CONTENTS (PAGE NO. 3)

Added page number for new PennVest Charge (PVC).

PART I: SCHEDULE OF RATES AND CHARGES SECTION A.1 RESIDENTIAL SERVICE, No. 3 SERVICE CHARGE (PAGE NO. 7)

Added rates which will increase for all customer classes.

PART I: SCHEDULE OF RATES AND CHARGES SECTION A.2 NON-RESIDENTIAL SERVICE, No. 3 SERVICE CHARGE (PAGE NO. 8)

Added rates which will increase for all customer classes.

PART I: SCHEDULE OF RATES AND CHARGES SECTION A.3 PENNVEST CHARGE (NEW PAGE NOS. 8A-8C)

New text describing PennVest Charge (PVC) to include purpose, effective rate, computation, semi-annual adjustments, and annual reconciliation.

PART I: SCHEDULE OF RATES AND CHARGES SECTION B STORM WATER MANAGEMENT CHARGE CREDITS, No. B.1 RESIDENTIAL AND NON-RESIDENTIAL CREDIT (PAGE NO. 9, NEW PAGE NOS. 9A-9C AND PAGE NO. 10)

Revised and updated text and deletions to reflect terms and conditions related to availability of credits to customers who take steps to reduce stormwater runoff.

RIDER BDP - BILL DISCOUNT PROGRAM (RESIDENTIAL) (PAGE NO. 17)

Increase eligibility from 150% of FPL to 200% of FPL. Added text BDP participants will pay 50% of the PVC charge.

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(C) = Change

(C)

PART I: SCHEDULE OF RATES AND CHARGES

Section A - Storm Water Management Service Charge

Section A.1 - Residential Service

1. Applicability:

The rates under this schedule apply throughout the Authority's service territory for service rendered on and after the effective date shown at the bottom of this page.

2. Availability:

The rates under this schedule are available to residential customers.

3. Rate:

Each residential customer receiving service under this schedule will be assessed a monthly service charge at the following rate. Rates shall be calculated based upon the Equivalent Residential Unit (ERU) as determined by the Authority.

Service Charge

	<u>Effective</u> <u>January 12,</u> <u>2022</u>	<u>Effective</u> <u>January 1, 2023</u>	<u>(C)</u>
Tier 1 (Impervious area of 400 square feet to less than 1,015 square feet, 0.5 ERUs)	\$ 2.98	\$ 3.98 5.03	(I)
Tier 2 (Impervious area of 1,015 square feet to less than 2,710 square feet, 1 ERU)	\$ 5.96	\$ 7.95 10.06	(I)
Tier 3 (Impervious area greater than or equal to 2,710 square feet, 2 ERUs)	\$ 11.92	\$ 15.90 20.12	(I)

(c) = Change (I) = Increase

Section A.2 - Non-Residential Service

1. Applicability:

The rates under this schedule apply throughout the Authority's service territory for service rendered on and after the effective date shown at the bottom of this page.

2. Availability:

The rates under this schedule are available to non-residential customers.

3. Service Charge:

Rates for developed properties are determined on an Equivalent Residential Unit basis. Each Customer receiving service under this schedule will be assessed the following monthly service charge(s) based upon the total amount of measured impervious area contained on the property. Measured impervious area shall be divided by 1,650 square feet and rounded up to the nearest whole number to determine the number of ERUs represented on the property. The service charge applicable to each developed property shall be calculated as follows:

Calculation of Service Charge

Service Charge = (Total IA / 1,650 square feet per ERU (quotient rounded up to nearest whole number)) * ERUR

Where:

IA = The Customer's property impervious area (sq. ft.) as measured by the Authority.

ERUR = The equivalent rate in dollars and cents for one (1) ERU.

	<u>Effective</u> <u>January 12,</u> <u>2022</u>	<u>Effective</u> <u>January 1, 2023</u>	(C)
Rate per (1) ERU	\$5.96	\$10.06\$7.95	(I)

The minimum service charge for any developed property is equal to that charged for Tier 2 residential properties.

(c) = Change (I) = Increase

Section A.3 - PennVest Charge

1. PennVest (PVC): In addition to the charges provided in this tariff, and pursuant to the Commission's Statement of Policy at 52 Pa. Code §§ 69.361 et seq., and Section 1307(a) of the Public Utility Code, an PennVest Charge will apply uniformly to all classes of stormwater customers for each Equivalent Residential Unit (ERU) assessed.

a. **Purpose.** The purpose of the PVC is to begin timely recovery of specific interest only and principal and interest ("PI") obligations due by PWSA for loans, not grants, received from the Pennsylvania Infrastructure Investment Authority ("PennVest") when they first become due and until fully repaid and will remain in effect until costs are fully recovered.

b. The currently effective PVC is:

Customer Class	PennVest Charge Rate per ERU
All Customers	\$0.00

The above charge per ERU is determined as follows:

$$PVC = (PI/TOTERU)/12$$

PVC = Monthly PennVest Charge per ERU

PI = Annual Principal and Interest per PENNVEST Loans
identified below

TOTERU = Total Equivalent Residential Units of all
customers in forecast year

c. Computation. The PVC will be adjusted to conform to the specific interest only and principal and interest ("PI") obligations payable pursuant to the final PennVest amortization schedules. The loans may not be included in the PVC until the plant is used and useful. When applicable, the final settlement date of loans funded through the PennVest Programmatic Financing (Pro-Fi) program is what will be used to determine which loans closed on or after January 1, 2025. Currently, the PVC is recovering the following loans:

Loan Source	Loan Number / Identifier	Start Date of Interest Only Payments	Start of Final Amortization Schedule

The total costs identified above for recovery will be divided by the applicable ERUs for all customers in the forecast year.

d. Semi-Annual Adjustments. The PVC is subject to change on a semi-annual basis effective February 1 and August 1 based on the status of applicable PennVest loans. Semi-annual updates to be filed by PWSA at least ten (10) days prior to the effective date of the update. Supporting data for each semi-annual update will be provided.

e. Annual Reconciliation. The PVC will be subject to annual reconciliation based on actual number of ERUs assessed for the prior 12 months ending December 31. The PVC will be adjusted to reflect either a credit, as calculated below, or an increase in the charge as determined by the reconciliation process to be effective February 1. Supporting data for each annual reconciliation will be provided.

f. **Credit Calculation.** An over-collection occurs after the annual PI is fully recovered within the 12-months subject to the Annual Reconciliation. Interest on over-collections will be calculated in the first full month after the over-collection occurred at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, et seq.).

g. The charge will be effective the first billing cycle immediately following the effective date of the tariff supplement. The PVC shall remain in effect if and until included in the general base rates of the Authority; provided, however, that the charge may be continued or adjusted by the Authority as additional PennVest loans, which have been approved for other PWSA Infrastructure Improvement projects, become due and payable.

h. The charge will be reflected as a separate line item on each customer's bill.

i. The Authority will segregate all revenues dedicated for PennVest repayment so long as the charge remains in effect.

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Section B - Storm Water Management Service Charge Credits

B.1 - Residential and Non-Residential Credit

1. Applicability:

The credits under this schedule are available to customers who take steps to reduce stormwater runoff leaving their property and entering PWSA's stormwater management system and natural receiving waters. Residential and non-residential customers are eligible for different credits as detailed in the sections below. apply throughout the Authority's service territory for service rendered on and after the effective date shown at the bottom of this page. (C)

[rest of page intentionally blank]

2. Availability

This credit is available to non-residential Customers that meet Pittsburgh 2019 stormwater standards in Title Thirteen of the Pittsburgh Zoning Code, or more recent or restrictive standards, by controlling at least 1" of runoff from impervious surfaces on the property for which a credit is sought, if (i) Best Management Practices (BMPs) located on the property have been constructed in compliance with approved plans, (ii) the Customer is current with payments owed on all billed charges and fees on the Customer's account and are otherwise in compliance with the Rules and Regulations of this Tariff; (iii) the Customer remains responsible for all cost of operation and maintenance of the BMP; (iv) the Authority is granted access to the BMP for purpose of inspecting adherence to design, maintenance and operating standards; and (v) there is no significant change in land use draining to the BMP or alterations made to the approved BMP without prior approval of the Authority. This credit is also available to residential customers who disconnect downspouts and redirect property drainage to street planters, or who control at least ¾" of runoff from impervious surfaces on the property for which a credit is sought. A similar credit is available for properties meeting the 2016 storm water standards that were replaced by the Pittsburgh 2019 storm water standards in Title Thirteen of the Pittsburgh Zoning Code. (C)

(C) = Change

2. Residential Customers:

Residential customers can receive a stormwater credit, reducing the stormwater charge by at least 50%, by controlling at least $\frac{3}{4}$ of an inch of runoff from their property's impervious surfaces. A residential customer may receive a stormwater credit by installing (or documenting the performance of previously installed) stormwater control measures. The control measure must capture for 24 to 72 hours and slowly release at least $\frac{3}{4}$ of an inch of runoff from the impervious surfaces on their property. The more impervious surface on a residential property, the more runoff a measure must control to qualify for the fee credit. To calculate the runoff volume that needs to be controlled on a residential property –

$$\text{* Runoff Volume to be Controlled on a Residential Property in Gallons =} \\ \text{Impervious Area sf} \times 0.0625 \times 7.48$$

*To find your property's Impervious Area, consult your stormwater bill, or visit the PWSA Stormwater Fee Finder website –

<https://pwsa.maps.arcgis.com/apps/webappviewer/index.html?id=df39e93b5a0e403f8a29889a42125edc>

$$* 0.0625 \text{ ft} = \frac{3}{4} \text{ inches} \times \frac{1 \text{ ft}}{12 \text{ inches}}$$

*To convert the value from cubic feet to gallons, multiply by 7.48.

Residential customers are also eligible for a one-time credit of \$40 if they can demonstrate the use of a rain barrel to capture and detain roof runoff. Customers must submit a photo of the rain barrel installed and in good working order.

3. Non-Residential Customers

Non-residential customers can receive stormwater fee credit by capturing and detaining runoff on-site through the use of structural BMPs that meet or exceed recent development standards in place in the City of Pittsburgh.

Non-residential customers who bring parts of their property up to the most stringent Stormwater Management standards, (the “2019 standards” <https://pittsburghpa.gov/dcp/stormwater>) will receive a 60% credit on the part of the property that meets the standards. Those standards are:

- Keep 1” or more of water from running off the impervious surfaces on their property and from getting into rivers or streams.

Non-residential customers who bring parts of their property up to the second-most stringent Stormwater Management standards (the “2016 standards”), will receive a 45% credit on the part of the property that meets those standards. While the 2016 Stormwater Management Standards have been replaced by the 2019 Stormwater Management Standards, the 2016 standards are:

- Keep $\frac{3}{4}$ ” of an inch or more of water from running off the impervious surfaces on their property and from getting to rivers or streams.

In both of the above situations, only the portion of the property’s impervious area that meets the requirement will be used to compute the credit. The rest of the property will have the same charge as before.

Non-Residential Customers will be eligible for a credit provided that an approved stormwater BMP has been installed and the owner can demonstrate that the BMP is functioning as intended. Customers who have completed a Stormwater Plan and have received a letter from the City attesting that their plan is adequate to have met these requirements. The letter from the City must be submitted with a credit application and other required supporting documentation for a Non-Residential property. Customers who have implemented stormwater treatment outside of City requirements may not receive this letter; however, Customers may submit their plans and calculations to PWSA review.

To calculate the runoff volume that needs to be controlled on a property to obtain a 60% credit, multiply the impervious area in square feet by 0.083 feet (the same as one inch).

To calculate the runoff volume that needs to be controlled on a property to obtain a 45% credit, multiply the impervious area in square feet by 0.0625 feet (the same as 3/4 inch).

Non-residential customers can also earn a credit of between 75% and 100% of their stormwater fees, for "regional efforts - or "Enhanced Volume Control" for controlling at least 25% more runoff than what is required by the City of Pittsburgh 2019 stormwater standards.

Non-residential customers can also receive credit through passive management of stormwater via a property's green spaces. Non-residential customers who provide an engineer-stamped drainage analysis which demonstrates that green spaces are receiving and infiltrating runoff from adjacent impervious surfaces for which $\frac{3}{4}$ inch of runoff is infiltrated by green spaces will be eligible for 45% credit, and impervious surfaces for which 1 inch of runoff is infiltrated by green spaces will be eligible for 60% credit.

~~3. Determination of Credit:~~

~~For non-residential customers the amount of credit shall be 60% for that proportion of impervious surface for which the 2019 standard is met, and 45% for that proportion of impervious surface for which the 2016 standard is met. For residential tier 2 or tier 3 Customers the amount of the credit will be that associated with reducing the property's storm water service charge to that of the next lower residential tier rate. For tier 1 Customers the credit amount will be 50%.~~

(C)

~~For non-residential customers who undertake regional efforts or exceed Pittsburgh 2019 stormwater standards by controlling at least 25% more runoff than required, a higher level of credit may be granted upon review. The maximum credit under this approach will be 100%.~~

(C)

4. Terms:

Application

Customers must submit a completed BMP credit application. The current application will be available on the Authority's website.

Site Inspection

The Authority has the right to inspect the parcel and BMP(s) to verify the information provided in the application and to verify ongoing compliance with the Tariff. If a credit recipient fails an inspection, a notice will be sent to the Customer stating that corrections need to be made. If adequate corrections are not completed or addressed within the time frame specified in the notice, the credit shall be rescinded. To reinstate the credit, the Customer must reapply.

Maintenance

Customers receiving credits must notify the Authority if a BMP becomes impaired, inoperable or is removed from the property within 10 business days of the event causing this condition. If a Customer fails to maintain a BMP such that, in the Authority's sole determination, it ceases to function in the same manner as which the credit was approved, the Authority may terminate the Customer's credit and require a new credit application to be submitted and approved.

(C) = Change

Rider BDP - Bill Discount Program (Residential)

1. Bill Discount Program: This rider is a program designed to enroll residential ratepayers who satisfy the criteria set forth below in a monthly discounted rate program.

2. Availability: This rider is available for a Residential customer that meets the low-income criteria of annual household gross income at or below ~~200~~150% based on the Federal Poverty Level. (C)
 - a. A residential ratepayer who meets the eligibility criteria should complete an application for the Bill Discount Program.
 - b. Eligible customers may be asked to verify income every two years.

3. Rate (Storm Water Service Charge): The Storm Water Service Charge for residential customers pursuant to Rider BDP for participants with income at or below ~~15~~200% of the Federal Poverty Level will pay 15% of the applicable Storm Water Service Charge under Part I, Section A.1 (which represents an 85% discount off the service charge). Any other rates, fees and charges will be at the prevailing amounts under this tariff. (C)

4. PennVest Charge ("PVC"): BDP participants will pay 50% of the PVC charge. (C)

(C) = Change

Appendix H

To

**Joint Petition for
Settlement**

Docket Nos.

R-2023-3039919, et. al.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2023-3039919 (stormwater)
Office of Small Business Advocate	:		C-2023-3040789
Office of Consumer Advocate	:		C-2023-3040847
	:		
v.	:		
	:		
Pittsburgh Water and Sewer Authority	:		
Pennsylvania Public Utility Commission	:	Docket Nos.	R-2023-3039920 (water)
Office of Small Business Advocate	:		C-2023-3040785
Office of Consumer Advocate.	:		C-2023-3040845
	:		
v.	:		
	:		
Pittsburgh Water and Sewer Authority	:		
Pennsylvania Public Utility Commission	:	Docket No.	R-2023-3039921 (wastewater)
Office of Small Business Advocate	:		C-2023-3040780
Office of Consumer Advocate.	:		C-2023-3040846
	:		
v.	:		
	:		
Pittsburgh Water and Sewer Authority	:		
Petition of the Pittsburgh Water and Sewer Authority for Authorization to Increase Water and Wastewater DSIC Charge Caps to 7.5%	:	Docket No.	P-2023-3040734 (water) P-2023-2040735 (wastewater)
Petition of the Pittsburgh Water and Sewer Authority for Authorization to Implement a Customer Assistance Charge	:	Docket No.	P-2023-3040578

**STATEMENT OF THE PITTSBURGH WATER AND SEWER AUTHORITY
IN SUPPORT OF JOINT PETITION FOR FULL SETTLEMENT WITH ALL PARTIES**

Dated: October 30, 2023

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I. INTRODUCTION

The Pittsburgh Water and Sewer Authority (“PWSA” or the “Authority”) submits this Statement in Support of the Joint Petition For Full Settlement Of All Issues With All Parties entered into by PWSA, the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Pittsburgh United’s Our Water Table (“Pittsburgh United”), the City of Pittsburgh (“City”) and the Pittsburgh School District (“School District”) (collectively, “Joint Petitioners” or “Parties”).¹ The Settlement fully resolves all the issues involved in this rate proceeding. Although the benefits of each provision of the Settlement will be discussed in greater detail in the following sections, all of the provisions taken together demonstrate how the Settlement – as a package – has achieved a reasonable balance of many different (and sometimes conflicting) issues and is clearly in the public interest.

As explained by PWSA’s Chief Executive Officer, William J. Pickering, PWSA’s initial rate proposals were significant. PWSA proposed to set rates for a three-year period via a Multi-Year Rate Plan, introduced two new reconcilable charges, requested an increase from the current 5% to 7.5% for its Distribution Infrastructure Improvement Charge (“DSIC”) and proposed to remove the current minimum allowance in PWSA’s rate structure. As further explained by Mr. Pickering, the basis for these proposals was to support PWSA’s continued forward momentum of modernizing and improving every aspect of its water, wastewater conveyance, and stormwater operations.² PWSA also included proposals intended to consider the impacts of the rate changes on its low income customers and proposed to increase eligibility for its Bill Discount Program

¹ As noted in the Joint Petition, River Development Corporation (“RDC”) does not oppose the Settlement and PWSA has served a copy of Joint Petition to the consumer complainants with a letter from OCA explaining their opportunity to file comments or responses, if any, by November 9, 2023.

² PWSA St. No. 1 at 3-4.

(“BDP”), increase availability of its Hardship Grants and to restructure the BDP upon removal of the minimum allowance in 2025 to ensure a continuing level of benefits from the program.

While several of PWSA’s initial proposals have been altered and/or withdrawn as part of the Settlement proposals, the result of the Settlement, in PWSA’s view, is a reasonable balance of the competing issues raised in this proceeding. First, the Parties support a reasonable increase in rates to be effective on February 15, 2024. While PWSA agreed to withdraw its proposals regarding increasing the DSIC cap and implementing the CAC, the revenue amount agreed to in 2024 should be sufficient for PWSA to meet its needs.

Second, the Parties support implementation of a new PennVest Charge with recovery permitted to be sought effective January 1, 2025. Although the agreed-to PennVest Charge is a parred down version of PWSA’s initially proposed Infrastructure Improvement Charge (“ICC”), the end result is consistent with the Commission’s Policy Statement and will provide PWSA a reasonable avenue to seek more timely recovery of the debt service costs of PennVest loans.

Third, the Settlement reasonably balances the long-standing concern of some parties regarding PWSA’s current use of a minimum allowance in rates with PWSA’s concern about the estimated time needed – nine months – for programming changes before PWSA could implement the rate structure change. Authorizing PWSA to undertake the programming to implement the change and to present an implementation proposal as part of its next base rate filing is consistent with the concept embedded as part of PWSA’s MYRP while not setting base rates beyond 2024.

Finally, the Settlement adopts all of PWSA’s initial proposals to enhance its current low-income customer assistance programs while adding a few additional features. The resulting program is reasonable within the context of the agreed-to base rates established as part of this

proceeding. These include expanding the Arrearage Forgiveness Program credit from \$30 to \$40, increasing the amount of the Hardship Grant from \$300 to \$450, and increasing the volumetric discount for BDP participants with incomes at or below 50% of the Federal Poverty Level from 50% to 60%.

The Parties worked diligently to craft a reasonable settlement that is in the public interest. Each provision was considered individually and within the context of the overall settlement package. To achieve the Settlement, Parties agreed to compromise on many issues in the interest of designing a complete Settlement that reasonably resolves all issues. Approving the Settlement without modification is in the public interest]. As such, PWSA urges the Administrative Law Judge (“ALJ”) to recommend that the Commission approve this Settlement as submitted and without modification.

II. SETTLEMENT

A. Revenue Requirements, Rates, and Charges

1. Rates

Introduction

In summary, the Settlement establishes the following terms regarding revenue requirement:

- Effective February 15, 2024, a total base rate revenue increase of \$35,999,997, exclusive of 5% DSIC, will be implemented and allocated consistent with Appendices B, C and D.
- PWSA will amortize its \$263,215 COVID-19 expense claim over a two-year period.
- As the contractual timelines become available for renegotiation of PWSA’s current wholesale water contracts, PWSA agrees to engage in good faith negotiations to negotiate new rates intended to move closer to PWSA’s tariffed wholesale rate.³

³ Joint Petition at 6, ¶ III.A.1.

The background and basis for these terms, and a demonstration of why they are reasonable and in the public interest, follows.

Background of PWSA Cash Flow Method of Ratemaking and Legal Standards Applicable to Establishing Just and Reasonable Rates for PWSA

Chapter 32 of the Public Utility Code, added in 2017, gives the Commission jurisdiction over PWSA’s provision of water, wastewater and stormwater service and the establishment of just and reasonable rates for those services.⁴ The Commission has directed that PWSA’s revenue requirement be determined using the “Cash Flow” method, the traditional method of determining just and reasonable rates for municipal utilities such as PWSA.⁵ This is appropriate because PWSA has no shareholders and does not pay a dividend or a rate of return to its owner.

Accordingly, PWSA does not have access to shareholder equity-generated capital and all funds raised by the Authority must come directly from government loans or grants, borrowings from the municipal debt markets (the costs of which are borne by ratepayers) or (mostly) from rates paid by ratepayers.⁶ Therefore, rather than having its revenue requirement determined on the basis of a fair rate of return on a used and useful rate base, PWSA’s rates are set by determining the levels of cash necessary to fund an operating budget and produce reasonable financial metrics (i.e., Days of Cash on Hand and Debt Service Coverage Ratios) that will enable PWSA to: (1) operate and maintain its utility systems and meet all its regulatory obligations; (2) pay for needed capital improvements; (3) experience financial performance that exceeds required

⁴ 66 Pa. C.S. § 3201, *et. seq.*

⁵ *Implementation of Chapter 32 of the Public Utility Code Re Pittsburgh Water and Sewer Authority*, Docket Nos. M-2018-2640802 and M-2018-2640803, Final Implementation Order entered March 15, 2018 at 27-28 (“Final Implementation Order”).

⁶ PWSA St. No. 2 at 5-7.

minimums and is consistent with comparable companies; and (4) maintain access to the capital markets at reasonable rates.⁷

PWSA's calculation of its revenue requirement using the "Cash Flow" method is consistent with the Commission's Cash Flow Ratemaking Policy Statement, which sets forth the financial and other considerations that are reviewed in setting just and reasonable levels using the Cash Flow method.⁸ The Policy Statement states that, under the Cash Flow method, the Commission is obligated to:

provide revenue allowances from rates adequate to cover [the utility's] reasonable and prudent operating expenses, depreciation allowances and debt service, as well as sufficient margins to meet bond coverage requirements and other internally generated funds over and above its bond coverage requirements, as the Commission deems appropriate and in the public interest for purposes such as capital improvements, retirement of debt and working capital.

§ 69.2703. Ratemaking procedures and considerations.

- (a) In determining just and reasonable rate levels for [the Cash Flow utility at issue], the Commission will consider, among other relevant factors:
- (1) [the utility's] test year-end and (as a check) projected future levels of non-borrowed year-end cash.
 - (2) Available short-term borrowing capacity and internal generation of funds to fund construction.
 - (3) Debt to equity ratios and financial performance of similarly situated utility enterprises.
 - (4) Level of operating and other expenses in comparison to similarly situated utility enterprises.
 - (5) Level of financial performance needed to maintain or improve PGW's bond rating thereby permitting PGW to access the capital markets at the lowest reasonable costs to customers over time.
 - (6) [the utility's] management quality, efficiency and effectiveness.

⁷ *Id.*

⁸ 52 Pa. Code § 69.2702(b).

- (7) Service quality and reliability.
- (8) Effect on universal service.⁹

Additionally, the Public Utility Code, Section 3208 requires that: “[t]he commission shall permit an authority to impose, charge or collect rates or charges as necessary to permit the authority to comply with its covenants to the holders of any bonds or other financial obligations.”¹⁰

i. PWSA’s Initial Proposals

In recognition of the Authority’s extensive and ongoing capital and operating needs, PWSA originally sought a multi-year total overall rate revenue increase of \$146.1 million, which is inclusive of the DSIC. This included a \$46.8 million or 22.5% increase in the FPPTY (FY 2024), \$45.4 million or 17.8% in FY 2025, and \$53.9 million or 17.9% in FY 2026.¹¹ PWSA also proposed to create a new charge starting in FY 2025 – a “Customer Assistance Charge” (“CAC”) – and to take avail itself of the Commission’s existing policy permitting the recovery of PennVest loan costs through an automatic adjustment charge by the creation of an “Infrastructure Investment Charge” (“IIC”).¹² PWSA’s IIC was also proposed to include the costs of PWSA’s Water Infrastructure Finance and Innovation Act (“WIFIA”) loans, which are the federal equivalent to PennVest¹³ Finally, PWSA proposed to increase the cap on its Distribution System Improvement Charge (“DSIC”) from its present 5% to 7.5% for both its water and wastewater DSICs.¹⁴

⁹ 52 Pa. Code §§ 69.2702(b) and 69.2703(a).
¹⁰ 66 Pa. C.S. § 3208(c)(1).
¹¹ PWSA St. No. 2 at 4.
¹² PWSA St. No. 2 at 5, 50-51.
¹³ PWSA St. No. 2 at 48.
¹⁴ PWSA St. No. 2 at 27-28.

As permitted by Act 11 of 2012, PWSA based its claimed revenue requirement on the fully forecasted 12 months ending December 31, 2024, referred to as the Fully Projected Future Test Year (“FPFTY”). The Future Test Year (“FTY”) is calendar year 2023, January 1, 2023 to December 31, 2023, and the Historical Test Year (“HTY”) is calendar year 2022, January 1, 2022 to December 31, 2022. Those results are displayed on Exhibit EB-1. Each page of this exhibit shows data not only for the Historic, Future and Fully Forecasted Future Test Year but also for the years 2025 and 2026, to support PWSA’s “Multi-Year” rate request. As part of that request, PWSA proposed that the Commission here approve a rate increase for each of the 2024-2026 years, consistent with Section 1330 of the Public Utility Code which specifically authorizes such a multi-year rate plan.¹⁵

PWSA uses a zero-based budgeting method to develop annual budgets, where each year and each cost category is considered individually when developing the budget. Using its established budgeting approach, PWSA calculated a revenue requirement for FY 2024 as well as the Multi-Year Rate Plan years of 2025 and 2026.

Critical Drivers

As explained by PWSA’s Chief Executive Officer, William J. Pickering, the most critical drivers for this increase are the continued increase in capital spending and the effects of inflation on the costs of operations.¹⁶ PWSA’s extensive Capital Improvement Plan (“CIP”)¹⁷ discussed in Mr. King’s testimony¹⁸ includes the refurbishment and replacement of a significant portion of PWSA’s water supply system in order to meet regulatory mandates. PWSA plans to increase its

¹⁵ 66 Pa. C.S. § 1330(b)(1)(iv).

¹⁶ PWSA St. No. 1 at 13-14, 17.

¹⁷ PWSA’s 2023-2027 CIP can be found at Exhibit EB-4.

¹⁸ PWSA St. No. 4 at 3-21.

capital expenditures by some \$ 42.7 million in 2024 over FY 2023 (14%), and is contemplating similarly large increases in 2025 (\$49.3 million).¹⁹ While PWSA has and will continue to take advantage of state (PennVest) and federal (WIFIA) loans and grants whenever possible, it, nonetheless, is planning to issue additional General Obligation long term debt in both the FPFTY as well as each year thereafter.²⁰

The other major drivers of the requested rate increases were: 1) inflation, with prices for most capital expenditures and operations increasing significantly since PWSA’s last rate increase; 2) the need to drastically increase operations to address deferred maintenance; 3) costs related to the Wet Weather Consent Decree with the United States Environmental Protection Agency (“US EPA”); 4) environmental compliance; 5) decreased consumption; and 6) funds to meet new financial obligations and improve financial metrics that impact PWSA’s bond rating.²¹

Mr. Barca explained that the requested rate increase was crucial to permit PWSA to be able to pay its bills when due and also maintain the financial metrics that were consistent with an “A” rated entity, such as the Authority.²² PWSA’s Financial Advisor, Ms. Christina Fay, testified that PWSA’s proposed rate increase was minimally adequate in order to maintain its financial metrics in the FY 2024 (“FPFTY”) and FY 2025 and 2026 (the “Forecast Period”) at levels that will allow PWSA to maintain its current credit profile. She explained that PWSA’s current financial metrics are on the low side of peer utility systems and industry standards and need to be bolstered to be more in line with its peers in order to reduce its financial risks

¹⁹ PWSA St. No. 4 at 7. Mr. King’s testimony explains how much of PWSA’s Capital Improvement Plan is driven by the need to meet DEP consent orders and PUC regulations. *Id.* at 8-21. *See also* Exhibit BK-1 to Exhibit BK-4.

²⁰ PWSA St. No. 2 at 29.

²¹ PWSA St. No. 2 at 10,15-17; PWSA St. No. 1 at 13-14.

²² PWSA St. No. 2 at 42-44.

compared to similarly situated utilities.²³ She also described the many negative consequences and harms to ratepayers if PWSA did not receive adequate rate relief.²⁴

Additional Features

PWSA’s rate increase request contained several features designed to assist the Authority in assuring it had the revenues it needed to continue to modernize its water and wastewater systems and to continue to provide safe, adequate and reasonable service:

Multi-Year Rate Plan (“MYRP”). Pursuant to Section 1330 of the Public Utility Code, PWSA proposed that the Commission establish rates for a three-year period, 2024-2026, with additional rate hikes of \$45.4 million or 17.8% in FY 2025, and \$53.9 million or 17.9% in FY 2026. The MYRP would have helped PWSA to cover projected rising costs and provided added certainty regarding rate levels for both the Authority and its customers.²⁵

Infrastructure Improvement Charge (“IIC”). The requested Infrastructure Improvement Charge would have expedited PWSA’s ability to obtain additional low-cost funding through PennVest and WIFIA by having a stable revenue source to ensure the required debt covenants and additional bonds tests can be met, in addition to having funds available to pay annual debt service.²⁶ A Commission Policy Statement authorizes water and wastewater companies to create such an automatic adjustment clause for PennVest.²⁷

Customer Assistance Charge (“CAC”). The CAC was proposed to permit PWSA to seek timely recovery of the costs of its voluntary assistance programs on a reconcilable basis to

²³ PWSA St. No. 9 at 5, 16-20, 23-31.

²⁴ *Id.* at 32-36.

²⁵ PWSA St. No. 2 at 45-46.

²⁶ PWSA St. No. 2 at 47-48.

²⁷ 52 Pa. Code § 69.363; PWSA St. No. 2 at 47-48.

support PWSA’s strong commitment to enroll as many eligible customers as possible.²⁸ These costs are growing and are not controllable by PWSA as they are driven by policy decisions advocated or agreed to by all Parties.

Increase in Distribution System Improvement Charge (“DSIC”) Cap. PWSA has water and wastewater DSICs capped at 5%. PWSA proposed to increase its DSIC cap for both water and wastewater to 7.5%. The increase would have permitted PWSA to spend some \$5 million in additional qualifying construction expenditures,²⁹ thereby expediting the modernization of both systems. The increase would have also permitted PWSA to increase the amount of internally generated funds, or “PAY-GO” which would, in turn, reduce PWSA’s need for long term debt borrowing and be cheaper for ratepayers, since, for a cashflow-regulated company, PAYGO financing is actually cheaper for customers than utilization of long-term debt financing.³⁰

ii. Positions of Other Parties and PWSA Responses

Positions of the Other Parties

In response to PWSA’s revenue requirement proposals, several parties submitted testimony with alternative recommendations.

I&E initially recommended a decrease of nearly \$7 million in FPFTY revenues.³¹ In addition, I&E supported increasing the DSIC cap to 7.5%,³² opposed the proposed MYRP, and opposed the implementation of the IIC³³ as well as the CAC.³⁴

²⁸ PWSA St. No. 2 at 49. See also, Petition of the Pittsburgh Water and Sewer Authority for Authorization to Implement a Customer Assistance Charge at Docket No. P-2023-3040578.

²⁹ PWSA St. No. 2 at 27-28.

³⁰ PWSA St. No. 2-R at 23-24; PWSA St. No. 2-RJ at 13.

³¹ I&E St. No. 1 at 7. This position was changed in surrebuttal, I&E St. No. 1-SR at 3.

³² I&E St. No. 1 at 21; I&E St. No. 1-SR at 9-11.

³³ I&E St. No. 1 at 24-26; I&E St. No. 1-SR at 11-13.

³⁴ I&E St. No. 2 at 30-36.

The I&E revenue requirement position was driven by the testimony of I&E witnesses Okum and Cline. Ms. Okum disputed many aspects of PWSA’s FPFTY Operating Budget and recommended that projected expenses be lowered by more than \$19 million.³⁵ She proposed to “normalize” (or spread recovery over a number of years) certain PWSA budgeted expenditures such as rate case expense³⁶ and equipment costs.³⁷ That includes I&E recommendations related to PWSA’s claim (of \$263,215) for COVID-19 expenses – which I&E proposed be recovered over 19 months,³⁸ as opposed to one year (as proposed by PWSA).

I&E witness Cline disputed the projected spending in PWSA’s Capital Budget. In doing so, he did not take issue with any specific project with PWSA’s proposed capital improvement plan (“CIP”). But Mr. Cline did initially recommend that the CIP be reduced by more than \$32 million.³⁹ That recommendation was based on his assertion that PWSA’s FPFTY 2024 Capital Budget was not reliable because PWSA had failed to realize its budgeted level of capital expenses in prior years.⁴⁰ The recommended reduction in the CIP was used as a dollar-for-dollar reduction to the overall revenue requirement.⁴¹

OCA recommended an FPFTY increase of about \$30 million.⁴² In addition, OCA opposed increasing the DSIC cap,⁴³ opposed the MYRP,⁴⁴ opposed implementation of the IIC⁴⁵ and opposed the CAC.⁴⁶ OCA recommended lowering or normalizing budgeted expenditures by

³⁵ I&E St. No. 2 at 7. This position was changed in surrebuttal, I&E St. No. 2-SR at 5-6.

³⁶ I&E St. No. 2 at 50-51.

³⁷ I&E St. No. 2 at 28.

³⁸ I&E St. No. 2 at 25, 33.

³⁹ I&E St. No. 3 at 20.

⁴⁰ I&E St. No. 3 at 19-21; I&E St. No. 3-SR at 20-30.

⁴¹ I&E St. No. 1; I&E Exhibit No. 1, Schedule 1. This position was changed in surrebuttal, I&E St. No. 1-SR at 5.

⁴² PWSA St. No. 2-RJ at 2.

⁴³ OCA St. 2 at 19.

⁴⁴ OCA St. 2 at 4.

⁴⁵ OCA St. 2 at 32.

⁴⁶ OCA St. 2 at 35.

more than \$15 million.⁴⁷ That includes OCA's recommendation related to PWSA's COVID-19 expenses, which OCA proposed be recovered over 24 months.⁴⁸

OSBA recommended a FPFTY increase of about \$34 million⁴⁹ and opposed increasing the DSIC cap.⁵⁰ OSBA also recommended lowering operating expenses by nearly \$12.8 million.⁵¹

PWSA Rebuttal to the Other Parties

In rebuttal testimony, PWSA witness Barca explained that the recommended operating expense adjustments were based implicitly on the assumption that PWSA would not incur the FY 2024 budgeted expenses that the parties were recommending be disallowed. Mr. Barca explained that this key assumption – that PWSA would not actually expend any amounts deemed not includable in FPFTY expenses – was the basis on which I&E and OCA could claim that their recommendations would nonetheless produce metrics that were very close to those that PWSA showed would occur if the *full* rate increase were to be awarded.⁵²

However, if PWSA *did* incur the level of operating expenses it was projecting (and which it fully intended to and, in many cases, was required to incur) but only received the level of increase advocated by these parties, Mr. Barca showed that PWSA would find itself unable to meet its Bond Indenture requirements (1.25x on senior debt; 1.10x on total debt). This would, in turn, mean that PWSA would be in default and would not be able to issue additional debt under the “Additional Bonds Test.”⁵³ Failure to satisfy the Additional Bonds Test would stop all future

⁴⁷ OCA St. 1; OCA Exh. DM-1.

⁴⁸ OCA St. 1 at 47; OCA Exhibit DM-18.

⁴⁹ See PWSA St. No. 2-R at 3.

⁵⁰ OSBA St. No. 1 at 5, 16-17.

⁵¹ OSBA St. No. 1 at 5 (Table KCH-1); PWSA St. No. 2-R at 40.

⁵² PWSA St. No. 2-R at 3-6.

⁵³ PWSA St. No. 2 at 5-11. See also PWSA St. No. 2-RJ at 2-9 regarding I&E's updated revenue requirement position.

borrowing for PWSA's capital improvement plan.⁵⁴ PWSA witness Fay similarly explained that the debt service coverage and days of cash produced by the other Parties' positions were unreasonable and would be viewed unfavorably by the rating agencies and/or the investment community, thus risking a credit downgrade and a significant possibility that critical operations would not be funded.⁵⁵

Mr. Barca explained that making "normalization" adjustments for a cash flow regulated utility that only requests the amounts needed to fund its operating budget is unreasonable and counterproductive. PWSA has no "cushion" that it can use to fund projected operating expenses if the dollars are not authorized in rates.⁵⁶ Mr. Barca also went through each of the expense adjustments recommended by the three parties and showed why they were unreasonable or otherwise incorrect.⁵⁷

Regarding the PWSA's Capital Budget, Mr. Barca explained that the revenue requirement for capital additions is made up of debt service (and debt service coverage) associated with bond issuances, and not PWSA's capital expenditures themselves.⁵⁸ Therefore, I&E's proposed \$32 million reduction in PWSA's rate increase request was incorrect. Mr. Barca further explained that the underlying premise of the adjustment – that PWSA had improperly not met all of its prior capital budgets – was faulty. Projects can be delayed for reasons that PWSA cannot control⁵⁹ and

⁵⁴ PWSA St. No. 2-R at 6, 8. To remedy or avoid this situation, PWSA would have had to take a variety of steps to reduce operating expenses, by slowing or eliminating initiatives and projects, such as: 1) freezing hiring and potentially laying off staff; 2) reducing project funding for regulatory obligations, such as Washout Disconnections and CSO flow monitoring; and 3) reducing plant and building repairs at PWSA's Water Treatment Plant. Continuing to defer these repairs would eventually lead to a physical security breach or catastrophic failure of plant infrastructure. This would put the safety and security of PWSA's employees and customers in jeopardy while also costing more to fix on an emergency basis. *See* PWSA St. No. 2-R at 9-10.

⁵⁵ PWSA St. No. 9-R.

⁵⁶ PWSA St. No. 2 at 57.

⁵⁷ PWSA St. No. 2-R at 39-78.

⁵⁸ PWSA St. No. 2-R at 16-21.

⁵⁹ PWSA St. No. 2-R at 16-17.

there was no suggestion that the Authority acted imprudently. PWSA at all times managed project delays so as not to recover costs from ratepayers that it was not able to spend.⁶⁰ Long term debt is issued to pay for capital projects (initially funded by short term debt) and debt service costs are incurred for projects as they are placed into service.⁶¹ If a project is delayed, the long-term debt funding remains available to finance the project once it is completed.

PWSA further responded to the opposition to increasing the DSIC cap, the establishment of a MYRP, and the implementation of the IIC as well as the CAC.⁶² With respect to the MYRP, PWSA pointed out that multi-year rate increases are specifically authorized by the Public Utility Code, Section 1330, and that multi-year rate determinations are common for municipal utilities.⁶³ PWSA also demonstrated that its requested increase in the DSIC cap was authorized by statute⁶⁴ and that concerns about “intergenerational inequity” did not apply to a cash flow regulated utility where virtually none of its capital expenditures were matched to the useful lives of the capital addition.⁶⁵ PWSA also pointed out that its proposed IIC was consistent with the Commission’s PennVest Loan Obligations Policy Statement and that PWSA would comply with the requirements for rate recovery set out in the Statement.⁶⁶

Surrebuttal and Rejoinder

I&E changed its revenue recommendation in surrebuttal. In surrebuttal, I&E recommended an overall FPFTY increase of about \$25 million.⁶⁷ In doing so, I&E continued to

⁶⁰ PWSA St. No. 2-R at 17, 19-20.

⁶¹ *Id.*

⁶² PWSA St. No. 2-R at 21-39.

⁶³ PWSA St. No. 2-R at 30.

⁶⁴ 66 Pa. C.S. § 1358(b).

⁶⁵ PWSA St. No. 2-RJ at 16-19.

⁶⁶ PWSA St. 2-R at 35-38.

⁶⁷ I&E St. No. 1-SR at 3.

recommend that (a) projected expenses be lowered by more than \$19 million;⁶⁸ and (b) debt service and debt service coverage expenses be proportionately reduced (as opposed to a dollar-for-dollar reduction to the revenue requirement).⁶⁹

In surrebuttal, OCA and OSBA continued with their respective revenue requirement recommendations.⁷⁰

In rejoinder, PWSA witness Barca responded to I&E's updated revenue recommendation and continued to support PWSA's other revenue requirement recommendations and proposals.⁷¹

iii. Proposed Settlement

The proposed Settlement would permit PWSA to increase water, wastewater and stormwater rates by a total of \$35,997,325 million, exclusive of any incremental amounts generated by application of the existing DSIC (with a 5% cap) to PWSA's revenues at proposed rates. As discussed further below in Section II.A.3.b., the Settlement also includes specific provisions related to the implementation of a newly renamed PennVest Charge ("PVC") in lieu of PWSA's proposed IIC. In addition, neither PWSA's proposed CAC nor its DSIC cap increase will be implemented.⁷² The revenue requirement settlement amount includes an authorization to amortize PWSA's deferred COVID-19 expenses (\$263,215) over two years. As discussed further below in Section II.A.1.B, PWSA also agreed that, as the contractual timelines become available for renegotiation of PWSA's current wholesale water contracts, to engage in good faith

⁶⁸ I&E St. No. 2-SR at 5-6.

⁶⁹ I&E St. No. 1-SR at 5.

⁷⁰ OCA St. 1-SR; OCA St. 2-SR; OSBA St. No. 1-SR.

⁷¹ PWSA St. No. 2-RJ.

⁷² In light of the agreement to not receive a multiyear rate increase, the Parties agreed that PWSA's proposal to eliminate usage included in its minimum charge would be withdrawn, to implement the software necessary to be able to make this change and to propose its elimination in the Authority's next base rate case. Joint Petition at ¶ III.A.3.a.

negotiations to establish new rates intended to move these customers closer to PWSA’s tariffed wholesale rate.⁷³

iv. The Settlement Terms Are in the Public Interest

From its perspective, PWSA submits that the proposed Settlement is in the public interest. First, the proposed rate increase reasonably balances the Authority’s need for additional revenue over the next few years to continue to fund its massive Capital Improvement Program and its operating programs. The Settlement provides for much smaller rate increases than requested by PWSA:

Request/Settle*	2024	2025	2026	3-Year Total
Base Rates	\$40.1/\$36	\$20.0/-0-	\$47.5/-0-	\$107.7/\$36
DSIC @ 7.5%	\$6.6/\$1.4	\$2.7/\$.8	\$3.2/-0-	\$12.5/\$2.2
PennVest/IIC	\$0.0	\$17.1/\$15.5	\$2.1/\$.4	\$19.2/\$15.9
CAC	\$0.0	\$5.5/-0-	\$0.9/-0-	\$6.5/-0-
Total Rate Rev	\$46.8/\$37.4	\$45.3/\$16.3	\$53.8/\$.4	\$145.9/\$54.1

***(000); Does not include miscellaneous revenue.**

As can be seen, the Settlement is 37% of PWSA’s total three-year request.

Second, the Settlement calls for a one-time base rate increase, as opposed to the multiyear base rate increase originally proposed. This, in conjunction with the stay out provision in which PWSA has agreed not to file a general rate increase any sooner than January 1, 2025, for rate implementation in 2026, will provide customers with a measure of rate stability regarding base rates for the next two years (2024 and 2025).

Notably, in addition to the base rate increase, PWSA will also be permitted to increase incrementally the amount of DSIC-financed capital improvements (because the 5% cap will be applied to a higher level of revenues). Also, to the extent that PWSA is able to secure PennVest loans starting in 2025, it will be able to recover the debt service for those loans in the PennVest

⁷³ Joint Petition at ¶ III.A.1.c.

Charge, after applying to the Commission pursuant to 52 Pa. Code § 69.363. In order to achieve a Settlement, PWSA elected to forgo its requests for: 1) a multi-year rate increase (while also agreeing to a base rate case stay out for 2025); 2) a Customer Assistance Charge, to recover the costs of providing low-income programs; 3) inclusion of WIFIA government loans in its permitted PennVest Charge; and 4) an increase in its DSIC cap from 5% to 7.5%. While these concessions will create more difficulty for PWSA to recover the cost of maintaining the water/wastewater/stormwater system, PWSA believes that the Settlement allowances will be minimally adequate.

The 2024 rate increase (under the Settlement) is within the range of the recommendations made by the various parties to the proceeding:

Recommended Revenue Requirement and <u>Claimed</u> Financial Metrics					
FPFTY	PWSA Original	Settlement	I&E (UPDATED)	OCA	OSBA
Recommended Rate Increase	\$46.836 M	\$35.999 M	\$25.026 M	\$30.584 M	\$34.057 M ⁷⁴
Debt Service Coverage Ratio (DSCR):					
Senior (1.25x requirement)	1.65	1.53x	1.64	1.65	--
Total (1.1x requirement)	1.21	1.12x	1.20	1.21	--
Days of Cash on Hand (DCOH):					
DCOH	247.6	237.8	289.2	279.08	--
DCOH with ALCOSAN	145.0	139.3	158.3	155.27	--

⁷⁴ PWSA claimed revenue at proposed rates less \$7,938,311 for expense adjustments and less \$4,840,624 for DSIC adjustment: \$12,778,935.

The Settlement revenue requirement permits PWSA to maintain minimally adequate coverage and DCOH levels (although the Authority will be forced to adjust its capital spending and operations plans in order to be able to reasonably function at the agreed to revenue requirement and with the authorized additional cost recovery mechanisms (DSIC and PennVest Charge)).

a. Allocation of Revenue Requirement Among Services and Classes

i. PWSA Initial Proposal

As it had in each of its prior rate proceedings, PWSA presented a Class Cost of Service Study (“CCOSS”),⁷⁵ sponsored by Harold J. Smith, Vice President of Raftelis Financial Consultants, Inc., a consulting firm specializing in water, wastewater, and stormwater finance and pricing.⁷⁶ The purpose of the CCOSS is to allocate PWSA’s costs of providing service (revenue requirement) to each utility, i.e., water, wastewater and stormwater, then to each rate class within the water and wastewater categories. The rate design analysis results in water and wastewater conveyance rates that will help ensure that PWSA’s costs are recovered from each class in a fair and equitable manner and in a way that reflects the demands that each class place on the systems.⁷⁷

After determining the total system revenue requirements (determined by PWSA witness Barca), the water, wastewater conveyance, and stormwater utility service revenue requirements were determined. The revenue requirements are designated as water only, wastewater only, stormwater only or allocated between water, wastewater and stormwater based on a set of

⁷⁵ PWSA Exhs. HJS-1 through HJS-13SW.

⁷⁶ PWSA St. No. 7 at 1.

⁷⁷ PWSA St. No. 7 at 15-16.

allocation factors. The allocation of total system revenue requirements to water, wastewater and stormwater for the FPPTY are shown on Schedule HJS-1.⁷⁸ Most costs were allocated among the three categories.⁷⁹ The remaining costs are allocated using a set of allocation factors. The allocation factors used in the establishment of utility service revenue requirements are summarized and described in Schedule HJS-2.

Once costs were allocated among the three services (water, wastewater and stormwater), costs were then allocated to various customer classes for those services. Costs were allocated in a manner consistent with the methodology described in the American Water Works Association (AWWA) Manual M-1 “Principle of Water Rates, Fees and Charges.”⁸⁰ Once the portion of PWSA’s costs attributable to providing water service was identified, those water-related costs were distributed to each customer class in a manner that reflects the way each class demands service, taking into account adjustments that need to be made for special circumstances.⁸¹ A similar process was undertaken for wastewater costs⁸² and stormwater costs.⁸³

The allocation of revenue requirement for 2025 and 2026 was affected by the fact that, in accordance with a prior settlement commitment, PWSA proposed, starting in 2025, to eliminate the minimum charge as a component of its rates.⁸⁴ PWSA’s current minimum charge is a fixed monthly charge that recovers customer-related costs but also includes the costs of a certain amount of commodity (e.g., the first 1000 gallons of water for Residential customers) in the fixed charge. Removing the minimum charge and replacing it with a customer charge will result

⁷⁸ PWSA St. No. 7 at 8.

⁷⁹ PWSA St. No. 7 at 15.

⁸⁰ PWSA St. No. 7 at 18.

⁸¹ PWSA St. No. 7 at 17-30; PWSA Exh. HJS-10W.

⁸² PWSA St. No. 7 at 34-44.

⁸³ PWSA St. No. 7 at 44-45; PWSA St. No. 8 at 4-7.

⁸⁴ PWSA St. No. 7 at 29.

in a shift in cost recovery from the fixed portion of the rate to the commodity portion, with corresponding effects on customers depending upon their level of water usage. Because making this change required significant software and billing changes, PWSA proposed to implement it in 2025 after the Commission approved it.⁸⁵

ii. Positions of Other Parties and PWSA Responses

Several parties submitted testimony with alternative revenue requirement allocation recommendations. First, OSBA proposed that the costs of the Bill Discount Program – which PWSA proposed to continue to recover from all customer classes – should be recovered solely from the Residential customer class.⁸⁶ Second, I&E and OCA presented various arguments regarding PWSA’s rate design which had the effect of altering the revenue requirement allocations and will be addressed further below in Section II.A.3. Additionally, OCA argued that the increase to the Industrial class rates should be limited to 1.75 times the system average increase rather than the 1.5 times system average utilized by PWSA.⁸⁷

PWSA, though Mr. Smith, opposed OSBA’s demand that the costs of low income assistance programs be recovered solely from Residential customers, explaining that their allocation to all classes is consistent with PWSA’s traditional approach and that the salutary effects of PWSA’s programs provide a benefit to all classes, not just Residential customers.⁸⁸ Mr. Smith also continued to support limiting the increase to the Industrial class rates to 1.5 times the system average based on the agreement of the parties in PWSA’s prior rate case.⁸⁹

⁸⁵ PWSA St. No. 7 at 29.

⁸⁶ OSBA St. No. 1 at 17-21.

⁸⁷ OCA St. 4 at 11.

⁸⁸ PWSA St. No. 7-R at 4-5.

⁸⁹ PWSA St. No. 7-R at 8-9.

Mr. Mierzwa continued to support his recommendations regarding limiting the system average increase on the basis that it is consistent with the general concept of gradualism which recommends that increases be limited to 1.5 – 2.0 times. Similarly, Mr. Higgins, on behalf of OSBA, continued to support the view regarding the allocation of customer assistance program costs.⁹⁰

iii. Proposed Settlement

Based upon the various parties' positions regarding allocation of the settlement rate increase and in an effort to reach a mutually acceptable compromise, the Parties agreed to allocate the increase in a manner that attempted to reflect the positions of the various parties.⁹¹ A comparison of allocation of revenue by class from PWSA's original request and the settlement proposal is follows:

⁹⁰ OSBA S.t No. 1-S at 4-5.

⁹¹ The allocation of proposed settlement rate increase by customer class and by utility service is illustrated on Appendix B of the Joint Petition for Settlement. A comparison of the customer bill impacts at existing rates, settlement proposed rates and initially filed rates is illustrated on Appendix C of the Joint Petition.

**2024 COS & Rate Design
FPFTY CCOS Comparison - Water**

	Original Request (FPFTY 2024)		Revenue at Settlement Proposed Rates (FPFTY 2024)	
	Amount	Percent	Amount	Percent
Base Rate Revenues				
Residential	\$ 58,174,270	37.1%	\$ 56,417,195	37.8%
Residential – CAP	2,079,105	1.3%	1,946,153	1.3%
Commercial	57,058,794	36.4%	53,764,258	36.0%
Industrial	3,073,423	2.0%	3,020,056	2.0%
Health or Education	23,984,749	15.3%	22,512,297	15.1%
Municipal – Residential	40,317	0.0%	39,128	0.0%
Municipal – Commercial	5,002,575	3.2%	4,569,517	3.1%
Private Fire System	975,033	0.6%	933,138	0.6%
Public Fire Protection	1,964,093	1.3%	1,864,086	1.2%
Wholesale & Bulk	4,339,251	2.8%	4,185,624	2.8%
Subtotal: Base Rate Revenues	\$ 156,691,609	100.0%	\$ 149,251,452	100.0%
<i>The allocation of the Settlement revenues by Class compared to PWSA's original proposal for Wastewater is as follows:</i>				

**Pittsburgh Water and Sewer Authority
2024 COS & Rate Design
FPFTY CCOS Comparison – Wastewater Conveyance**

	Original Request (FPFTY 2024)		Revenue at Settlement Proposed Rates (FPFTY 2024)	
	Amount	Percent	Amount	Percent
Base Rate Revenues				
Residential	\$ 23,111,883	46.0%	\$ 25,045,688	46.1%
Residential – CAP	1,119,353	2.2%	1,169,256	2.2%
Commercial	17,197,777	34.3%	18,542,912	34.1%
Industrial	993,291	2.0%	1,114,966	2.1%
Health or Education	6,256,703	12.5%	6,838,143	12.6%
Municipal – Residential	14,635	0.0%	15,824	0.0%
Municipal – Commercial	1,430,914	2.9%	1,514,733	2.8%
Wholesale	65,079	0.1%	65,079	0.1%
Subtotal: Base Rate Revenues	\$ 50,189,636	100.0%	\$ 54,306,601	100.0%

iv. The Settlement Terms Are in the Public Interest

As can be seen, the Settlement adopts PWSA's initially proposed allocations with only small revisions. The revisions were the result of accommodations by the Parties to resolve the various claims regarding allocation and in all cases result in rates that are reasonable and reasonably related to their cost of service, as determined by PWSA's CCOSS; thus, they are not unreasonably discriminatory. The Settlement's allocation of the base rate increase to Water, Wastewater Conveyance and Stormwater service is consistent with the recommendations of I & E.⁹²

b. Wholesale Contracts

i. PWSA's Initial Proposals

PWSA has a number of pre-existing wholesale agreements that were in place prior to being regulated by the Commission. PWSA's revenue requirements were developed based on the anticipated revenue to be received via these negotiated contract rates.

ii. Positions of Other Parties and PWSA Responses

OCA witness Mierzwa recommended that PWSA terminate each of the wholesale agreements so that PWSA can negotiate new agreements that provide for movement towards cost of service rates (as opposed to the agreed-upon prices in the agreements).⁹³ PWSA explained that premature termination was unreasonable but that it would review its wholesale cost of service and rates when the contract renewals are negotiated between PWSA and the counter parties.⁹⁴

⁹² See, I & E St. 1 at 5-6 and PWSA Statement in Support, Appendix B. The \$36 million base rate increase was allocated 66% (\$23.8 million) to Water, and \$6.1 million (17%) each to Wastewater Conveyance and Stormwater.

⁹³ OCA St. 3 at 9-10.

⁹⁴ PWSA St. No. 2-R at 33-34.

iii. Proposed Settlement

The Settlement provides that: “As contractual timelines become available for renegotiation of PWSA’s current wholesale water contracts, PWSA agrees to engage in good faith negotiations to negotiate new rates intended to move closer to PWSA’s tariffed wholesale rate.”⁹⁵

iv. The Settlement Terms are in the Public Interest

The Settlement secures a commitment that would not exist absent the Settlement. That provision is reasonable and in the public interest because it mitigates potential litigation over contract termination — especially since the counterparties were not explicitly notified that their existing agreements could be terminated/modified as a result of this proceeding, and reflects a consensus that PWSA will take steps to move these wholesale customers to rates that are based on cost at the appropriate time.

2. Base Rate Case Stay Out

i. PWSA’s Initial Proposals

PWSA did not propose a base rate case stay out in its initial filing although it did propose, as discussed previously, to implement a MYRP which would have obviated the need for rate cases for the next three years as PWSA would have already had Commission approval to implement rates in 2024, 2025 and 2026.⁹⁶ In addition, a MYRP would have enabled PWSA to receive Commission approval to use 2024 to make the billing system and other changes necessary to be ready to implement significant rate structure changes in 2025 as well as to introduce the two new charges it proposed, the IIC and the CAC. As explained by PWSA

⁹⁵ Joint Petition at ¶ III.A.1.c.

⁹⁶ PWSA St. No. 2 at 44-47.

witness Ms. Mechling, without firm Commission approval for the rate structure change and the two new charges, it would not be prudent for PWSA to undertake the work and incur the associated expense involved in updating the billing systems and educating consumers about the rate structure changes.⁹⁷

ii. *Positions of Other Parties and PWSA Responses*

As discussed previously, no party support PWSA’s proposal for a MYRP.

iii. *Proposed Settlement*

The Settlement contains the following Stay-Out:

PWSA shall not file a general rate increase pursuant to 66 Pa C.S. § 1308(d) any sooner than January 1, 2025 for rate implementation in 2026. This paragraph does not apply to extraordinary or emergency rate relief pursuant to 66 Pa. C. S. § 1308(e) (or upon a petition for emergency rate increase), including, but not limited to, a final unappealable court or Commission decision terminating PWSA’s legal ability to continue to charge stormwater rates pursuant to its Stormwater Tariff.

Joint Petition at ¶ III.A.2.

iv. *The Settlement Terms Are in the Public Interest*

As discussed further below, the base rate case stay out permits PWSA to focus staff resources on the other settlement commitments as outlined below rather than litigation:

- The agreement pursuant to ¶ III.A.3.a of the Joint Petition to undertake the software and billing system changes necessary to propose to remove the minimum allowance in its next base rate case;
- The agreement pursuant to III.A.3.b to focus in 2024 on implementing the software and billing system changes necessary to begin assessing the PennVest Charge;

Focusing resources on these initiatives in 2024 and 2025 is prudent with approval of the Settlement because certainty will be provided about the direction PWSA is expected to follow.

⁹⁷ PWSA St. No. 6 at 26.

Further, the agreement pursuant to ¶ III.A.3.b.ii to begin recovering appropriate costs through the PennVest Charge on January 1, 2025 reasonably addresses one of PWSA’s cost drivers and, therefore, the ability to seek recovery of these charges starting in 2025 also supports the reasonableness of the base rate case stay out clause of the Settlement. Finally, this period of time will provide for base rate stability for ratepayers. Under this stay-out, (and assuming no emergency) ratepayers will not see an increase in base rates on their bills any sooner than January 1, 2026 – which is about 34 months from the effective date of the 2024 rate increase (under the Settlement), February 15, 2024. Finally, the base rate case stay out settlement term acknowledges that it does not take away any of PWSA’s other available options to the extent it determines it must pursue extraordinary or emergency rate relief sooner than 2026 due to unforeseen events.⁹⁸ For all these reasons, the base rate stay out provision of the settlement is a reasonable resolution of a number of different components of this case, permits a period of stability for PWSA and ratepayers for future and should be adopted without modification.

3. Rate Design and Charges⁹⁹

a. Minimum Charge – Removal of Minimum Allowance

i. PWSA’s Initial Proposals

As explained by PWSA witness Ms. Mechling, most residential customers are billed a minimum charge for up to 1,000 gallons and for every full 1,000 gallons over the minimum, they are assessed a consumption charge. Although the use of a minimum allowance has been a feature of PWSA’s historical rate structure, since early on in PWSA’s transition to the Commission’s jurisdiction, various stakeholders have advocated that PWSA eliminate the

⁹⁸ Joint Petition at ¶ III.A.2.

⁹⁹ As discussed previously, PWSA agrees as part of the settlement to withdraw its proposal to increase its DSIC caps from current 5% to 7.5%.

minimum allowance. Consistent with PWSA’s prior rate case settlement, PWSA proposed a two-year phase-out of the current minimum allowance. PWSA proposed that the first year, 2024, would be needed to implement the extensive requirements in support of the new rate structure without a minimum allowance. PWSA proposed that the removal of the minimum allowance would occur starting in 2025. In support of the approach, Ms. Mechling explained that implementing the change within 10 business days after Commission approval was not feasible nor would it be prudent for PWSA to undertake the necessary staffing time and resources necessary to make the rate structure change prior to receiving Commission approval.¹⁰⁰ Thus, the removal of the minimum allowance was part of a larger rate proposal which included a MYRP to provide rate stability over the next three years to permit, in part, PWSA to implement its proposal to remove the minimum allowance. In discovery, PWSA produced a customer bill impact analysis of the rate structure change which showed that even if no other changes were made, the implementation of the rate structure change would have resulted in rate changes, and thus varied customer bill impacts, as revenue previously recovered through the fixed minimum charges would have needed to be shifted to the volumetric charges.

Also as required as part of the prior rate case settlement, PWSA presented an analysis of the impacts on participants in PWSA’s low-income customer assistance programs¹⁰¹ of the removal of the minimum allowance. As explained by Ms. Mechling, this analysis supported a change in the current structure of PWSA’s Bill Discount Program (“BDP”) to offset the proposed changes due to the removal of the minimum allowance.

¹⁰⁰ PWSA St. No. 6 at 25-26.

¹⁰¹ PWSA St. No. 6 at 47-50.

ii. Positions of Other Parties and PWSA Responses

Although, as discussed previously, I&E and OCA strongly opposed PWSA's request for a MYRP, they did support its proposal to remove the minimum allowance from its current rate structure with a January 1, 2025 implementation date.¹⁰² Generally, the Parties supported PWSA proposed revisions to the BDP upon implementation of the rate structure change to remove the minimum allowance.

iii. Proposed Settlement

In the Settlement, the Parties agreed to delay the elimination of the minimum charge and instead agreed that: 1) PWSA will undertake the software and billing system changes necessary to be able to implement a rate structure change to remove the minimum allowance; 2) as part of its next base rate filing, PWSA will propose to remove the minimum allowance with the then-proposed rate effective date and will include a customer bill impact analysis that illustrates the effect on customer rates of the rate structure change; and 3) in its next rate case, PWSA will include a customer cost analysis and rate proposals that fully eliminate usage allowances.¹⁰³

The Settlement did not adopt PWSA's proposed revisions to the BDP given the delay of implementation of the rate structure change.

iv. The Settlement Terms are in the Public Interest

The settlement is a reasonable resolution of this issue. Although the Settlement includes an agreement for a base rate case stay out, requiring PWSA to implement a rate structure change during this stay out and to adjust the base rates of customers due to the change is not reasonable or practical. Moreover, as supported by this record, any implementation of the rate structure

¹⁰² OCA St. No. 2 at 13-14, 19; I&E St. No. 3 at 32.

¹⁰³ Joint Petition at ¶ III.A.3.a.

change needs to be considered alongside the impacts of the structure of PWSA’s low-income customer assistance programs. As the Settlement does not adopt any changes to the current BDP structure, delaying implementation of the rate structure change until the next rate case when PWSA can present a comprehensive package of the full impacts of the rate structure change and how they are best integrated with other aspects of its rates is reasonable and in the public interest. As such these settlement terms should be adopted as presented without modification.

b. PennVest Charge

i. PWSA’s Initial Proposals

PWSA sought authority to implement a new reconcilable charge, the Infrastructure Improvement Charge (“ICC”) to timely recover principal and interest obligations due by PWSA for loans received from the Pennsylvania Infrastructure Investment Authority (“PennVest”) and the federal government loan program known as the Water Infrastructure Finance and Innovation Act (“WIFIA”) between base rate case filings.¹⁰⁴ As explained by PWSA witness Mr. Barca, implementation of the ICC would expedite PWSA’s ability to obtain additional low-cost funding through PennVest and WIFIA by having a stable revenue source to ensure the required debt covenants and additional bonds tests can be met, in addition to having funds available to pay annual debt service.¹⁰⁵ A Commission Policy Statement authorizes water and wastewater companies to create such an automatic adjustment clause for PennVest.¹⁰⁶ PWSA proposed to use 2024 to develop the new ICC with cost recovery through the charge to begin in 2025. As

¹⁰⁴ PWSA St. No. 6 at 27-28.

¹⁰⁵ PWSA St. No. 2 at 47-48.

¹⁰⁶ 52 Pa. Code § 69.363; PWSA St. No. 2 at 47-48.

such, PWSA did not include any cost recovery component for PennVest or WIFIA in its proposed base rates for 2025 or 2026.¹⁰⁷

ii. Positions of Other Parties and PWSA Responses

Both I&E and OCA opposed implementation of the IIC.¹⁰⁸ On behalf of I&E, Mr. Spadaccio testified that PWSA's proposed tariff language implementing the IIC was incomplete, and he opposed PWSA's proposal to not identify the charge as a separate line item on customer's bill. OCA witness Pavolovic challenged PWSA's supporting reasons for seeking implementation of the IIC, the use of the IIC by a larger company like PWSA, and that the nature of the loans to be recovered through the IIC were not outside the control of PWSA, unpredictable or substantial.

In rebuttal testimony, Mr. Barca clarified that PWSA intended to make its proposed tariff provisions consistent with the requirements of the Commission's Statement of Policy at 52 Pa. Code §§ 69.361 et seq. and that PWSA was willing to display the IIC as a separate charge on the bill if the Commission determined that would be the preferred course. Mr. Barca also challenged the basis for OCA's other objections as applied to PWSA.¹⁰⁹

Upon further review, OCA remained unconvinced and declined to change its initial position.¹¹⁰ I&E took the view that PWSA needed to file a petition with the Commission for approval of the charge within the 60-90 day window prior to the first anticipated principal and interest payment and inclusion of WIFIA loans in the IIC was not consistent with the Statement of Policy.¹¹¹

¹⁰⁷ PWSA St. No. 7 at 48-50.

¹⁰⁸ I&E St. No. 1 at 25-26; OCA St. No. 2 at 3, 28-32.

¹⁰⁹ PWSA St. No. 2-R at 35-38.

¹¹⁰ OCA St. No. 2SR at 19-20.

¹¹¹ I&E St. No. 1-SR at 12-13.

In their rejoinder testimonies, both Mr. Barca and Ms. Mechling explained that because PWSA does not have any charge similar to the IIC in its current billing system, a significant amount of design and programming work would be needed before PWSA could begin to seek recovery of costs via the charge and such work would take approximately nine months; therefore, I&E's proffered timeframes for a petition were not feasible.¹¹² Additionally Mr. Barca provided further information about WIFIA and how it is a recent federal program equivalent to PennVest.¹¹³

iii. Proposed Settlement

As part of the Settlement, the parties agree to support PWSA implementing the newly renamed "PennVest Charge" (or "PVC") in lieu of the initially proposed IIC. Per the terms of the Settlement, the PVC will initially be set to \$0 and PWSA will utilize 2024 to implement the software and billing system changes necessary to implement the PVC. PWSA agreed not to seek recovery for WIFIA loans. The Settlement also includes provisions to align with 52 Pa. Code §§69.361-69.364 including the requirement that the PVC be displayed as a separate line item on customer bills.¹¹⁴

iv. The Settlement Terms are in the Public Interest

The agreement to permit implementation of the PVC is reasonable for several reasons. First, the PVC is redesigned to address the issues raised by OCA and I&E including the requirement to display it as a separate charge on customer bills and the removal of the WIFIA loans. Second, the PVC is structured to be set at \$0 effective February 15, 2025, with the ability of PWSA to seek cost recovery for qualifying loans closed on or after January 1, 2025. This

¹¹² PWSA St. No. 6-RJ at 7-8; PWSA St. No. 2-RJ at 23-24.

¹¹³ PWSA St. No. 2-RJ at 24.

¹¹⁴ Joint Petition at ¶ III.A.3.b.

addresses the programming and implementation concerns of PWSA. Third, permitting PWSA to seek cost recovery through the PVC effective January 1, 2025, is a reasonable compromise giving PWSA the opportunity to address one known cost driver in 2025 which allowed PWSA to agree to withdraw its request for a MYRP and agree to a base rate case stay out. Finally, the settlement provisions and supporting tariff language provide clarity about the mechanics of the PVC so that it can be ready to be used when loans become eligible. For all these reasons, the Settlement provisions regarding implementation of the PVC are an integral part of the overall Settlement, reasonably resolve a number of interrelated issues and should be approved as reasonable without modification.

c. Customer Assistance Charge

i. PWSA's Initial Proposals

In its Petition for Authorization to Implement a Customer Assistance Charge (“CAC”) (which was consolidated with this proceeding) along with the supporting testimony of its witnesses, PWSA sought to timely recover the costs of its voluntary assistance programs on a reconcilable basis. Although there is no statutory requirement for PWSA to offer its customer assistance programs as there is for electric and natural gas distribution companies, PWSA’s robust customer assistance programs have been supported and approved by the Commission since PWSA came under Commission jurisdiction in 2018. To support PWSA’s strong commitment to work toward enrolling as many eligible customers as possible, PWSA sought to propose to implement the CAC in a manner recognizing its PWSA’s “cash flow” rate making methodology and ensuring recovery of actual costs of the program.¹¹⁵ PWSA proposed to

¹¹⁵ See, Petition of the Pittsburgh Water and Sewer Authority for Authorization to Implement a Customer Assistance Charge at Docket No. P-2023-3040578 at 1-2, 7-12.

recover the following through the CAC: (1) the discounts provided by customers pursuant to the Bill Discount Program; (2) the operating costs for the PGH2) Cares Team; (3) the costs of PWSA’s Hardship funding; and, (4) past due arrearages forgiven pursuant to PWSA’s Arrearage Forgiveness Program.¹¹⁶ PWSA witness Mechling also explained how implementation of the CAC would be beneficial from a customer’s perspective and how it would ensure the availability of ratepayer funding if PWSA elects to propose continuing the Line Repair and Conservation (“LRC”) pilot program.¹¹⁷ Like the IIC, PWSA proposed to not place the CAC into effect until 2025.¹¹⁸

ii. Positions of Other Parties and PWSA Responses

Both I&E and OCA disagreed with the implementation of the CAC and, as discussed previously, OSBA recommended that all costs associated with PWSA’s low income customer assistance programs be recovered solely by the residential class.¹¹⁹ Both OCA and I&E were unpersuaded that increasing costs of its low income customer assistance programs was a reason to implement a CAC versus projecting the costs as part of PWSA’s rates. Additionally, I&E took the view that combining the charge on the customer’s bill would not create greater transparency and reconciling the CAC outside the parameters of a base rate case would hamper Commission’s review of the costs.¹²⁰ Further, OCA took that view that the nature of the costs were not appropriate for a reconcilable charge and the Commission had recently rejected Aqua Pennsylvania’s proposal to implement a universal service rider.¹²¹

¹¹⁶ PWSA St. No. 2 at 49-50.

¹¹⁷ PWSA St. No. 6 at 30-32.

¹¹⁸ PWSA St. No. 7 at 48.

¹¹⁹ I&E St. No. 2 at 34-38; OCA St. No. 2 at 3, 32-35; OSBA St. No. 1 at 18.

¹²⁰ I&E St. No. 2 at 34-35.

¹²¹ OCA St. No 2 at 34-35.

PWSA addressed each of these concerns in rebuttal testimony and continued to maintain that implementation of the CAC as proposed was just and reasonable and in the public interest because it would benefit both customers in the assistance programs and other ratepayers by ensuring the recovery of actual costs and alleviating cost considerations of PWSA in its efforts to expand and enhance its assistance programs.¹²² In their surrebuttal testimonies, I&E, OCA and OSBA continued to maintain their initial views regarding the CAC.¹²³

iii. Proposed Settlement

PWSA agreed to withdraw its proposal for the CAC as part of the Settlement.¹²⁴

iv. The Settlement Terms are in the Public Interest

The agreement to withdraw its CAC proposal is a reasonable resolution of this issue for several reasons. First, the withdrawal is not contingent on any future commitments regarding cost recovery for PWSA's low-income customer assistance programs. Second, withdrawal of the CAC permits PWSA to focus on implementing the changes needed to remove the minimum allowance and to implement that PVC. Third, while the Settlement does include additional programmatic changes for its existing low-income customer assistance programs, PWSA has taken these costs into consideration as part of the overall revenue recovery contemplated by this Settlement. Fourth, the agreement to withdraw the CAC proposal addresses concerns of I&E, OCA, and OSBA which paved a pathway toward a full settlement of this proceeding. For all these reasons, PWSA's agreement to withdraw its proposed CAC is reasonable and in the public interest and should be approved without modification.

¹²² PWSA St. No. 7-R at 4-5; PWSA St. No. 2-R at 38-39

¹²³ OCA St. No. 2SR at 20; I&E St. No. 2-SR at 28; OSBA St. No. 1-S at 4-5.

¹²⁴ Joint Petition at ¶ III.A.3.c.

d. Readiness-to-Serve Component

i. PWSA's Initial Proposals

The purpose of the Readiness-to-Serve component is to capture the costs of having a system in place to provide water to the customer regardless of whether the customer consumes any water in a given service period.¹²⁵ As explained by PWSA witness Smith, the minimum charge component of PWSA's rates includes a Readiness-to-Serve adjustment such that 10.0% of PWSA's water and wastewater conveyance debt service is recovered. A portion of the Readiness-to-Serve costs is also recovered through the fire system charge.¹²⁶

ii. Positions of Other Parties and PWSA Responses

I&E witness Mr. Cline and OCA witness Mr. Mierzwa both opposed the inclusion of the Readiness-to-Serve component in PWSA's rates. Both Mr. Cline and Mr. Mierzwa objected to the inclusion of the component on the basis that other Pennsylvania utilities do not include such a component when calculating their fixed monthly charges.¹²⁷ In addition, Mr. Mierzwa took the position that there was no basis to allocate a portion of PWSA's debt service costs through the Readiness-to-Service component.¹²⁸

In rebuttal testimony, Mr. Smith further explained the purpose of the Readiness-to-Serve component and continued to defend its inclusion as part of PWSA's proposed rates.¹²⁹ Neither Mr. Cline nor Mr. Mierzwa were persuaded to revise their initial views.¹³⁰ Mr. Mierzwa

¹²⁵ PWSA St. No. 7-R at 7.

¹²⁶ PWSA St. No. 7 at 29, 30-32 and 43-43.

¹²⁷ I&E St. No. 3 at 30; OCA St. No. 3 at 14-15.

¹²⁸ OCA St. No. 3 at 15.

¹²⁹ PWSA St. No. 6-R at 6-8.

¹³⁰ I&E St. No. 3-SR at 31-32.

explained further explained OCA’s view that recovery of revenues through fixed charges is inconsistent with pricing in competitive markets.¹³¹

iii. Proposed Settlement

PWSA agrees to remove the Readiness-to-Serve component from its monthly water and wastewater conveyance customers charges as part of its next base rate case filing.¹³²

iv. The Settlement Terms are in the Public Interest

Delaying removal of the Readiness-to-Serve component until PWSA’s next base rate case is reasonable. Within PWSA’s current rate structure, a removal of the Readiness-to-Serve in the context of this proceeding would likely increase the impact of the rate increase to customers participating in PWSA’s customer assistance programs. For this reason, the Parties have agreed not to remove it in this proceeding and PWSA agreed to propose a customer assistance program structure that will ensure that participants will receive at least the same discount on a total bill basis as currently receiving.¹³³ For all these reasons, this settlement term is in the public interest and should be adopted without modification by the Commission.

B. Third Party Collection Agency

i. PWSA’s Initial Proposals

In her direct testimony, PWSA witness Ms. Mechling provided an update regarding PWSA’s on-going collections activities explaining that a Request for Proposals (“RFP”) was drafted in April 2023 to solicit the services of, potentially, more than one collection agency. Ms. Mechling testified that PWSA sought to partner with technically and financially qualified firms that could demonstrate that they will consistently provide the protections afforded to customers

¹³¹ OCA St. No. 3SR at 7-9.

¹³² Joint Petition at ¶ III.A.3.d.

¹³³ Joint Petition at ¶ III.E.3.d.

with unpaid charges as required under 52 Pa. Code Chapter 56. Ms. Mechling also made clear that the goal of partnering with a collection agency was to increase PWSA's monthly collection rate by 10%.¹³⁴ In her rebuttal testimony, Ms. Mechling provided an update about the status of the RFP explaining that its issuance had been delayed, in part, to give parties to PWSA's Compliance Plan Stage 2 proceeding an opportunity to review the draft language and provide feedback. PWSA incorporated the feedback as a result of the collaboration and issued the RFP and Scope of Services on August 6, 2023.¹³⁵

ii. Positions of Other Parties and PWSA Responses

In her direct testimony, OCA witness Ms. Alexander raised concerns about the use of a collection agency in the context of ensuring Chapter 56 rights are preserved and its ability to increase a 10% increase in monthly collections. Ultimately, Ms. Alexander reserved the right to file supplemental direct testimony when PWSA submits the finalized RFP and scope of services.¹³⁶ Ms. Mechling addressed these concerns in her rebuttal testimony specifically addressing the revised language of the Scope of Services which was redrafted pursuant to the collaboration with the Compliance Plan Stage 2 parties and providing further support for PWSA's view that engaging a collection agency, or agencies, would positively enhance its own internal collection processes.¹³⁷

In surrebuttal testimony, Ms. Alexander testified that the issued RFP and Scope of Services was generally reasonable. However, she still expressed a concern that the material did not do enough to ensure that any applicant for service would be protected from third party

¹³⁴ PWSA St. No. 6 at 15.

¹³⁵ PWSA St. No. 6-R at 20.

¹³⁶ OCA St. No. 5 at 20-21.

¹³⁷ PWSA St. No. 6-R 20-23.

collections and took the position that PWSA not enter into the agreement at this time.¹³⁸ Ms. Mechling responded in rejoinder made clear that PWSA keeps the debt incurred at a property at the property and does not require the customer seeking to receive service at a new property to pay the outstanding debt as a condition of receiving service. PWSA's processes rely on its lien authority to pursue outstanding debt at a property.¹³⁹

iii. Proposed Settlement

In the Settlement, PWSA agreed to include in its training of any debt collection agency with which it enters into a contract the requirement to warm transfer to PWSA any individuals seeking to re-establish service.¹⁴⁰ In support of this agreement, PWSA agreed in the Settlement to require the collection agency to affirmatively ask whether an individual wishes to seek service restoration.¹⁴¹ PWSA also agreed as part of the Settlement to track and report in the next base rate case data from the collection agency, including how many warm transfers were made and what happened with those customers.¹⁴²

iv. The Settlement Terms are in the Public Interest

The Settlement terms are in the public interest for several reasons. Importantly, they fully address the concerns raised by OCA seeking to ensure that customers seeking to restore service will be handled by PWSA's customer service representatives who are well trained in ensuring that customer receive the appropriate Chapter 56 protections. Moreover, while PWSA does not anticipate the warm transfer to be utilized at all given the directives of the Scope of Services of the RFP, PWSA agreed to track how many warm transfers are made and report on

¹³⁸ OCA St. No. 5-R at 9-10.

¹³⁹ PWSA St. No. 6-RJ at 5-6.

¹⁴⁰ Joint Petition at ¶ III.B.1.

¹⁴¹ *Id.* at ¶ III.B.1.a.

¹⁴² *Id.* at ¶ III.B.1.b.

that data as part of the next base rate case filing. Taken together, these provisions create an additional layer of protection to address OCA’s concerns and require real-time data tracking to monitor whether the concern is one that actually occurs and, if so, how often to better evaluate the functioning of the third-party collection agency in the future. For all these reasons, these settlement terms regarding PWSA’s use of a third-party collection agency are reasonable, in the public interest and should be approved without modification.

C. Stormwater

1. Stormwater Credit Program

i. PWSA’s Initial Proposals

PWSA offered the testimony of Keith Readling of Raftelis Financial Consultants, Inc. and Tony Igwe, who is the Senior Group Manager, Stormwater for the Authority, in support of its stormwater charges.¹⁴³ As explained by Mr. Igwe, stormwater is rain or snowmelt that does not infiltrate into the ground. When precipitation falls on an impervious area, it runs off the property rather than being absorbed. Developed properties that are impervious, such as rooftops and paved areas, prevent water from being absorbed and create a faster rate of runoff. Mr. Igwe testified that this “often causes localized flooding or other water quantity or quality issues. In addition, stormwater can carry harmful pollutants (such as oil, dirt, chemicals, and lawn fertilizers) that adversely affect water quality. Stormwater can cause flooding, erode topsoil, and stream banks, and destroy habitats.”¹⁴⁴ Therefore, as Mr. Igwe testified, “all properties produce stormwater runoff that must be managed” and it is necessary for PWSA’s costs of stormwater management to be funded by property owners in Pittsburgh.¹⁴⁵

¹⁴³ PWSA St. No. 8; PWSA St. No. 5.

¹⁴⁴ PWSA St. No. 5 at 4-5.

¹⁴⁵ PWSA St. No. 5 at 5.

Mr. Readling's testimony addressed PWSA's stormwater fees, including the use of impervious surface area in the development of these fees.¹⁴⁶ Mr. Readling explained that impervious surface area is the most common rate structure among communities with stormwater fees because it is a good surrogate for directly measuring a ratepayer's demand on the stormwater system.¹⁴⁷ He further testified that PWSA is not proposing any changes to the current rate structure for the stormwater fee, which uses a three-tiered rate structure for residential customers and a single tier structure for non-residential customers.¹⁴⁸ As Mr. Readling explained, the three-tiered approach for residential customers allows PWSA to differentiate among these ratepayers and maintain an equitable approach across the various types of developments and homes.¹⁴⁹ However, given the fairly narrow range of impervious area for residential customers, the use of a three-tiered approach is reasonable and limits the administrative burden of maintaining, calculating, communicating, and providing customer services for individualized charges for the majority of parcels.¹⁵⁰ By contrast, nonresidential properties can vary greatly such that using a tiered rate would not be equitable across such a wide range of classifications.¹⁵¹ Under PWSA's method, nonresidential customers pay only for the exact amount of their impervious area, which avoids a situation in a tiered rate structure where the property falls at the low end of a range but pays the same rate that is charged to a nonresidential customer whose impervious area falls in the higher end of the range.¹⁵²

¹⁴⁶ PWSA St. No. 8 at 7-10.

¹⁴⁷ PWSA St. No. 8 at 10.

¹⁴⁸ PWSA St. No. 8 at 10-12.

¹⁴⁹ PWSA St. No. 8 at 11.

¹⁵⁰ PWSA St. No. 8-R at 11.

¹⁵¹ PWSA St. No. 8 at 12.

¹⁵² PWSA St. No. 8-R at 12.

Mr. Readling also offered testimony regarding PWSA’s Stormwater Credit Program.¹⁵³ He explained that “[i]n designing the credit program, PWSA has sought to create a program that can achieve meaningful benefits in terms of stormwater reduction and recognize customers’ efforts to reduce stormwater runoff, while also imposing minimal administrative burden on ratepayers or the Authority.”¹⁵⁴ Mr. Readling described the existing Stormwater Credit Program, which is available to both residential and nonresidential customers, noting that for nonresidential customers, the credits are based upon stormwater standards established by the City of Pittsburgh. Residential customers can get credits for capturing and slowly releasing the runoff from ¾-inch of rain through downspout disconnection and rerouting of roof drainage to street planters.¹⁵⁵ Mr. Readling further testified about PWSA’s updates to the credit program, including one that more explicitly shows that nonresidential properties can receive available credits through passive management of stormwater via the property’s green space, and another that offers a one-time \$40 credit for installed rain barrels that capture and retain roof runoff from residential properties.¹⁵⁶

ii. Positions of Other Parties and PWSA Responses

Of note, both I&E and OCA supported PWSA’s approach to stormwater management, the stormwater rate structure and the recovery of costs. Also, neither party challenged the use of impervious surface area for the calculation of stormwater fees, the tiered approach for residential customers or the stormwater credits that PWSA has offered.¹⁵⁷ OSBA’s testimony was silent on

¹⁵³ PWSA St. No. 8 at 16-19.

¹⁵⁴ PWSA St. No. 8 at 16.

¹⁵⁵ PWSA St. No. 8 at 16-18.

¹⁵⁶ PWSA St. No. 8 at 18.

¹⁵⁷ I&E St. No. 3 at 3-4; OCA St. 3 at 21-22.

the issue of stormwater charges, other than in evaluating the impact on all rates resulting from an OSBA proposal regarding the allocation of CAC costs.¹⁵⁸

River Development Corporation (“RDC”) intervened in this proceeding for the purpose of challenging PWSA’s stormwater fees.¹⁵⁹ In addition, counsel for RDC participated in the public input hearings on August 29, 2023 and expressed concerns about the stormwater fee and the adequacy of stormwater credits that are available to small businesses.¹⁶⁰ Although RDC also pre-served written testimony in accordance with the procedural schedule, this testimony was not moved for admission into the record.¹⁶¹ Nonetheless, PWSA witness Igwe responded to each of RDC’s claims contained in its pre-served written direct testimony. For example, he testified that RDC witness Dr. McAbee did not demonstrate any link between PWSA stormwater charges and the general pollution that is created by large industrials and that RDC was unable to provide any such supporting evidence in response to discovery from PWSA instead relying on a compilation of links to applications for pollution discharge permits, permit fact sheets, and stormwater management manuals.¹⁶² Notwithstanding PWSA’s disagreement with RDC’s views as set forth in the pre-served, but not submitted for the record, direct written testimony, Mr. Igwe did note the Authority’s willingness “to work with River Development to explore ways in which stormwater charges can be mitigated. In addition to a simple and robust credit program offered by PWSA, many steps can be taken by River Development to reduce the amount of impervious area on its property.”¹⁶³ Mr.

¹⁵⁸ OSBA St. No. 1 at 6, 20-21.

¹⁵⁹ Corrected Petition to Intervene dated July 26, 2023.

¹⁶⁰ Tr. 340-341, 411-412.

¹⁶¹ Tr. 442-452.

¹⁶² PWSA St. No. 5-R at 14.

¹⁶³ PWSA St. No. 5 at 16-17.

iii. Proposed Settlement

Under the Settlement, PWSA agreed to meet with the Parties within 60 days of the issuance of a final order in this proceeding to work on identifying ways to reduce impervious areas or to implement stormwater controls on property subject to the stormwater fee and to help customers obtain credits offsetting stormwater fees as a result of those efforts. This discussion will also include the identification of potential funding opportunities, along with providing assistance to secure any available funds if possible. Finally, at the collaborative, the parties will not be precluded from discussing alternatives to a stormwater fee other than basing it on square footage of impervious surface area for PWSA's consideration in making future stormwater fee filings with the Commission.¹⁶⁴

iv. The Settlement Terms are in the Public Interest

The Settlement provision is responsive to the record evidence in this proceeding regarding concerns about the availability of credits to stormwater customers. The collaborative will give interested parties, including RDC, an opportunity to obtain additional information as to how they might qualify for credits by reducing impervious areas or implementing stormwater controls on their properties. To the extent that customers are able to reduce their stormwater runoff, they will facilitate PWSA's stormwater management efforts by reducing their demand for stormwater service and the overall costs of this program.¹⁶⁵ Therefore, this term of the Settlement is in the public interest and should be approved without modification.

¹⁶⁴ Joint Petition at ¶ III.C.3.1. RDC also has a formal complaint pending at Docket No. C-2023-3039163 disputing the stormwater fees imposed by PWSA, which is currently pending before Deputy Chief Administrative Law Judge Mark A. Hoyer, and the parties are working on a joint stipulation of facts. See PWSA St. No. 5-R at 12.

¹⁶⁵ PWSA St. No. 8 at 7, 16, 18; PWSA St. No. 5-R at 15-17.

Even though RDC did authorize the Joint Petitioners to represent that it did not oppose the Settlement, to the extent RDC continues to take the view that the Commission must direct PWSA to implement additional terms or conditions in this proceeding beyond those agreed to as part of the Settlement, PWSA respectfully submits that not only has the procedural time to pursue that path passed but such views are not supported by the record evidence in this proceeding and are not in the public interest.

2. Education and Outreach

i. PWSA's Initial Proposals

PWSA witness Igwe described PWSA's ongoing commitment to educating customers about PWSA's stormwater rate and tariff.¹⁶⁶ Since implementing stormwater rates in 2022, PWSA has developed numerous educational materials including a dedicated website, materials describing the stormwater rates, and public facing efforts regarding the Stormwater Strategic Plan.¹⁶⁷ PWSA's ongoing public outreach regarding stormwater include social media, ongoing media relations, and presentations to community groups.¹⁶⁸ PWSA also maintains its Stormwater Fee Finder website, which is a searchable database where customers can view information regarding their specific property and understand how the stormwater charge affects their property.¹⁶⁹ PWSA continues to conduct significant outreach and provide educational resources to stormwater customers throughout its service territory.

Regarding PWSA's stormwater credit program, as discussed above, PWSA witness Reading described PWSA's updates to the credit program, including more explicitly stating that

¹⁶⁶ PWSA St. No. 5 at 33-34.

¹⁶⁷ *Id.* at 30, 33-34.

¹⁶⁸ *Id.* at 34.

¹⁶⁹ *Id.*

nonresidential properties can receive available credits through passive management of stormwater via the property’s green space, and offering a one-time \$40 credit for installed rain barrels that capture and retain roof runoff from residential properties.¹⁷⁰

ii. Positions of Other Parties and PWSA Responses

In his testimony for Pittsburgh United, Mr. Geller raised concerns about the proposed increase to stormwater rates and in particular the impact this increase would have on low-income customers.¹⁷¹ Mr. Geller argued that PWSA should provide additional ways for low-income customers to adopt “green stormwater mitigation” measures, including by providing \$100,000 annually in funding for low-income customers to install rain barrels or other measures at no cost so these customers may qualify for a stormwater credit.¹⁷² Mr. Geller also proposed various steps PWSA should take regarding customer service and outreach, including providing training and scripting for customer service staff about the stormwater charge and eligibility for stormwater credits.¹⁷³ Mr. Geller further recommended that PWSA develop an outreach and education plan, in consultation with its Low Income Assistance Advisory Committee (“LIAAC”), related to available assistance and mitigation measures available to reduce stormwater charges.¹⁷⁴

In response, PWSA opposed Pittsburgh United’s funding proposals. PWSA explained that these stormwater infrastructure improvements would require ongoing maintenance that low-income customers may not be able to provide, and that it would be inappropriate to use ratepayer money to install these measures and thereby increase some customers’ property values.

¹⁷⁰ PWSA St. No. 8 at 18.
¹⁷¹ Pittsburgh United St. 1 at 45-46.
¹⁷² *Id.*
¹⁷³ *Id.*
¹⁷⁴ *Id.*

Additionally, it is not reasonable or justifiable to require ratepayers to pay for both the cost of installing the mitigation measures *and* pay for credits, as these proposals would require.¹⁷⁵

Regarding education and outreach on PWSA's available assistance programs, PWSA witness Mechling described the Authority's existing focus on outreach efforts and its process for working closely with the LIAAC and other community organizations.¹⁷⁶

iii. Proposed Settlement

The Settlement addresses Pittsburgh United's concerns by providing that PWSA will develop an outreach and education plan specifically related to stormwater service that will help to educate customers about stormwater mitigation measures and available assistance.¹⁷⁷ As part of this plan, PWSA will train customer service representatives so that they are prepared to prompt customers about whether they have adopted or are interested in adopting green stormwater mitigation measures, discuss the benefits of green stormwater mitigation including the \$40 rain barrel credit, and discuss whether customers are enrolled in or eligible for stormwater discounts as part of the Bill Discount Program.¹⁷⁸ The Settlement also provides that this plan will include a plan for community engagement that will be developed in conjunction with the LIAAC and using feedback from previous outreach PWSA has conducted regarding the Stormwater Strategic Plan.¹⁷⁹

iv. The Settlement Terms are in the Public Interest

These settlement terms are in the public interest as they memorialize PWSA's commitment to engaging with the public and educating customers about stormwater challenges

¹⁷⁵ PWSA St. No. 6-R at 46-47; PWSA St. No. 8-R at 7-8.

¹⁷⁶ PWSA St. No. 6-R at 34-36.

¹⁷⁷ Joint Petition at ¶ III.C.2.

¹⁷⁸ Joint Petition at ¶ III.C.2(a)(i) through (iii).

¹⁷⁹ Joint Petition at ¶ III.C.2(b).

and the stormwater charge, including steps customers can take to reduce stormwater runoff and the related assistance and credit programs that PWSA offers. These terms benefits customers by educating them about tools to reduce runoff and thereby potentially reducing their stormwater charges. This also benefits PWSA because mitigation measures installed by customers can lead to reduced demand on PWSA's stormwater system. The terms providing for a stormwater education and outreach plan are clearly in the public interest and should be approved.

3. Arrangements Applicable to the School District

i. PWSA's Initial Proposals

PWSA witness Readling explained that the Authority was not proposing any changes to the current stormwater rate structure, which continues to be based on the amount of impervious area on a property.¹⁸⁰ This structure includes a three-tiered rate structure for residential customers, and non-residential customers are billed per ERU of impervious area on the property.¹⁸¹ This rate structure is applied consistently to all customers. PWSA's rate filing did not include any proposed exemptions or other special arrangements for specific customers, including the School District.

ii. Positions of Other Parties and PWSA Responses

The School District made numerous arguments regarding stormwater service. One of the School District's overarching concerns was the size of the proposed stormwater rate increase and the effect that this increase would have on the School District and its budget.¹⁸² The School District argued, *inter alia*, that it should either be exempt from stormwater charges, receive

¹⁸⁰ PWSA St. No. 8 at 10.

¹⁸¹ *Id.*

¹⁸² School District St. No. 1 at 5-6, 11-12

substantial credits, or receive an 85% discount.¹⁸³ School District witnesses McNamara and Callocchia also made a variety of other arguments questioning the structure of PWSA's stormwater charge, the method used to calculate the charge, allocation of stormwater costs, whether PWSA has taken available steps to reduce its stormwater revenue requirements, and even the legal basis for PWSA's stormwater charges.

PWSA provided a detailed response to the School District's various arguments.¹⁸⁴ In particular, PWSA explained that its existing stormwater rate structure and use of impervious area to calculate stormwater charges have already been determined to be just and reasonable by the Commission,¹⁸⁵ and the School District's suggested changes were unsupported. Further, the stormwater charge is designed to ensure that all properties pay their fair share for stormwater service based on impervious area on the property and thus demand placed on the stormwater system.¹⁸⁶ As the owner of properties with impervious area, the School District must pay its fair share for stormwater management service.¹⁸⁷ Specifically regarding the School District's claim that it was not receiving credits for its stormwater management efforts, PWSA explained that its PUC-approved tariff requires customers to submit an application to receive a stormwater credit, and the School District acknowledged that it never applied for a stormwater credit.¹⁸⁸ PWSA encouraged the School District to submit a credit application, and repeatedly stated its willingness to work with the School District to explore ways that it may qualify for a credit or

¹⁸³ School District St. No. 1 at 13-14; School District St. No. 2 at 24-27; School District St. No. 1-SR at 16-17; School District St. No. 2-SR at 22.

¹⁸⁴ PWSA St. No. 5-R at 2-12; PWSA St. No. 8-R at 2-7; PWSA St. No. 5-RJ; PWSA St. No. 8-RJ.

¹⁸⁵ PWSA St. No. 5-R at 10-11.

¹⁸⁶ PWSA St. No. 5-R at 2.

¹⁸⁷ *Id.*

¹⁸⁸ PWSA St. No. 5-R at 3.

otherwise reduce impervious area on its properties with the goal of reducing its stormwater charges.¹⁸⁹

iii. Proposed Settlement

To resolve the School District’s issues, the Settlement provides detailed terms through which PWSA will coordinate with the School District and assist it with identifying applicable credits based on its existing infrastructure, and also identify Best Management Practices (“BMPs”) that may be installed on School District properties to reduce stormwater runoff and stormwater bills in the future.

Specifically, the Settlement recognizes that there are opportunities for PWSA and the School District to work together on stormwater mitigation efforts.¹⁹⁰ PWSA and the School District will each designate a point of contact for issues related to the School District’s stormwater management activities.¹⁹¹ PWSA has estimated that, under its current stormwater credit program, the School District likely would have been able to qualify for a 5% credit to its stormwater charges since the charges went into effect on January 12, 2022, if the School District had applied for a credit at that time.¹⁹² Based on this, PWSA has agreed to apply a 5% credit to the School District’s stormwater bills retroactive to January 12, 2022, to be applied in equal installments over a four-month period.¹⁹³ PWSA and the School District have agreed to work together in good faith to determine the actual stormwater credits applicable to the School District within one year of a final Commission order in this proceeding and to apply such credits to the

¹⁸⁹ PWSA St. No. 5-R at 3; PWSA St. No. 5-RJ at 3.

¹⁹⁰ Joint Petition at ¶ III.C.3(a).

¹⁹¹ Joint Petition at ¶ III.C.3(b).

¹⁹² Joint Petition at ¶ III.C.3(c)(i).

¹⁹³ Joint Petition at ¶ III.C.3(c)(ii) and (iii).

appropriate parcels, as well as to evaluate the amount of future stormwater credits applicable to the School District's properties.¹⁹⁴

Further, PWSA has agreed to advise and, where appropriate, work with the School District to seek funding from third parties to assist the School District's stormwater management activities, including conversion of impervious surfaces to pervious surfaces and other steps that may be available to qualify for a stormwater credit under PWSA's tariff.¹⁹⁵ The School District agreed to work with PWSA regarding its properties that may be available for the construction of stormwater projects.¹⁹⁶ Additionally, PWSA will assist the School District with identifying potential projects and provide guidance in hiring contractors and consultants to complete such stormwater projects.¹⁹⁷ PWSA will further provide guidance on the ongoing operation and maintenance of the stormwater projects once constructed.¹⁹⁸

iv. The Settlement Terms are in the Public Interest

These settlement terms are in the public interest because they result in the School District continuing to pay its fair share for stormwater service, while also providing the School District with meaningful assistance to identify ways to reduce stormwater runoff and/or impervious area on its properties, and thus reduce its stormwater charges. This resolution will benefit both parties by lowering the School District's stormwater bills and also reducing demand on PWSA's stormwater system. Any reduction in the School District's stormwater bills will be commensurate with reduced runoff and in compliance with PWSA's approved stormwater tariff

¹⁹⁴ Joint Petition at ¶ III.C.3(c)(iv) and (v).

¹⁹⁵ Joint Petition at ¶ III.C.3(d)(i).

¹⁹⁶ Joint Petition at ¶ III.C.3(d)(ii).

¹⁹⁷ Joint Petition at ¶ III.C.3(d)(iii).

¹⁹⁸ Joint Petition at ¶ III.C.3(d)(iv).

and stormwater credit program. This result is in the public interest and should be approved without modification.

D. Customer Service

1. Call Center Performance

i. PWSA's Initial Proposals

In the Direct Testimony of Julie A. Mechling, Director of Customer Service for PWSA, Ms. Mechling described the work that has been done internally and with interested parties to implement the Commission's Compliance Order entered on July 14, 2022, which addressed nearly all aspects of customer service. These efforts included the development of customer-facing notices and PWSA training documents.¹⁹⁹

Ms. Mechling further testified about PWSA's partnership with Y Meadows, whose mission is to meet the ever more demanding needs of customers through trainable Artificial Intelligence ("AI") by serving customers faster and removing the burden of repetitive, time-consuming tasks from employees. Noting that in 2022, PWSA Customer Service responded to 25,120 emails, Ms. Mechling explained how the Authority implemented AI to more efficiently respond to emails from customers. In April 2023, Y Meadows provided a monthly report displaying a 48% handling rate of all PWSA email inquiries.²⁰⁰

In addition, Ms. Mechling testified that in 2022, PWSA personnel handled 31,104 more customer calls than in 2021, partially due to questions relating to the implementation of the enterprise resource system SAP and its accompanying Customer Advantage portal. In handling

¹⁹⁹ PWSA St. No. 5 at 4-5.

²⁰⁰ PWSA St. No. 6 at 5-8.

those calls, the Contact Center exceeded the target goals of 1 minute average speed of answer and 3% abandonment rate from August 2022 through February 2023.²⁰¹

Further, to mitigate a customer's wait time and as another measure to enhance the overall customer experience, PWSA instituted a call back request feature as of March 1, 2023. This tool gives customers the option of retaining their place in the queue and receiving a call back from a Customer Service Representative. In the first six full weeks of use, 177 of 187 call back requests were successfully handled by PWSA staff, while the remaining 10 call back requests could not be completed due to an inability to connect with the customer.²⁰²

Additionally, in January 2023, Customer Service management embarked on a Call Quality Campaign to expand the focus from prior years on solely call handling quantity and to evaluate the content of calls.²⁰³ Ms. Mechling also explained that PWSA had implemented recommendations made by the Commission's Bureau of Audits for the development of operating procedures on SharePoint to improve the overall performance of the Call Center.²⁰⁴

As to the results of these efforts, Ms. Mechling highlighted the Customer Service accomplishments for the year of 2022, including data regarding the replacement of meters, billing, collections, contact center, emergency dispatch, lead help, permits, PUC compliance, and quality control.²⁰⁵ Ms. Mechling further testified about feedback from customers on the service that PWSA provides through surveys that are conducted following each telephone queue interaction. As shown in an exhibit accompanying Ms. Mechling's testimony, the customer

²⁰¹ PWSA St. No. 6 at 8-10.

²⁰² PWSA St. No. 6 at 10-11.

²⁰³ PWSA St. No. 6 at 11-12.

²⁰⁴ PWSA St. No. 6 at 12-14.

²⁰⁵ PWSA St. No. 6 at 16-18.

survey responses illustrate that PWSA’s quality and overall performance scores in 2022 ranged from 4.25 to 4.67 out of 5.²⁰⁶

ii. *Positions of Other Parties and PWSA Responses*

In the Direct Testimony of the OCA, Ms. Barbara Alexander recommended that if a rate increase is granted but there are deficiencies in customer service performance, the Commission should order improvements in specific areas as a condition of any rate increase or consider reducing the rate increase until reforms have been adopted.²⁰⁷ OCA’s concerns with customer service performance were primarily raised in connection with PWSA’s multi-year rate plan, and the potential for deterioration in service quality and customer service.²⁰⁸ Noting that PWSA’s Call Center had exceeded its internal target goals of 1 minute average speed of answer and 3% abandonment rate from August 2022 through February 2023, OCA pointed to a higher abandonment rate from January 1, 2023 through June 2023 for calls directed to certain performance queues.²⁰⁹ Therefore, Ms. Alexander testified that if any rates are increased, PWSA’s Call Center should meet its internal standards of an average answer time of 1 minute and an abandonment rate of 3% or less for all its customer queues each quarter.²¹⁰

iii. *Proposed Settlement*

Under the Settlement, PWSA agrees that its Call Center will use best efforts to meet its internal standards of an average answer time of 1 minute and an abandonment rate of 3% or less for an average of all its customer queues each quarter. Further, the Settlement provides that the

²⁰⁶ PWSA St. No. 5 at 18-22.

²⁰⁷ OCA St. 5 at 5.

²⁰⁸ OCA St. 5 at 6-8.

²⁰⁹ OCA St. 5 at 9-12.

²¹⁰ OCA St. 5 at 8, 12.

quarterly calculations of the average answer time and abandonment rate will be separated by queue specific performance.²¹¹

iv. The Settlement Terms are in the Public Interest

This provision of the Settlement establishes accountability on the part of PWSA to meet its internal targets for average call answer times and abandonment rates. Particularly since PWSA withdrew its request for a multi-year rate plan as part of this Settlement, this resolution represents a compromise in that PWSA's rate increase is not conditioned upon fulfillment of these targets. In addition, PWSA's commitment to separate this data by queue specific performance will facilitate OCA's evaluation of PWSA's customer performance in the next base rate case. Therefore, this provision is in the public interest and should be approved without modification.

2. Screening Eligibility for Customer Assistance Programs

i. PWSA's Initial Proposals

In Direct Testimony, Ms. Mechling described PWSA's low-income customer assistance programs and noted that PWSA continues to gain more experience with these programs through the Authority's interactions with customers and from the feedback received as part of the Low-Income Assistance Advisory Committee ("LIAAC"). In particular, she identified program enrollment data as being shared with LIAAC. Ms. Mechling also explained the outreach efforts of PWSA's PGH2O Cares team, which achieved its target of 6,000 enrollees in 2022, an increase of 20% of the low-income customers enrolled in its programs in 2021.²¹²

²¹¹ Joint Petition at ¶ III.D.1.
²¹² PWSA St. No. 6 at 35-36.

ii. *Positions of Other Parties and PWSA Responses*

Testifying for Pittsburgh United, Mr. Harry Geller recommended that additional measures be taken to enhance enrollment in these programs. Specifically, Mr. Geller proposed that PWSA begin screening all new and moving customers for income level and eligibility for assistance at the time their service is established. Mr. Geller described the purpose of his recommendation as a way of more routinely identifying low-income customers so that they may enroll in available assistance programming.²¹³ Similarly, on behalf of OCA, Mr. Roger Colton testified that while PWSA should be commended for the extent to which it uses its LIAAC and that the impact of that collaboration had been successful, “enrollment by PWSA’s lowest income customers continues to lag.”²¹⁴ On that basis, Mr. Colton recommended a variety of enhancements that could be implemented to increase enrollment.²¹⁵

iii. *Proposed Settlement*

The Settlement commits PWSA to the development and implementation of call scripting and checklist for its customer service representatives (“CSRs”) so that CSRs are required to assist in screening customers for eligibility in its low-income assistance programs. Under this provision, PWSA will screen new and moving customers for income level and eligibility for assistance at the time their service is established. Any customer who indicates through either screening process that they may reasonably have low-income status will be provided a warm referral to the PGH2O Cares team so that the customer can learn about and enroll in PWSA’s low-income customer programs as eligible.²¹⁶

²¹³ Pittsburgh United St. 1 at 27-28.

²¹⁴ OCA St. 4 at 21.

²¹⁵ OCA St. 4 at 22-25.

²¹⁶ Joint Petition at ¶ III.D.2.

iv. The Settlement Terms are in the Public Interest

This provision in the Settlement adequately addresses the proposal for routine screening to identify low-income customers who may be eligible for PWSA’s assistance programs. Further, the warm referral to the PGH2O Cares team will enhance the existing activities of this group that include telephone outreach, attendance at community events, and stationing personnel at food pantries.²¹⁷ As Ms. Mechling testified, PWSA actively seeks feedback and suggestions from the LIAAC participants so as to improve participation by eligible low-income customers in the programs that are available.²¹⁸ Therefore, the implementation of routine screening measures with warm referrals to the PGH2O Cares team is in the public interest and should be approved, without modification.

3. Root Cause Analysis

i. PWSA’s Initial Proposals

In her Direct Testimony, Ms. Mechling explained that PWSA satisfied its commitment in the last rate case to: (i) undertake a root cause analysis of informal and formal complaints; and (ii) identify and adopt reforms to reduce formal complaints, verified complaints and justified complaints. As noted, PWSA commissioned Raftelis Financial Consultants, inc. (“Raftelis”) to perform this root cause analysis, which involved a review of the data recorded by the PWSA PUC Compliance team and interview of various PWSA personnel from multiple departments. Raftelis then presented its preliminary findings to PWSA management along with a number of recommendations. Ms. Mechling’s testimony discussed each recommendation and described the steps Customer Service has taken in response. The recommendations and responsive measures

²¹⁷ PWSA St. No. 6 at 35.

²¹⁸ PWSA St. No. 6-R at 26-28.

included training; development of call scripts and call check lists; education on meter tests; development of leak detection tip cards; increase in pre-billing consumption screening; and enhancement of dispute and complaint data tracking.²¹⁹

ii. *Positions of Other Parties and PWSA Responses*

In Direct Testimony submitted by OCA, Ms. Alexander critiqued the root cause analysis, observing that the report did not review or evaluate complaints filed with the Commission's Bureau of Consumer Services with regard to infractions or potential rule violations. Therefore, she recommended that PWSA be required to conduct a root cause analysis of all customer complaints within 6 months at no additional cost to customers. She further recommended that the analysis should be reviewed with stakeholders and reforms should be implemented promptly.²²⁰

In response, Ms. Mechling explained that PWSA's root cause analysis was conducted at the dispute level, so that it encompassed all customer disputes, which may or may not be escalated to the informal or formal complaint level. As noted by Ms. Mechling, this review was more substantial than if PWSA had only considered customer complaints filed with BCS and the Commission. Further, Ms. Mechling described the actions that PWSA takes in response to complaints to improve overall customer satisfaction. Therefore, Ms. Mechling disagreed that PWSA should be required to "redo" the analysis.²²¹

iii. *Proposed Settlement*

Under the Settlement, PWSA commits to updating its root cause analysis to expressly include evaluation of informal complaints filed with BCS and formal complaints filed with the

²¹⁹ PWSA St. No. 6 at 39-45.

²²⁰ OCA St. 5 at 14-17.

²²¹ PWSA St. No. 6-R at 12-14.

Commission. Further, the evaluation will address any trends or patterns regarding informal and formal complaints, as well as any trends and patterns concerning BCS's informally verified infractions. The analysis shall be completed using internal staff resources, and the results will be reported within 1 year of a final order in this proceeding or as part of its next base rate filing, whichever is earlier. The results will include a description of any reforms PWSA plans to adopt.²²²

iv. The Settlement Terms are in the Public Interest

The resolution of this issue by the Settlement fairly balances the views taken by OCA and PWSA in their testimony. PWSA is not agreeing to “redo” the root cause analysis, which did in fact include a review and evaluation of all disputes – including informal and formal complaints. Rather, PWSA is committing to updating the analysis to specify disputes that were escalated to BCS as informal complaints or to the Commission as formal complaints. Further, PWSA's analysis will note any trends or patterns, which the Authority does today, and will specifically focus on verified infractions identified by BCS. Instead of completing this process within 6 months as proposed by OCA, PWSA will complete the updated analysis within 1 year. This term of the Settlement will provide OCA with the additional information it is seeking to evaluate the complaints filed against PWSA and will give PWSA the necessary time to update the analysis, as well as flexibility to take the steps that it deems necessary. For these reasons, this resolution is in the public interest and should be approved without modification.

²²² Joint Petition at ¶ III.D.3.

4. Third Party Convenience Fees

i. PWSA's Initial Proposals

PWSA proposed to return to its historical policy of requiring customers incurring third party fees to pay for them. As explained by PWSA witness Mr. Barca, requiring customers of all rate cases to pay the fees they incur is justified since it treats all customer classes the same. PWSA also took the position that requiring the customers who incurred the charges to pay for them was preferable to spreading out a projected costs that all ratepayers would pay through rates because doing so increases the rates to be paid by everyone, including those not selecting the fee based payment options.²²³ Additionally, PWSA witness Ms. Mechling explained that PWSA agreed to the change in the historical payment arrangements in light of the global COVID-19 pandemic but, in this case, returning to historical practice was a reasonable way to mitigate the cost impact to other ratepayers.²²⁴

ii. Positions of Other Parties and PWSA Responses

OCA and Pittsburgh United both opposed PWSA's proposal to return to historical payment requirements for convenience fees. OCA witness Ms. Alexander opposed the proposal on the basis that: (1) there had been no indication that costs had increased; (2) a shift in payment responsibility would most negatively impact vulnerable customers.²²⁵ Pittsburgh United witness Mr. Geller expressed similar concerns and added his view that, in addition to returning to historical requirements, PWSA should implement a new process whereby it would cover the costs for all fees related to cash payments at a third-party location.²²⁶

²²³ PWSA St. No. 2 at 20-21.

²²⁴ PWSA St. No. 6 at 23-24.

²²⁵ OCA St. No. 5 at 18-19.

²²⁶ Pittsburgh United St. No. 1 at 48.

Upon review of the opposition to its initial proposals, PWSA continued to maintain that a return to historical payment responsibilities for convenience fees was appropriate. More specifically, Ms. Mechling explained that removing the cost recovery in rates for convenience fees lessens the amount of rate increase that is necessary and, therefore, on balance benefits all ratepayers.²²⁷ Mr. Barca also noted that customers paying by debit card also have a bank account and could continue to pay by ACH free of charge and that providing all payment options without any charge does not incentivize residential customers to select one method over another so a look at current trends is not instructive for future trends if PWSA's initial proposal were to be adopted.²²⁸

Neither OCA nor Pittsburgh United retreated from their opposition to PWSA's initial proposal and each offered additional support for their views in their surrebuttal testimonies.²²⁹ Additionally, Pittsburgh United witness Mr. Geller offered an alternative approach whereby the convenience fees for vulnerable low income customers who utilize third party vendors for payment would be reimbursed by PWSA via a credit on the customer's bill in the month following incursion of the fee.²³⁰ In her rejoinder testimony, Ms. Mechling made clear that PWSA has never paid or reimbursed customers for fees charged by third party retailers, PWSA did not support doing so as a part of this proceeding, but, even if it were to be considered, implementation of the new approach would be overly burdensome from a technical perspective.²³¹

²²⁷ PWSA St. No. 6-R at 15.

²²⁸ PWSA St. No. 2-R at 77-78.

²²⁹ OCA St. No. 5SR at 7-9.

²³⁰ Pittsburgh United at 1-SR 17.

²³¹ PWSA St. No. 6-RJ at 4.

iii. Proposed Settlement

As part of the Settlement, PWSA agreed to withdraw its initial proposal which would maintain the status quo of recovering the costs of convenience fees from all ratepayers through rates.²³²

iv. The Settlement Terms are in the Public Interest

Withdrawing its proposal to shift the payment responsibility for convenience fees to customers who incur the fee is a reasonable settlement of the issues raised in this proceeding for several reasons. First, it maintains the status quo. Second, PWSA will continue to recover the costs of the fees through rates. Third, PWSA is not required to implement a new and costly approach to reimburse customers who elect to make payments at third party retailers and incur a fee from the third party at the point of service. Finally, concerns about the impact of the shift in payment responsibility to vulnerable customers are avoided. For all these reasons, the proposed settlement terms to address the payment responsibility for convenience fees is reasonable, in the public interest and should be adopted without modification.

E. Low Income Customer Assistance Programs

1. Cross Enrollments

i. PWSA's Initial Proposals

The PGH2O Cares team has made significant strides in increasing enrollment in PWSA's low-income assistance programs, as described by PWSA witness Mechling.²³³ The PGH2O Cares team consistently screens all potentially eligible customers for each of PWSA's assistance programs during every interaction.²³⁴ As part of these efforts, since January 2022, PWSA has

²³² Joint Petition at ¶ III.D.4.

²³³ See, e.g., PWSA St. No. 6-R at 26-28.

²³⁴ PWSA St. No. 6-R at 28.

tracked – and continues to track – cross-enrollments in its Bill Discount Program and Hardship Grant Program.²³⁵ Further, PWSA reports to the LIAAC on its cross-enrollment efforts with other utilities and its work with community organizations to support further outreach and enrollment, including cross-enrollment.²³⁶

ii. Positions of Other Parties and PWSA Responses

OCA and Pittsburgh United made a number of recommendations with the goal of increasing cross-enrollment of low-income customers in PWSA assistance programs. OCA witness Colton’s arguments included that PWSA should be directed to: (1) adopt a “performance-based incentive program” for community-based organizations to identify the lowest income customers and to facilitate enrollment of such customers in the BDP;²³⁷ (2) work with the City of Pittsburgh to identify and utilize those municipal programs that would assist PWSA in identifying its lowest income customers and enrolling those customer in BDP;²³⁸ and (3) submit to the LIAAC the question of how enhanced technology could increase enrollment and retention of low-income customers in BDP.²³⁹ Pittsburgh United witness Geller also contended that PWSA should be required to “track cross-program referrals and enrollments by month and identify what programs collaborated in these efforts,” with results to be shared with LIAAC semi-annually so that members can provide feedback on how to improve or modify the cross-program enrollment efforts.²⁴⁰ In response, PWSA opposed these recommendations,

²³⁵ PWSA St. No. 6-R at 27-28; PWSA Exhs. JAM-22 and JAM-23.

²³⁶ PWSA St. No. 6-R at 35-36.

²³⁷ OCA St. 4 at 22.

²³⁸ OCA St. 4 at 22-23.

²³⁹ OCA St. 4 at 23-25.

²⁴⁰ Pittsburgh United St. No. 1 at 29.

largely because they are duplicative of efforts PWSA already undertakes through its PGH2O Cares Team.²⁴¹

iii. Proposed Settlement

As a compromise, the Settlement provides that, within 30 days of a final Order in this proceeding, the PGH2O Cares Team will contact the City of Pittsburgh and the Allegheny County Department of Human Services (“Allegheny DHS”) to identify potential mechanisms to cross-enroll customers in coordination with other offices serving the City or with program or services administered by the Allegheny DHS.²⁴² PWSA will also solicit leads for contacts from members of its Low Income Assistance Advisory Committee (“LIAAC”), and will report to LIAAC on the status of this process.²⁴³

iv. The Settlement Terms are in the Public Interest

These settlement terms are in the public interest as provide an avenue for connection between PWSA and other City or County programs or services that may allow for cross-enrollment of low-income customers, without duplicating efforts that the PGH2O Cares team has already undertaken. They also allow for a dialogue with the LIAAC on this process, which PWSA submits is a more productive approach. Therefore, these Settlement terms are in the public interest and should be approved.

2. Household Affordability Study

i. PWSA’s Initial Proposals

A Household Affordability Study was performed in December 2019 intended to provide a baseline understanding of affordability in its service area. The scope of the study was not to

²⁴¹ PWSA St. No. 6-R at 32-34, 35-36.

²⁴² Joint Petition at ¶ III.E.1.a.

²⁴³ Joint Petition at ¶ III.E.1.b.

define what is “affordable” but to better understand the water and wastewater utility burden on households in the community. PWSA continues to utilize the Household Affordability Study as a tool supporting its efforts to reach low-income customers potentially eligible to participate in PWSA’s low-income customer assistance programs, including plotting its customer enrollment canvassing efforts.²⁴⁴ PWSA did not propose any adjustments or changes to the current Household Affordability Study as part of its initial proposals in this proceeding.

ii. Positions of Other Parties and PWSA Responses

Pittsburgh United witness Mr. Geller, raised concerns in direct testimony about the impact of recent economic pressures which have occurred in the intervening years since the Household Affordability Study was conducted and whether these events have increased the number of customers who may be classified as low income and in need of assistance.²⁴⁵ To address this Mr. Geller recommended that PWSA update its estimated low income customer count and needs assessment within one year of the final order in this proceeding.²⁴⁶

In her surrebuttal testimony, Ms. Mechling acknowledged Mr. Geller’s concerns but did not agree that now was the right time to update the prior study given all the other initiatives being undertaken by PWSA and the attendant costs and staff resources that will be necessary to accomplish them.²⁴⁷

iii. Proposed Settlement

As part of the Settlement, PWSA agrees to update its 2019 Household Affordability Study within one year of the final order in this proceeding. The Settlement also sets forth

²⁴⁴ PWSA St. No. 6-R at 31.

²⁴⁵ Pittsburgh United St. No. 1 at 9

²⁴⁶ Pittsburgh United St. No. 1 at 27.

²⁴⁷ PWSA St. No. 6-R at 31.

minimum elements to be included as part of the updated study including: (1) identification of geographic areas with high concentrations of PWSA's lowest income customers; (2) identification of targeted outreach areas and a plan as to what, where and how such targeted outreach should be pursued; (3) identification of any patterns or trends of customers in these areas who exhibit payment difficulties; (4) an analysis of burden levels of low income customers by household FPL, at various usage levels and based on service type; and, (5) updated estimate of low income customer count based on census data.²⁴⁸ PWSA also agrees to share a preliminary draft with the LIAAC members for discussion and good faith consideration of any feedback received prior to issuing the final study.²⁴⁹

iv. The Settlement Terms are in the Public Interest

The resolution of this issue is reasonable and in the public interest because PWSA will undertake to evaluate the current needs of its low-income customers based on current economic conditions and trends. The settlement is also reasonable in that it provides guidance as to minimum elements to include as part of the study so that PWSA, the parties and the Commission can be assured that PWSA is factoring in the elements that parties in this proceeding have deemed important. Also, by agreeing to share a preliminary draft of the study with LIAAC members and considering any feedback received, PWSA is agreeing to continue its long-established collaboration with community members and advocates working to address the needs of low-income customers. For all these reasons, this settlement term is reasonable and in the public interest and should be approved without modification.

²⁴⁸ Joint Petition at ¶ III.E.2.

²⁴⁹ Joint Petition at ¶ III.E.2.

3. Bill Discount Program

i. PWSA's Initial Proposals

As part of the rate filing, PWSA proposed enhancements to its Bill Discount Program (“BDP”). This included a proposal to expand eligibility from customers at or below 150% of FPL to those at or below 200% of FPL. To mitigate the impact of the proposed IIC and CAC, PWSA proposed to offer customers enrolled in BDP a 50% reduction to the IIC and a 100% reduction to the CAC. Additionally, in consideration of the proposed removal of the minimum usage allowance, PWSA proposed a fixed bill discount for BDP customers to offset the cost of the change in rate structure, which would coincide with the new rate structure being implemented in 2025.²⁵⁰

ii. Positions of Other Parties and PWSA Responses

OCA and Pittsburgh United were supportive of the proposal to increase BDP eligibility to customers at or below 200% of FPL. OCA witness Colton further recommended that PWSA offer a 30% discount on volumetric charges for customers with incomes greater than 50% of FPL but at or below 100% of FPL.²⁵¹ He also recommended that the current volumetric discount of 50% for customers at or below 50% of FPL be increased to 60%.²⁵²

OCA and Pittsburgh United also argued that PWSA should make changes to its Arrearage Forgiveness Program (“AFP”). Mr. Colton for OCA proposed that PWSA should: restructure its AFP to remove the requirement that a customer must enter into a payment arrangement for pre-existing arrears and be current on such payments to receive the credit,²⁵³

²⁵⁰ PWSA St. No. 6 at 37.

²⁵¹ OCA St. 4 at 32, 43-44.

²⁵² OCA St. 4 at 49-50.

²⁵³ OCA St. 4 at 58.

apply retroactive arrearage forgiveness for late payments;²⁵⁴ and revise the current structure to completely forgive pre-existing arrears over a 24 month period at a rate of 1/24th of the pre-existing arrears for each full payment received.²⁵⁵ For Pittsburgh United, Mr. Geller made similar arguments and recommended that for customer enrolled in BDP, 1/36th of pre-program arrears be forgiven for each in-full payment.²⁵⁶

iii. Proposed Settlement

As discussed above, through the Settlement, PWSA has agreed to withdraw the MYRP and the current proposal to remove the minimum usage allowance. The Settlement terms regarding the BDP reflect these changes as some of PWSA's BDP proposals were tied to these rate structure changes, and PWSA has similarly withdrawn its corresponding proposed changes to the BDP structure.²⁵⁷

The Settlement accepts PWSA's proposal to increase maximum BDP eligibility from 150% to 200% of FPL,²⁵⁸ and further provides that PWSA will increase the volumetric discount for customers at or below 50% of FPL from a 50% discount to a 60% discount, as OCA proposed.²⁵⁹ PWSA has also agreed to provide BDP customers with a 50% reduction in the PennVest Charge.²⁶⁰ Additionally, because PWSA has agreed to remove the minimum charge and Readiness-To-Serve component²⁶¹ from the customer charge in its next rate case, PWSA will propose in that case a BDP structure that ensures BDP customer receive at least the same

²⁵⁴ OCA St. 4 at 59.

²⁵⁵ OCA St. 4 at 64-65.

²⁵⁶ Pittsburgh United St. No. 1 at 39.

²⁵⁷ Joint Petition at ¶ III.E.3.c and d.

²⁵⁸ Joint Petition at ¶ III.E.3.b.

²⁵⁹ Joint Petition at ¶ III.E.3.a.

²⁶⁰ Joint Petition at ¶ III.E.3.e.

²⁶¹ More information about the Readiness-to-Serve component is discussed above in Section II.A.3.d.

discount on a total bill basis and they are receiving under the rate design implemented as a result of this settlement.²⁶²

Regarding the AFP, PWSA has agreed to increase the credit toward a customer's arrears from the current \$30 to \$40.²⁶³ In its next rate case, PWSA will propose a change to the AFP that will allow then existing and future participants to receive arrearage forgiveness over a maximum of 36 months and will not require AFP participants to make a co-payment toward the pre-program frozen arrears.²⁶⁴

iv. The Settlement Terms are in the Public Interest

These settlement terms provide a reasonable compromise and are in the public interest. They provide additional assistance for customers enrolled in PWSA's BDP, and, in particular, provide further discounts for the lowest income customers whose incomes are at or below 50% of FPL. These terms also provide a focus for additional items to be addressed in PWSA's next rate case, taking into account rate structure changes that may have a significant impact on low-income customers. As such, these terms are in the public interest and should be approved.

4. Hardship Fund

i. PWSA's Initial Proposals

PWSA's current Hardship Fund grant program provides a grant of up to \$300 per year to be allocated to customers at or below 150% of the Federal Poverty Level. PWSA awarded 342 of these grants to qualifying customers in 2022.²⁶⁵ In its rate filing, PWSA proposed to expand this program by providing two separate \$300 annual grants – one to be distributed to eligible

²⁶² Joint Petition at ¶ III.E.3.d.

²⁶³ Joint Petition at ¶ III.E.3.f.i.

²⁶⁴ Joint Petition at ¶ III.E.3.f.ii.

²⁶⁵ PWSA St. No. 6 at 34-35.

water customers and one to be distributed to eligible wastewater customers.²⁶⁶ PWSA proposed to fund these two grants through rates.²⁶⁷

ii. *Positions of Other Parties and PWSA Responses*

Pittsburgh United witness Geller argued that, in addition to this proposal, PWSA should increase the maximum grant amount from \$300 to \$500 and allow households to apply for grant assistance twice per year regardless of whether a customer elects to apply to either or both of the grants to water or wastewater charges.²⁶⁸ In response, PWSA witness Mechling explained that PWSA funds the Hardship Grants with resources outside of ratepayer funding (such as civil litigation settlement funds and donations from employees, Board members, and customers), and the increases Mr. Geller recommended would accelerate the depletion of these funds, which were already projected to be exhausted in late 2024.²⁶⁹

iii. *Proposed Settlement*

The Settlement resolves this by providing that PWSA will allocate funding to two separate grants as originally proposed – one for eligible water customers and one for eligible wastewater customers.²⁷⁰ The maximum amount for each Hardship Fund grant will be increased from \$300 to \$450.²⁷¹ Further, PWSA will include an allocation in rates as necessary to continue funding the Hardship Funds if or when current settlement funds and any employee or other voluntary donations are exhausted.²⁷²

²⁶⁶ *Id.* at 37.

²⁶⁷ *Id.*

²⁶⁸ Pittsburgh United St. No. 1 at 43.

²⁶⁹ PWSA St. No. 6-R at 44-46.

²⁷⁰ Joint Petition at ¶ III.E.4.a.

²⁷¹ Joint Petition at ¶ III.E.4.b.

²⁷² Joint Petition at ¶ III.E.4.c.

iv. The Settlement Terms are in the Public Interest

These settlement terms are in the public interest as they provide a reasonable expansion of grant assistance available to customers who may be struggling to afford their PWSA bills, by increasing the maximum amount of each grant and making a grant available for both water and wastewater service. The settlement also provides for funding through rates, if necessary, once other funding sources are exhausted. This ensures that these Hardship grants will continue to be available to customers in need. For these reasons, the Settlement is in the public interest and should be adopted.

5. Low Income Assistance Advisory Committee (“LIAAC”) Issues

i. PWSA’s Initial Proposals

PWSA’s Low Income Assistance Advisory Committee (“LIAAC”) is an advisory group of committed community leaders, consumer advocates and local community and social service groups who meet quarterly to discuss PWSA’s assistance programs and provide feedback on suggested improvements. As explained by PWSA witness Ms. Mechling, the PWSA team provides a significant amount of data to the committee members about its low-income customer assistance programs, statistics and outreach efforts. PWSA also actively seeks feedback and suggestions from the participants and has implemented many of the suggestion brought to the table by LIAAC members. Through the regular feedback received from LIAAC and the direction of PWSA’s Board of Directors, PWSA is regularly reshaping and retooling its customer assistance programs to make certain that the most vulnerable and recently unemployed customers receive appropriate financial support with respect to managing their PWSA charges.²⁷³

²⁷³ PWSA St. No. 6 at 35-36; PWSA St. No. 6-R at 27.

ii. Positions of Other Parties and PWSA Responses

OCA witness Mr. Colton recommended that PWSA submit to its LIAAC the question of how enhanced technology could increase the enrollment and retention of low-income customers in BDP.²⁷⁴ PWSA witness Ms. Mechling explained that PWSA did not support having the Commission mandate, as part of this case, specific topics or reporting requirements for future LIAAC meetings that members may or may not find of interest and which would require additional staff time and resources to prepare.²⁷⁵

iii. Proposed Settlement

As part of the settlement, PWSA agrees to lead a discussion about several specific topics that were raised by the parties in this case including:

- Evaluation of the potential benefits of developing a program to provide no-cost stormwater mitigation measures;
- Consideration of how enhanced technology could increase enrollment and retention in PWSA's low-income customer assistance programs;
- Discussion of how or whether to encourage low-income tenants to transfer service into their own name.

PWSA also agreed that, as part of its next base rate case, it will report on the results of the discussion of these topics and include any proposed recommendations resulting from the collaboration.²⁷⁶

iv. The Settlement Terms as in the Public Interest

These settlement terms are a reasonable way in which to address concerns raised in this proceeding by the consumer advocates. PWSA has evaluated the specific proposals to be further discussed with LIAAC and concluded that voluntary agreement to discuss them further in a

²⁷⁴ OCA St. No. 4 at 23.

²⁷⁵ PWSA St. No. 6-R at 27-28.

²⁷⁶ Joint Petition at ¶ III.E.5.

collaborative environment is a logical way to more fully consider the pros and cons of the proposals and to get real world feedback from the members of the committee. PWSA also committed to reporting on the results of these discussions and offering any proposals in furtherance of them as part of the next base rate case. This approach has a proven track record of positively influencing PWSA's low-income customer assistance programs and is a superior way to more fully consider the issues raised rather than awaiting the outcome of a litigated solution. For these reasons, the settlement terms referring various issues for further discussions to LIAAC is in the public interest and should be adopted.

F. Engineering and Operations Issues

1. Customer Complaint Logs

i. PWSA's Initial Proposals

PWSA did not address complaint logs in its initial filing, as the Authority was unaware of any concerns.

ii. Positions of Other Parties and PWSA Responses

In Direct Testimony submitted by OCA, Mr. Terry L. Fought stated that many categories of complaints were not included in the complaint logs for 2022-2023 that were included in the complaint log for 2018-2019. Mr. Fought recommended that PWSA be required to take the necessary steps to provide a complete complaint log in future rate cases.²⁷⁷

In response, William McFaddin, PWSA's Director of Operations, noted the need to clarify the terminology so that all parties are on the same page. He explained that from a review of Mr. Fought's Direct Testimony, it appears that he was seeking information related to work orders, which result from many different sources including inquiries, requests and notifications.

²⁷⁷ OCA St. 6 at 23-25, 28-29 and 31-32.

Although PWSA already captures the data in the Spry Mobile application that Mr. Fought wished to receive, it was not produced in discovery because it is not considered a “complaint log.” Mr. McFaddin suggested that if the logs be referred to as “Work Order Logs” he testified that PWSA can provide the information that is desired.²⁷⁸

iii. Proposed Settlement

Under the Settlement, PWSA agrees to maintain complete data regarding customer complaints, work order and service logs which can be made available via Excel in response to any discovery requests by the parties in, e.g., PWSA’s next base rate case. If the data is requested as part of discovery, the parties agree to collaborate on an informal basis to ensure that it is provided in a mutually acceptable and reasonably sortable format.²⁷⁹

iv. The Settlement Terms are in the Public Interest

While PWSA maintains all of the data that OCA has requested in this proceeding, some instances existed in which the data was not provided in the preferred format. Some of the disconnect appeared to be caused by confusion in the terminology that was used. This provision of the Settlement should make the process go more smoothly when future requests are made for complaint data. Therefore, it is in the public interest and should be approved without modification.

²⁷⁸ PWSA St. No. 3-R at 11-12.

²⁷⁹ Joint Petition at ¶ III.E.1.

2. High Pressures

i. PWSA's Initial Proposals

PWSA did not address high pressures in its original filing.

ii. Positions of Other Parties and PWSA Responses

In Direct Testimony for OCA, Mr. Fought recommended that PWSA should be required to reduce normal operating pressures in its mains that exceed 125 per square inch (“psi”). Mr. Fought further proposed that PWSA be required to submit pressure surveys for each pressure zone until the Authority provides a complete complaint log that includes pressures.²⁸⁰

In response, Mr. McFaddin explained that Mr. Fought’s recommendation for reducing pressures is not consistent with PWSA’s tariff, which requires PWSA to maintain service at historic pressures at the main and permits PWSA to furnish service at other pressures where necessary to supply adequate service. Further, Mr. McFaddin testified that Mr. Fought did not present evidence of any problem that he was seeking to rectify, noting that consumers are more likely to complain about low pressures. He also indicated that reducing pressures that exceed 125 psi is particularly challenging given the topography of Pittsburgh. Finally, Mr. McFaddin explained that PWSA is already capturing pressure inquiries in its work order logs, making it unnecessary to submit pressure surveys for each pressure zone.²⁸¹

iii. Proposed Settlement

The Settlement obligates PWSA to continue to capture pressure inquiries or complaints in its work order logs.²⁸²

²⁸⁰ OCA St. 6 at 12-13.

²⁸¹ PWSA St. No. 3-R at 4-7.

²⁸² Joint Petition at ¶ III.E.2.

iv. The Settlement Terms are in the Public Interest

While PWSA currently captures all such inquiries or complaints in these logs, this commitment will ensure that any high pressure inquiries or complaints are specifically identified. Therefore, this provision of the Settlement is in the public interest and should be approved without modification.

3. Isolation Valves

i. PWSA's Initial Proposals

In his Direct Testimony, Mr. McFaddin provided an update concerning valve maintenance. He noted that in the 2020 rate case settlement, PWSA had committed to exercising approximately 5,000 isolation valves per year and to repair the isolation valves that are found to be inoperable. Mr. McFaddin further testified that the 2021 rate case settlement obligated PWSA to continue its current practice and for valves 16-inch or greater, which may require additional time to repair or replace, to document the planned date for repair or replacement. As to the status of fulfilling these commitments, Mr. McFaddin explained that in 2021 PWSA implemented the plan to exercise 5,000 valves per year, and repair or replace those that are inoperable, and has continued that plan to date. In addition, PWSA has made an internal commitment to exercise 1/5 of the valves or approximately 5,200 each year. In 2021, the Authority inspected 5,400 valves. In 2022, PWSA inspected 5,169 valves, and as of April 26, 2023, had inspected 1,786 valves in 2023. Therefore, PWSA is on track to meet its annual goal in 2023.²⁸³

Mr. McFaddin also testified that when a valve is located and found to be inoperable, an order is created in the Spry Mobile application, which is the PWSA work order system, for the

²⁸³ PWSA St. No. 3 at 2-3.

repair and replacement of that valve. Since the same process applies regardless of the size of the valve, no separate or additional steps are taken for valves that are 16-inches and larger. All repairs and replacements are completed as quickly as possible. Mr. McFaddin further explained the PWSA's recordkeeping plan that fulfills the prior settlement commitments.²⁸⁴

ii. Positions of Other Parties and PWSA Responses

Testifying for OCA, Mr. Fought recommended that PWSA: (1) exercise critical valves on a one- to three-year schedule; (2) exercise non-critical valves on a seven- to ten-year schedule; and (3) maintain useful records of when each valve was exercised. He also proposed that if PWSA's records indicate that any isolation valves have not been exercised within the past ten years, the Authority should exercise them within the next five years until all have been exercised and are operable.²⁸⁵

In response to Mr. Fought's recommendations, Mr. McFaddin testified that PWSA has developed and implemented a valve exercising program where all valves are inspected and exercised on a 5-year cycle, as set forth in PWSA's Implementation Plan responding to the PUC's Management and Operations Audit Report released on April 20, 2023. With respect to critical valves, PWSA has identified such valves, which meet one of these two criteria: (a) isolation valve with a diameter of 18 inches or larger; or (b) isolation valve that would be closed to isolate a critical water service customer per PWSA's critical customer list. Further, in the response, PWSA noted its expectation to inspect and exercise critical valves on a 3-year cycle by the fourth quarter of 2024. Additionally, PWSA already maintains useful records of when each

²⁸⁴ PWSA St. No. 3 at 3-6.

²⁸⁵ OCA St. 6 at 17.

valve was exercised. Therefore, Mr. McFaddin testified that it was unnecessary to impose any additional obligations on PWSA as part of this base rate case.²⁸⁶

iii. Proposed Settlement

Under the Settlement, PWSA commits to continuing its valve exercising program where all valves are inspected and exercised on a 5-year cycle. Starting by or before the fourth quarter of 2024, PWSA will use best efforts to inspect and exercise critical valves on a 3-year cycle. PWSA further agreed to maintain records of when each valve is exercised.²⁸⁷

iv. The Settlement Terms are in the Public Interest

This provision of the Settlement represents a compromise of the parties' positions, which is also consistent with the Implementation Plan submitted by PWSA in response to the PUC's Management and Operations Audit Report, as well as PWSA's current practices. Under PWSA's "best efforts" commitment in the Settlement, which mirrors the expectation the Authority made in response to the PUC's Audit Report, PWSA is on track to transition to the more frequent 3-year cycle for inspecting and exercising critical valves by the end of 2024. Accordingly, this provision is in the public interest and should be approved without modification.

4. Meter Testing and Replacement

i. PWSA's Initial Proposals

In his Direct Testimony, Mr. McFaddin noted that in the last base rate case settlement, PWSA committed to striving to test or replace 8,000 meters per calendar year beginning in 2022, subject to the willingness of customers to permit PWSA access to their meters, until all

²⁸⁶ PWSA St. No. 3-R at 7-8.

²⁸⁷ Joint Petition at ¶ III.E.3.

undocumented meters are either tested or replaced. He testified that in 2021, PWSA processed 6,972 meter changes, and in 2022, PWSA replaced an additional 5,865 meters. For the first four months of 2023, PWSA completed 1,630 meter upgrades. As explained by Mr. McFaddin, although customers in 2022 became generally less concerned about the need for social distancing than they were in 2020 and 2021, PWSA encountered delays in restarting the non-access process following the launch of its Enterprise Resource Planning system in August 2022. This is the automated process that sends regulated notices to customers to facilitate meter upgrade appointments, and it could not be fully tested until after the go-live date of the new system. In addition, the vendor experienced turnover in its resources, which greatly delayed its ability to troubleshoot and resolve bugs in the code.²⁸⁸ More recently, PWSA Field Operations has had some unexpected reductions in the staff in the Plumbing section, with three plumbers on long-term leave due to personal issues. This section also has some openings for plumbers, for which PWSA is actively recruiting and hopes to fill soon. As these new hires come on board, the Authority expects to ramp up the number of meter replacements.²⁸⁹

ii. Positions of Other Parties and PWSA Responses

OCA submitted the Direct Testimony of Mr. Fought, which recommended that PWSA test or replace 10,000 customer meters per calendar year until all undocumented meters are either tested or replaced. Mr. Fought further proposed that the Authority address its software, vendor and staffing issues since it has not been able to achieve its target of 8,000 meters.²⁹⁰

In response, Mr. McFaddin testified that many factors are outside the Authority's control and have prevented it from achieving its target of 8,000 meters, making Mr. Fought's

²⁸⁸ PWSA St. No. 3 at 8-9.

²⁸⁹ PWSA St. No. 3 at 9.

²⁹⁰ OCA St. 6 at 20-21.

recommendation of 10,000 meter replacements/year unreasonable. As he explained, the single biggest factor preventing PWSA from replacing meters is the continuing struggle to gain access to customers' homes. Further, Mr. McFaddin noted that continuing difficulties with vendors in the supply chain, make it especially challenging to obtain automated meter reading devices.²⁹¹

iii. Proposed Settlement

PWSA agreed as part of the Settlement to use best efforts to test or replace 8,000 meters per calendar year after 2023 until all undocumented meters are either tested or replaced.²⁹² This commitment is consistent with PWSA's internal target and is reasonable.

iv. The Settlement Terms are in the Public Interest

While it is a "best efforts" commitment and not as aggressive a schedule as proposed by OCA, the testing and replacement of 8,000 meters per calendar year is achievable and would represent significant progress in PWSA's efforts to test or replace all undocumented meters. Therefore, this provision is in the public interest and should be approved without modification.

5. Flushing Distribution System

i. PWSA's Initial Proposals

PWSA offered the Direct Testimony of Mr. McFaddin, who explained that in the settlement of the 2020 base rate case PWSA agreed to implement a program to flush one-third of the distribution system each year. This commitment was continued as part of the settlement of the 2021 base rate case. As Mr. McFaddin testified, the distribution system flushing program had been implemented as of the filing of the 2021 base rate case. PWSA inspected and flushed 2,624 hydrants in 2021, which met the goal of inspecting and flushing one-third of the system.

²⁹¹ PWSA St. No. 3-R at 8-9.

²⁹² Joint Petition at ¶ III.E.4.

In 2022, PWSA inspected and flushed 2,552 hydrants, which also met the annual goal. As of April 26, 2023, PWSA has inspected and flushed 418 hydrants. This number was on track for that time of year since the inspection of hydrants significantly ramps up during warmer weather.²⁹³

ii. Positions of Other Parties and PWSA Responses

On behalf of OCA, Mr. Fought's Direct Testimony did not recommend any changes to PWSA's program for flushing its distribution system. However, he expressed a concern about dead-end lines, testifying that it appears PWSA may not know where many of its dead-end lines are located and if all of them have a blow-off valve for hydrant for flushing. Therefore, Mr. Fought recommended that PWSA make an effort to identify, locate and track the dead-end lines to make sure that they have a blow-off or hydrant so they can be flushed to eliminate water quality problems.²⁹⁴

In response, Mr. McFaddin agreed that PWSA is facing challenges in making sure that dead-end lines have a blow-off or hydrant so they can be flushed. However, he testified that it is important to note that PWSA is already making every effort to identify, locate and track the dead-end lines for this purpose. Notwithstanding those efforts, due to the topography of Pittsburgh, many dead-end lines cannot be fixed. Therefore, Mr. McFaddin did not believe it is feasible to direct PWSA to do more than it is already doing with respect to dead-end lines.²⁹⁵

²⁹³ PWSA St. No. 3 at 9-10.

²⁹⁴ OCA St. 6 at 21-22.

²⁹⁵ PWSA St. No. 3-R at 9-10.

iii. Proposed Settlement

Under the Settlement, PWSA will continue to make an effort to identify, locate and track dead-end lines to make sure they have a blow-off or hydrant so they can be flushed.²⁹⁶

iv. The Settlement Terms are in the Public Interest

Since this commitment is consistent with PWSA's current practices, PWSA supports the documentation of these efforts in the Settlement as that provides a level of accountability. Further, the identification of dead-end lines is important from the perspective of ensuring that they have a blow-off or hydrant so they can be flushed to eliminate water quality problems. For these reasons, this provision of the Settlement is in the public interest and should be approved without modification.

6. Surface Restoration

i. PWSA's Initial Proposals

PWSA did not address any issues relating to surface restoration in its initial filing.

ii. Positions of Other Parties and PWSA Responses

On behalf of OCA, Mr. Fought discussed the cost sharing of surface restoration between PWSA and the City of Pittsburgh. He recommended that the Cooperation Agreement be amended to indicate cost responsibility and suggested that the City should pay for any PWSA pavement restoration. Mr. Fought testified that this was necessary in his view because PWSA's Long-Term Infrastructure Improvement Plan requires PWSA to coordinate its projects with the City's repaving plans and PWSA may jeopardize funding for future projects if money is wasted when the City repaves a street and a PWSA project repaves the same street a short time later.²⁹⁷

²⁹⁶ Joint Petition at ¶ III.E.5.

²⁹⁷ OCA St. 6 at 32-36.

In response, Mr. William J. Pickering, the Chief Executive Officer of PWSA, testified that there is no need to amend the 2019 Cooperation Agreement and that when it expires by law on January 1, 2025, the City will be just like any other customer. He further explained that the City will pay for the utility services and other services it receives from PWSA on an arms-length transactional basis. Similarly, PWSA will be like any other utility in following requirements of the City's Department of Mobility and Infrastructure in matters relating to the right-of-way and similar issues.²⁹⁸

iii. Proposed Settlement

PWSA committed under the Settlement to continue coordinating with the City of Pittsburgh and other municipalities to replace water and sewer mains, as much as possible, just prior to repaving. In addition, PWSA will continue to coordinate projects that are not part of an emergency, Department of Environmental Protection or Environmental Protection Agency deadline with the City of Pittsburgh, the Department of Transportation and other public utilities.²⁹⁹

iv. The Settlement Terms are in the Public Interest

The commitments under the Settlement to coordinate projects with the City, other municipalities and other government agencies are consistent with PWSA's current practices and ensure that funds are not wasted due to repaving activities. Since surface restoration is a critical aspect of many construction projects, this provision is in the public interest and should be approved without modification.

²⁹⁸ PWSA St. No. 1-R at 13.

²⁹⁹ Joint Petition at ¶ III.E.6.

G. Additional Terms and Conditions

1. Waiver of Exceptions if Settlement Approved Without Modification

The Settlement provides that if the ALJ, in her Recommended Decision, recommends that the Commission adopt the Settlement without modification, the Joint Petitioners will waive the filing of Exceptions.³⁰⁰ The waiving of exceptions if the Settlement is approved without modification is an important component of the Settlement because it will permit the case to be reviewed sooner by the Commission without needing to await the exception time period. Ensuring that the Commission is in a position to adjudicate this proceeding at its February 1, 2023 public meeting (or earlier) is important in consideration of the impact on PWSA of the Commission's recent timing requirements for rate case litigation.

More specifically, PWSA voluntarily agreed to suspend its rate effective date to February 15, 2024 to target the Commission's February 1, 2024 public meeting for action because the Commission has determined that a period of 10-14 days after action at a public meeting before rate tariffs can go into effect is necessary. Without the voluntary suspension, PWSA and the parties would have had no other choice but to target Commission action at its January 18, 2024 public meeting. Doing so would have had the effect of reducing by at least two weeks the amount of time available for litigation. Given the already tight nine-month statutory timeframe for the Commission to act in a base rate proceeding, any further reductions in the amount of time available for litigation would have created significant difficulties for the parties and the ALJ. While PWSA elected to voluntarily suspend the rate suspension period, it is important to acknowledge that doing so resulted in PWSA agreeing to forgo its statutory right to collect additional revenue for the seven day period of time. To avoid any further requirements that

³⁰⁰ Joint Petition at 17, ¶ IV.15.

PWSA be required to consider forgoing additional revenue due to procedural timelines of the Commission, PWSA submits that any actions that can be taken (such as the waiver of exceptions if appropriate) to ensure that this case is adjudicated on or before the February 1, 2023 public meeting would be in the best interest of the public and PWSA's ratepayers by making available the fullest value of the approved rates and enabling PWSA to move forward with implementing the other provisions of the Settlement.

2. Public Input Testimony, Filed Consumer Comments and Consumer Complaints

PWSA submits that the Settlement addresses many of the concerns raised by consumers during the course of the six public input hearings and in the written consumer comments and formal complaints filed with the Commission.

PWSA witness Mechling summarized and responded to much of this testimony and comments in her rebuttal testimony.³⁰¹ The concerns raised by customers broadly fell into categories including: (1) affordability of the proposed rate increase; (2) suggestions that PWSA should exhaust all other funding and financing options before implementing a rate increase; (3) outreach regarding the availability of assistance programs; (4) notice of the public input hearings; and (5) service issues (as noted by OCA witness Fought).

Concerns about the level of the proposed rate increase are addressed in several ways by the Settlement. First, the Settlement provides for a total increase of \$35,997,325 million (exclusive of the 5% DSIC). This is *significantly* less than the original proposal of \$146.1 million (which included an increase of \$46.8 million in 2024, \$45.4 million in 2025, and \$53.9 million in 2026). Second, this is a one-time increase, as opposed to the multiyear rate increase

³⁰¹ PWSA St. No. 6-R at 47-54.

originally proposed. This, in conjunction with the stay out provision in which PWSA has agreed not to file a general rate increase any sooner than January 1, 2025 for rate implementation in 2026, will provide customers with a measure of rate stability for the next two years (2024 and 2025). The Settlement provides for a much more modest rate increase that addresses these affordability concerns.

One customer testified about the volumetric aspect of PWSA's rate structure and the negative impact it has on her monthly bill because her household uses less than the minimum allowance associated with her meter size.³⁰² Although the Settlement does not result in the minimum allowance being removed as part of this rate case as PWSA had originally proposed, it does provide that PWSA will prepare its billing systems and propose to remove the minimum allowance in its next rate case.³⁰³ Removal of the minimum allowance will address this customer's concern more fully as part of a future rate case, pursuant to the Settlement.

In testimony, Ms. Mechling described how PWSA has responded to individual service issues and provided numerous forms of notice regarding the public input hearings.³⁰⁴ PWSA addressed customer service issues raised during the Public Input Hearings by contacting individual customers after the hearings in order to resolve their specific concerns.

Further, Mr. Pickering and Mr. Barca explained how PWSA has and continues to pursue hundreds of millions of dollars in low-interest loans and grants to fund its capital improvement program and other aspects of its operations to reduce the rate burden on customers prior to requesting a rate increase.³⁰⁵

³⁰² PWSA St. No. 6-R at 52.

³⁰³ Joint Petition at ¶ III.A.3.a.

³⁰⁴ *Id.* at 49-54.

³⁰⁵ PWSA St. No. 1; PWSA St. No. 2 at 33.

Finally, as described above, PWSA has agreed to a number of customer education and outreach, customer service, low-income assistance, and quality of service measures, all of which will provide customers with greater benefits in terms of financial assistance and/or improved infrastructure and service.

For all these reasons, the proposed Settlement reasonably addresses the concerns expressed by customers, whether through testimony offered at the public input hearings or as set forth in written comments filed with the Commission. As such, the Settlement should be adopted without modification.

III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

Each of the separate provisions of the Settlement are reasonable and in the public interest as described previously. The Settlement on balance is also in the public interest because it is a reasonable balance of the competing issues raised in this proceeding that results in a path forward for PWSA to receive adequate revenues for 2024, to address cost recovery of a significant driver of debt service coverage, to move forward regarding future removal of the minimum allowance from rates, and to ensure that its low income customers continue to receive reasonable assistance through PWSA's low income customer assistance programs. For all these reasons, the Settlement is reasonable and in the public interest and should be adopted without modification.

IV. CONCLUSION

For all the reasons set forth herein and the Joint Petition for Settlement, PWSA respectfully requests that the ALJ recommend that the Commission adopt the Settlement as proposed without modification.

Respectfully submitted,

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Date: October 30, 2023

Appendix I

To

**Joint Petition for
Settlement**

Docket Nos.

R-2023-3039919, et. al.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2023-3039920 (Water)
	:	R-2023-3039921 (Wastewater)
v.	:	R-2023-3039919 (Stormwater)
	:	
Pittsburgh Water and Sewer Authority	:	
Base Rates	:	

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT
OF ALL ISSUES**

TO: ADMINISTRATIVE LAW JUDGE GAIL M. CHIDO:

I. INTRODUCTION

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor Scott B. Granger, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Approval of Settlement of All Issues With All Parties (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, and reasonable balance of the interests of the Pittsburgh Water and Sewer Authority (“PWSA” or the “Authority” or the “Company”), I&E, the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Pittsburgh United’s Our Water Table (“Pittsburgh United”); the School District of Pittsburgh (“School District”); the City of Pittsburgh

(“City”); and the River Development Corporation (“River Development”); all parties in the above-captioned proceeding and hereinafter collectively referred to as “Joint Petitioners” or the “Parties”, as well as the PWSA ratepayers.

II. BACKGROUND

1. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served. Based upon I&E’s analysis of the PWSA base rate filing, acceptance of this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judge and the Commission approve the Settlement in its entirety.

2. On May 9, 2023, PWSA, filed Supplement No. 12 Tariff Water - Pa. P.U.C. No. 1 (“Supplement No. 12”) with the Pennsylvania Public Utility Commission (“Commission”) to become effective July 8, 2023 (“Rate Filing”). In its Rate Filing, PWSA is requested the Commission approve a multi-year rate plan with a proposed total overall revenue increase of \$146.1 million (inclusive of a Distribution System Infrastructure Charge (“DSIC”) cap increase).¹ This request included a \$46.8 million or 22.5% increase in Fiscal Year 2024 (“FY 2024”) (the traditional FPFTY), \$45.4 million or 17.8% in FY 2025, and \$53.9 million or 17.9% in FY 2026.²

¹ PWSA Rate Filing, Responses to Filing Requirements, Vol. I, Statement of Reasons, p. 1.

² *Id.*

PWSA noted that if the Authority's entire request was approved, the total bill for water, wastewater conveyance, and stormwater management for a typical Residential customer using 3,000 gallons of water per month and charged the base rate for stormwater services would increase from \$86.43 to \$103.41 per month or by 19.6% in 2024; then would increase from \$103.41 to \$123.55 or by 19.5% in 2025; and then would increase from \$123.55 to \$146.12 or 18.3% in 2026.³ To summarize, the total proposed increase to PWSA customers over the three-year period would be from \$86.43 to \$146.12 for a total increase of \$59.69 or 69.1%.

3. On May 18, 2023, I&E filed its Notice of Appearance.

4. On May 19, 2023, the OSBA filed its Formal Complaint, Public Statement and Notice of Appearance.

5. On May 23, 2023, the OCA filed its formal Complaint, Notice of Appearance and Public Statement.

6. On June 12, 2023, Pittsburgh United filed its Petition to Intervene.

7. On June 26, 2023, the School District filed its Petition to Intervene.

8. On June 27, 2023, the City filed its Petition to Intervene.

9. On July 14, 2023, River Development filed its Petition to Intervene.

10. Additionally, several PWSA ratepayers filed a Formal Complaint and numerous PWSA rate payers filed an opposition to PWSA's proposed rate increase.

³ *Id.*, Vol. I, Notice of Proposed Rate Changes to Customers, p. 1.

11. On June 15, 2023, the Commission entered an Order suspending the implementation of PWSA’s proposed Supplement No. 12 Tariff Water – Pa. P.U.C. No. 1 by operation of law until February 8, 2024, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in PWSA’s Supplement No. 12. The Commission also stated the investigation shall include consideration of the lawfulness, justness, and reasonableness of PWSA’s existing rates, rules, and regulations.

12. The case was assigned to the Office of Administrative Law Judge for the prompt scheduling of such hearings as may be necessary, culminating in the issuance of a recommended decision.

13. A telephonic Prehearing Conference was held on Thursday, June 29, 2023, beginning at 10:00 am before Administrative Law Judge Gail M. Chiodo (“ALJ Chiodo” or the “ALJ”) presiding. During the prehearing conference, the parties agreed to a schedule for the conduct of the case including the service of testimony among the parties and the dates for evidentiary hearings.

14. It was also agreed that both in-person and telephonic public input hearings would be held.

15. In-person public input hearings were held in Pittsburgh on Tuesday, July 25, 2023, at 1:00 pm and 6:00 pm.

16. Telephonic public input hearings were held on Thursday, July 27, 2023, at 1:00 pm and 6:00 pm; and, on Tuesday, August 29, 2023, at 1:00 pm and 6:00 pm.

17. All parties undertook comprehensive discovery in this proceeding after the filing was made and continued to conduct discovery throughout the litigation and settlement negotiation process.

18. The evidentiary hearing was held as scheduled on October 4, 2023. It was agreed, prior to the hearing, that only two witnesses (Micheal McNamara and Theodore Dwyer both for the School District) would testify and be made available for cross. All other witnesses were excused from appearing at the hearing after all parties agreed to mutual waivers of cross examination. Further, it was agreed that the pre-served testimony and exhibits would be submitted into the record by joint stipulation and verifications.

19. In accordance with the procedural schedule established at the prehearing conference, I&E served to all active parties the following six (6) pieces of testimony, one (1) Errata, and four (4) accompanying exhibits from three (3) I&E witnesses:

- I&E Statement No. 1 and I&E Exhibit No. 1 – the Direct Testimony of I&E witness Anthony Spadaccio;
- I&E Statement No. 1-SR and I&E Exhibit No. 1-SR – the Surrebuttal Testimony of I&E witness Anthony Spadaccio;
- I&E Statement No. 2 and I&E Exhibit No. 2 – the Direct Testimony of I&E witness Vanessa Okum;
- I&E Statement No. 2-SR – the Surrebuttal Testimony of I&E witness Vanessa Okum;
- I&E Statement No. 3 and I&E Exhibit No. 3 – the Direct Testimony of I&E witness Ethan Cline;
- ERRATA to I&E Statement No.3 – the Direct Testimony of I&E witness Ethan Cline; and
- I&E Statement No. 3-SR – the Surrebuttal Testimony of I&E witness Ethan Cline.

20. In accordance with Commission policy encouraging settlements at 52 Pa. Code § 5.231 and § 69.401 as they often achieve results preferable to a fully litigated proceeding, I&E participated in multiple settlement discussions with PWSA and the Parties to this proceeding. Following extensive settlement negotiations, the Joint Petitioners reached a full settlement of all issues as set forth in the Joint Petition.

III. TERMS AND CONDITIONS OF SETTLEMENT

21. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served.

22. “The prime determinant in the consideration of a proposed Settlement is whether the settlement is in the public interest.”⁴ The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”⁵

23. Settlements conserve precious administrative resources and provide regulatory certainty with respect to the disposition of issues with results that are often preferable to those achieved at the conclusion of a fully-litigated proceeding; and, provide a final resolution of adversarial proceedings which, in the Commission’s judgement, is preferable.⁶ The very nature of a settlement requires a review and

⁴ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

⁵ *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

⁶ *See generally* 52 Pa. Code § 5.231 and § 69.401.

discussion of all issues raised by the parties' and a negotiated compromise on the part of all parties.

24. I&E now submits that this Settlement balances the interests of the Company, its customers, and the Joint Petitioners in a fair and equitable manner and presents a resolution for the Commission's adoption that best serves the public interest. Furthermore, the negotiated Settlement demonstrates that compromises are evident throughout the Joint Petition. Additionally, as this is a "black box" settlement as described below, to the extent the Stipulation of Facts contained in Appendix A attached to the Joint Petition are argumentative and attempt to paraphrase portions of the parties pre-served testimony and exhibits, those documents speak for themselves and are controlling over and above Appendix A. Accordingly, for the specific reasons articulated below to achieve the full scope of benefits addressed in the Settlement; I&E requests that the Settlement be recommended by ALJ Chiodo, and approved by the Commission, without modification.

A. Revenue Requirement, Rates, and Charges (Joint Petition ¶¶ 9.A.1-3.).

In the Settlement, the Joint Petitioners agreed to settlement terms regarding the overall base rate revenue increase. The settlement as to revenue requirement shall be a "black box" settlement, except for the items specifically set forth in the Joint Petition. Specifically, the settlement terms regarding revenue requirement, rates, and charges are as follows:

1. Rates / Revenue Increase (Joint Petition ¶ 9.A.1).

In the Settlement, the Joint Petitioners agree that effective February 15, 2024, a total base rate revenue increase of \$35,997,325, exclusive of 5% DSIC, will be implemented and allocated as follows:

- a. The rates to collect the settlement level of water, wastewater and stormwater revenues from each class are shown on Joint Petition Appendix B.
- b. PWSA will recover the water, wastewater conveyance and stormwater revenue from each utility service and by each customer class as shown in Joint Petition Appendix C.

Further, PWSA will amortize its \$263,215 COVID-19 expense claim over a two-year period. Finally, as the contractual timelines become available for renegotiation of PWSA's current wholesale water contracts, PWSA agrees to engage in good faith negotiations to negotiate new rates intended to move closer to PWSA's tariffed wholesale rate.

I&E submitted extensive testimony regarding PWSA's base rate increase filing and the overall revenue requirement, rates, and charges proposed by PWSA.⁷ I&E witness Anthony Spadaccio recommended that the proposed multi-year rate plan be rejected, reasoning that it is not prudent for PWSA to try to play catch-up for years of neglect by proposing a multi-year rate plan that extends beyond the traditional fully

⁷ I&E St. No. 1, pp. 1-28; I&E St. No. 1-SR, pp. 1-27; I&E St. No. 2, pp. 1-38; I&E St. No. 2-SR, pp. 1-29; I&E St. No. 3, pp. 1-36; I&E St. No. 3-SR, pp. 1-39.

projected future test year based on unsupported projections.⁸ Mr. Spadaccio added that PWSA would benefit from continued Commission oversight via regular base rate proceedings especially considering its past mismanagement and ambitious capital improvement plan rather than losing the benefit of regular Commission review by implementing a multi-year rate plan.⁹ I&E witness Ethan Cline also recommended the Commission reject PWSA's proposed multi-year rate plan arguing that, based on Mr. Cline's analysis of the testimony and responses to discovery,¹⁰ the Commission would be unable to prudently determine or conclude that the proposed multi-year rate plan would result in just and reasonable rates in FY 2025 or FY 2026.¹¹ Simply put, I&E argued that there is a significant difference between forecasting for the FPFTY alone versus forecasting for the FPFTY as well as two years beyond, since the further into the future projections are made, the less likely they are to be accurate and the more likely they are to be more speculation than projections.¹² As argued by I&E witnesses Okum and Cline in both their direct and surrebuttal testimonies, PWSA has had trouble accurately forecasting O&M and capital expenditures year after year.¹³ Therefore, forecasting even further into the future is not reliable and certainly not recommended.¹⁴

⁸ I&E St. No. 1, pp. 7-9.

⁹ I&E St. No. 1-SR, pp. 7-8.

¹⁰ I&E St. No. 3, pp. 4-18.

¹¹ *Id.*, p. 18.

¹² I&E St. No. 1-SR, p. 8.

¹³ I&E St. No. 2, pp. 4-6, 34-36; I&E St. No. 2-SR, pp. 2-5; I&E St. No. 3, pp. 5-22; I&E St. No. 3-SR, pp. 4-30.

¹⁴ I&E St. No. 1-SR, p. 8.

Additionally, I&E recommended the Commission reject PWSA's proposed PAYGO scheme¹⁵ and its proposed Infrastructure Improvement Charge ("ICC").¹⁶ Further, I&E called into question the accuracy of PWSA's capital improvement budget projections by analyzing the historical accuracy of PWSA's previous projections.¹⁷ I&E found that PWSA has shown a consistent historical tendency to fall short of meeting its capital budget projections on an annual basis.¹⁸ I&E also noted troubling unaccounted for water levels in 2021 and 2022.¹⁹

Finally, I&E made multiple adjustments to PWSA's proposed operating and maintenance ("O&M") expense claims noting that the data at the account level and expense category level showed large variances.²⁰ I&E's O&M adjustments included adjustments to total payroll expense, payroll tax expense, retirement benefits, operating contracts other, drag bucket, line televising, office rent, legal expense, equipment expense, and COVID-19 expense.²¹

I&E now submits that it fully supports the negotiated level of overall base rate revenue increase as compared to PWSA's original request. While the overall revenue requirement is a "black box" compromise, the overall revenue levels are within the levels advanced on the evidentiary record and reflect a full compromise of all revenue-related issues raised by the parties. And, as a "black box" settlement, unless specifically

¹⁵ I&E St. No. 1, pp. 20-24.

¹⁶ *Id.*, p. 24-26.

¹⁷ I&E St. No. 3, pp. 8-15, 19-22; I&E St. No. 3-SR, pp. 20-30.

¹⁸ *Id.*, pp. 19-22; *Id.*, pp. 22-30.

¹⁹ *Id.*, pp. 23-24; *Id.*, p. 31.

²⁰ I&E St. No. 2, pp. 5-6; I&E St. No. 2-SR, pp. 3-5.

²¹ *Id.*, pp. 7-33; *Id.*, pp. 5-25.

addressed below, the Settlement does not reflect agreement upon individual issues. Therefore, in consideration of the extensive testimony presented by all of the parties to this proceeding, I&E fully supports the negotiated level of overall base rate revenue increase as a full and fair compromise that provides PWSA, the Joint Petitioners, affected ratepayers, and the Commission with resolution of these issues, all of which is in the public interest.

2. *Base Rate Case Stay Out (Joint Petition ¶ 9.A.2.).*

In the Settlement, the Joint Petitioners agree that PWSA shall not file a general rate increase pursuant to 66 Pa C.S. § 1308(d) any sooner than January 1, 2025, for rate implementation in 2026. This paragraph does not apply to extraordinary or emergency rate relief pursuant to 66 Pa. C. S. § 1308(e) (or upon a petition for emergency rate increase), including, but not limited to, a final unappealable court or Commission decision terminating PWSA’s legal ability to continue to charge stormwater rates pursuant to its Stormwater Tariff.

I&E did not present testimony regarding a stay out, nor did I&E suggest the stay out proposal as an option. The stay out was offered by other interested parties during extensive settlement negotiations as part of PWSA’s overall revenue requirement plan going forward. The stay out was proffered as part of various parties recommended rejection of the proposed multi-year rate plan.²² Further, the stay out provision was offered as part of the overall settlement agreement in conjunction with compromises

²² I&E St. No. 1, pp. 7-11; I&E St. No. 3, pp 4-18.

made by the Parties on other issues. While I&E was not one of the Joint Petitioners that recommended the stay out provision, I&E shares the concerns of the interested Joint Petitioners. Therefore, I&E supports the stay out settlement terms agreed to by PWSA and the Joint Petitioners as in the public interest.

3. *Rate Design and Charges (Joint Petition ¶ 9.A.3.).*

In the Settlement, the Joint Petitioners agreed to Settlement terms regarding PWSA's rate design and various tariff charges.

a. *Minimum Charge (Joint Petition ¶ 9.A.3.a.).*

In the Settlement, the Joint Petitioners agree that PWSA will undertake the software and billing system changes necessary to be able to implement a rate structure change to remove the minimum allowance. Further, as part of its next base rate filing, PWSA will propose to remove the minimum allowance with the then-proposed rate effective date and will include a customer bill impact analysis that illustrates the effect on customer rates of the rate structure change. Finally, in its next rate case, PWSA will include a customer cost analysis and rate proposals that fully eliminate usage allowances.

I&E submitted testimony regarding PWSA's minimum usage allowance, its class cost of service analysis practices, and its proposal to eventually switch to a base customer charge.²³ I&E noted that PWSA acknowledged that issues had been raised regarding PWSA's cost of service practices and its use of a minimum allowance in past base rate cases.²⁴ I&E ultimately recommended that PWSA delay its proposal to switch from a

²³ I&E St. No. 3, pp. 24-32; I&E St. No. 3-SR, pp. 31-36.

²⁴ *Id.*, pp. 25-26.

minimum charge to a base charge until PWSA and the statutory advocates are reasonably certain that PWSA can accurately determine a data-supported cost based customer charge.²⁵

b. PennVest Charge (Joint Petition ¶ 9.A.3.b.).

In the Settlement, the Joint Petitioners agree that PWSA will implement the software and billing system changes necessary to be able to recover the debt service associated with PennVest loans in accordance with 52 Pa Code §§69.361 – 69.364 but the rate will be set at \$0.00 effective February 14, 2024. Further, PWSA may seek recovery of the debt service costs of PennVest loans no earlier than January 1, 2025, subject to the terms and conditions set forth in the Joint Petition. Additionally, PWSA withdraws its request to seek recovery of costs related to the federal government program known as the Water Infrastructure Finance and Innovation Act (“WIFIA”) through a separate reconcilable charge to customers. Finally, the “PennVest Charge” will be implemented in lieu of PWSA’s initially proposed Infrastructure Improvement Charge (“IIC”).

I&E submitted extensive testimony regarding PWSA’s PennVest loan portfolio as well as PWSA’s PAYGO and IIC proposals.²⁶ I&E noted PWSA’s success in securing the low-cost PennVest loans and noted the transparency that flows from the requirement that the PennVest loan be placed on the customer’s bills as a separate line item.²⁷ I&E

²⁵ *Id.*, pp. 24-32; *Id.*, pp. 35-36.

²⁶ I&E St. No. 1, pp. 20-26.

²⁷ *Id.*, pp. 22-26, *citing* 52 Pa. Code §69.363.

argued that the transparent PennVest loans are preferable to PWSA’s proposed PAYGO scheme and the less than transparent proposed IIC.²⁸

Therefore, I&E supports the settlement terms regarding the PennVest loans as a full and fair compromise that provides PWSA, the Joint Petitioners, affected ratepayers, and the Commission with regulatory certainty and resolution of the PennVest, PAYGO and IIC issues, all of which is in the public interest.

c. Customer Assistance Charge (Joint Petition ¶ 9.A.3.c).

In the Settlement, the Joint Petitioners agree that PWSA withdraws its proposal to implement a Customer Assistance Charge (“CAC”)

I&E submitted extensive testimony recommending that the proposed CAC be disallowed by the Commission.²⁹ I&E argued that the proposed CAC surcharge is problematic because the cost projections for the program will almost assuredly prove inaccurate;³⁰ and, the CAC surcharge will not be transparent as it will be combined with other surcharges on customer bills.³¹ Additionally, I&E noted that, in the past, the Commission has rejected reconcilable surcharges proposed by water companies.³²

Therefore, I&E supports the settlement terms regarding the withdrawal of the CAC as a full and fair compromise that provides PWSA, the Joint Petitioners, affected ratepayers, and the Commission with regulatory certainty and resolution of the CAC issue, all of which is in the public interest.

²⁸ *Id.*, pp. 20-26.

²⁹ I&E St. No. 2, pp. 33-36.

³⁰ *Id.*, p. 34.

³¹ *Id.*, p. 35.

³² *Id.*, pp. 36-37; I&E St. No. 2-SR, pp. 28-29.

d. Readiness-to-Serve (Joint Petition ¶ 9.A.3.d).

In the Settlement, the Joint Petitioners agree that in its next filed base rate case, PWSA agrees to remove its readiness-to-serve (“RTS”) component from its monthly water and wastewater conveyance customer charges. All parties reserve the right to challenge any component of the customer charge in future base rate proceedings.

I&E submitted testimony regarding PWSA’s RTS component of its rate calculations and its’ Class Cost of Service Study (“CCOS”).³³ I&E argued that it does not agree with the use of the RTS adjustment in PWSA’s calculations of its base charge for water and wastewater because the RTS does not qualify as a cost that may be included in a fixed monthly charge according to Pennsylvania rate making standards.³⁴

Therefore, after extensive negotiations among the Joint Petitioners and in consideration of all the testimony presented, I&E supports the readiness-to-serve settlement terms as a full and fair compromise that provides PWSA, the Joint Petitioners, affected ratepayers, and the Commission with regulatory certainty and resolution of the RTS issue, all of which is in the public interest.

B. Third-Party Collection Agency (Joint Petition ¶ 9.B.).

In the Settlement, the Joint Petitioners agree PWSA will include in its training of any third-party collection agency with which it enters into a “debt collection services” contract the requirement to warm transfer to PWSA any individuals seeking to re-establish service with PWSA so that such arrangements can be made with PWSA

³³ I&E St. No. 3, pp. 24-32; I&E St. No. 3-SR, pp. 31-36.

³⁴ *Id.*, p. 28; *Id.*, pp. 35-36.

directly. Further, any third-party collection agency retained by PWSA will be trained to affirmatively ask whether an individual wishes to seek service restoration. Finally, if PWSA enters into a contract, PWSA will track and report in the next rate case the data from the collection agency, including how many warm transfers were made and what happened with those customers.

I&E did not submit testimony regarding PWSA's third-party collection agency activities. Nevertheless, I&E shares the concerns of the interested Joint Petitioners. Further, I&E played an active role in the settlement negotiations regarding these programs and monitored the proposals and counter proposals offered by the parties throughout this proceeding. Therefore, I&E does not oppose these settlement terms as a full and fair compromise that provides PWSA, the Joint Petitioners, and the Commission with regulatory certainty and resolution of the third-party collection agency issues raised by the interested parties, which is in the public interest.

C. Stormwater (Joint Petition ¶ 9.C. 1-3).

The following are the negotiated settlement terms regarding stormwater management service and the stormwater fee. Additionally, as was noted by several of the parties, there is a case pending before the Supreme Court of Pennsylvania that may have some bearing on PWSA's ability to include a stormwater fee in its tariff rates.³⁵

³⁵ See, *The Borough of West Chester v. Pennsylvania State System of Higher Education and West Chester University of Pennsylvania of the State System of Higher Education*, 260 M.D. 2018, 291 A3d 455 (Pa. Cmwlth. 2023), *appeal docketed* 9 MAP 2023 (Pa. 2023).

1. Stormwater Credit Program (Joint Petition ¶ 9.C.1.).

In the Settlement, the Joint Petitioners agree that within 60 days of approval of a final order, the affected Joint Petitioners will contact PWSA to set up a collaborative meeting to work on identifying ways to help reduce impervious areas or to implement stormwater controls on property subject to the stormwater fee and to help customers obtain credits offsetting stormwater fees as a result of those efforts. Further, PWSA agrees to inform and advise Parties of the collaborative regarding paths to reduce impervious areas or gain stormwater credits. Additionally, PWSA agrees to assist Parties of the collaborative in identifying potential funding opportunities and to use best efforts to assist with securing any such opportunities available, to the degree that such opportunities are available. And finally, Parties of the collaborative are not precluded from discussing alternatives to a stormwater fee other than basing it on square footage of impervious service for PWSA's consideration in making future stormwater fee rate filings with the Commission.

2. Education and Outreach (Joint Petition ¶ 9.C.2.).

In the Settlement, the Joint Petitioners agree that PWSA will develop an outreach and education plan related to available assistance and mitigation measures connected to its stormwater fee. This outreach and education plan will include training and call scripting for PWSA's CSRs so that CSRs are prepared to provide the following information, where applicable: (1) prompt stormwater customers about whether they have adopted or have an interest in adopting green stormwater mitigation; (2) discuss the benefits of practicing green stormwater mitigation, including the \$40 credit for rain

barrels; and (3) discuss whether the customers are enrolled in, and eligible for, the Bill Discount Program to take advantage of available stormwater discounts.

Additionally, the Joint Petitioners agree that enhanced outreach and education related to stormwater will include a plan for community engagement, crafted in conjunction with the proposed Low-Income Assistance Advisory Committee and utilizing feedback from previous stormwater strategic plan outreach. Finally, the outreach and education plan will continue until the implementation of PWSA's next base rate case but could be continued at that time by the agreement of the Parties.

3. *Arrangements Applicable to the Pittsburgh School District (Joint Petition ¶ 9.C.3).*

In the Settlement, the Joint Petitioners agree that because of the public nature of the School District and its unique ability to provide land for public use and benefits, as well as its potential ability (with assistance from PWSA) to access grants and other funding to assist with the implementation of stormwater mitigation projects, PWSA and the School District recognize that opportunities exist to work together to potentially address PWSA's and the School District's stormwater mitigation efforts. Further, the Joint Petitioners agree that until PWSA files its next base rate case, both PWSA and the School District shall appoint designated persons to be the point of contact for issues relating to the School District's stormwater management activities. Additionally, PWSA and the School District acknowledge that they have entered into an agreement regarding the calculation of stormwater credits for the School District including the application of retroactive credit as set forth in the Joint Petition.

Additionally, PWSA agrees to advise and work cooperatively regarding Long Term Best Management Practices (“BMPs”) applicable and available to the School District as set forth in the Joint Petition. Finally, the School District agrees to not pursue in this or any other Pennsylvania Public Utility Commission proceeding its litigation position that stormwater charges are an unlawful tax that the School District, as a tax-exempt entity, is not required to pay or any other general policy-related challenge to the Stormwater rates that will be established in this proceeding. However, the School District is not precluded from raising future arguments and PWSA and the School District reserve all rights as set forth in the Joint Petition.

I&E submitted limited stormwater tariff and rates testimony noting that PWSA’s approved stormwater tariff became effective in January 2022.³⁶ Nevertheless, I&E shares the concerns of the interested Joint Petitioners. Further, I&E played an active role in the settlement negotiations regarding these programs and monitored the proposals and counter proposals offered by the parties throughout this proceeding. Therefore, inconsideration of the testimony and exhibits presented in this proceeding, I&E does not oppose these stormwater settlement terms as a full and fair compromise that provides PWSA, the Joint Petitioners, and the Commission with regulatory certainty and resolution of the complex stormwater management and rates issues, which is in the public interest.

³⁶ I&E St. No. 3, pp. 3-4.

D. Customer Service (Joint Petition ¶ 9.D.1-4).

The following are the negotiated settlement terms regarding customer service.

1. Call Center Performance (Joint Petition ¶ 9.D.1.).

In the Settlement, the Joint Petitioners agree that PWSA’s Call Center will use best efforts to meet its internal standards of an average answer time of one (1) minute and an abandonment rate of 3% or less for an average of all its customer queues each quarter. The quarterly calculations of the average answer time and abandonment rate will be separated by queue specific performance.

2. Customer Assistance Programs Eligibility Screening (Joint Petition ¶ 9.D.2.).

In the Settlement, the Joint Petitioners agree that PWSA shall develop and implement call scripting and checklists for its Customer Service Representatives (“CSRs”) so that CSRs are required to assist in screening customers for eligibility in its low-income assistance programs. Further, PWSA will screen all new and moving customers for income level and eligibility for assistance at the time their service is established according to the terms and conditions set forth in the Joint Petition.

3. Root Cause Analysis (Joint Petition ¶ 9.D.3.).

In the Settlement, the Joint Petitioners agree that PWSA shall update its “root cause” analysis to include evaluation of informal customer complaints submitted to the Commission’s Bureau of Consumer Services (“BCS”) as well as formal customer complaints filed with the Commission according to the terms and conditions set forth in the Joint Petition.

4. Convenience Fees Costs (Joint Petition ¶ 9.D.4).

In the Settlement, the Joint Petitioners agree that PWSA withdraws its proposal regarding the cost responsibility for convenience fees.

I&E did not submit testimony regarding PWSA's customer service programs. Nevertheless, I&E shares the concerns of the interested Joint Petitioners. Further, I&E played an active role in the settlement negotiations regarding these programs and monitored the proposals and counter proposals offered by the parties throughout this proceeding. Therefore, I&E does not oppose these settlement terms as a full and fair compromise that provides PWSA, the Joint Petitioners, and the Commission with regulatory certainty and resolution of the customer service issues raised by the interested parties, which is in the public interest.

E. Low Income Customer Assistance Programs (Joint Petition ¶¶ 9.E.1-5.).

The following are the negotiated settlement terms regarding the low-income customer assistance programs.

1. Cross Enrollments (Joint Petition ¶ 9.E.1.).

In the Settlement, the Joint Petitioners agree that, within thirty (30) days of the entry of an Order in this case, the PWSA's Cares Team will contact the City of Pittsburgh and the Allegheny Department of Human Services (Allegheny DHS) to identify potential mechanisms through which it can cross-enroll customers through other municipal offices serving the City of Pittsburgh or through coordination with programs or services administered by the Allegheny DHS. Further, PWSA will also solicit leads for contacts

from its Low-Income Assistance Advisory Committee (“LIAAC”) members and report the status of this process to LIAAC.

2. *Household Affordability Study (Joint Petition ¶ 9.E.2).*

In the Settlement, the Joint Petitioners agree that, within one year of the final order in this proceeding, PWSA will update its 2019 Household Affordability Study which will include, at minimum, the five (5) requirements set forth in the Joint Petition. Further, a preliminary draft will be shared with and discussed among the LIAAC members and PWSA will consider, in good faith, whether to incorporate any feedback provided as part of the final study. The final study will be provided to members of the LIAAC. Finally, PWSA will explain, if applicable, why any recommendations of LIAAC members were not incorporated into the final study.

3. *Bill Discount Program (Joint Petition ¶ 9.E.3).*

In the Settlement, the Joint Petitioners agree that PWSA will increase the current 50% volumetric discount for customers with annual income at or below 50% FPL to 60%. Also, PWSA will implement its proposal to expand the Bill Discount Program (“BDP”) maximum income eligibility from 150% to 200%. Further, PWSA agrees to withdraw its proposal to revise the current BDP structure effective January 1, 2025, in recognition of its agreement not to implement its proposed rate structure change to remove the minimum charge. And PWSA will provide a 50% reduction for BDP participants for the PennVest Charge.

Finally, regarding PWSA’s Arrearage Forgiveness Program (“AFP”); PWSA agrees to increase the current \$30 credit toward a participant’s arrears to \$40. Further, in

its next base rate case, PWSA will propose to implement a change to its AFP that would allow then existing and all future participants to receive arrearage forgiveness over no longer than a 36-month period and will not require AFP participants to make a co-payment towards the pre-program frozen arrears. Finally, all parties reserve their rights regarding any cost recovery proposal regarding the AFP.

4. *Hardship Fund (Joint Petition ¶ 9.E.4).*

In the Settlement, the Joint Petitioners agree that PWSA will implement its initial proposal to allocate two separate annual grants; one to be distributed to eligible water customers and one to be distributed to eligible wastewater customers. Further, the maximum Hardship Fund grant will be increased from \$300 to \$450. Finally, PWSA agrees to include an allocation in rates as necessary to continue to fund the Hardship Fund when current settlement funds are exhausted and to the extent employee and other volunteer donations are insufficient.

5. *Low-Income Assistance Advisory Committee (Joint Petition ¶ 9.E.5).*

In the Settlement, the Joint Petitioners agree that PWSA commits to leading a discussion of the LIAAC members regarding the following topics: (1) evaluation of the potential benefits of developing a program to provide no-cost stormwater mitigation measures for customers; (2) Consideration of how enhanced technology could increase the enrollment and retention of low-income customers in PWSA's low income customer assistance programs; and, (3) discussion of how or whether to encourage low-income tenants to transfer service into their own name. And, as part of its next base rate case,

PWSA will report on the results of its collaboration with LIAAC regarding the above topics and include any proposed recommendations resulting from the collaboration.

I&E did not submit testimony regarding PWSA's low-income customer assistance programs. Nevertheless, I&E shares the concerns of the interested Joint Petitioners. Further, I&E played an active role in the settlement negotiations regarding these programs and monitored the proposals and counter proposals offered by the parties throughout this proceeding. Therefore, I&E does not oppose these settlement term as a full and fair compromise that provides PWSA, the Joint Petitioners, and the Commission with regulatory certainty and resolution of the settled upon low-income customer assistance programs, which is in the public interest.

F. Engineering and Operating Issues (Joint Petition ¶ 9.F.1-6).

The following are the negotiated settlement terms regarding engineering and operating issues.

1. Customer Complaint Logs (Joint Petition ¶ 9.F.1).

In the Settlement, the Joint Petitioners agree that PWSA will maintain complete data regarding customer complaints, work order and service logs which can be made available via Excel in response to any discovery requests by the parties in, e.g., PWSA's next base rate case. If the data is requested as part of discovery, the parties agree to collaborate on an informal basis to ensure that it is provided in a mutually acceptable and reasonably sortable format.

2. High Pressures (Joint Petition ¶ 9.F.2.).

In the Settlement, the Joint Petitioners agree that PWSA will continue to capture pressure inquiries or complaints in its work order logs.

3. Isolation Valves (Joint Petition ¶ 9.F.3.).

In the Settlement, the Joint Petitioners agree that PWSA will continue its valve exercising program where all valves are inspected and exercised over a 5-year cycle. Further, starting by or before the fourth quarter of 2024, PWSA will use best-efforts to inspect and exercise critical valves over a 3-year cycle. Finally, PWSA shall maintain records of when each valve is exercised.

4. Meter Testing and Replacement (Joint Petition ¶ 9.F.4.).

In the Settlement, the Joint Petitioners agree that PWSA will use best efforts to test or replace 8,000 meters per calendar year after 2023 until all undocumented meters are either tested or replaced.

5. Flushing Distribution System (Joint Petition ¶ 9.F.5.).

In the Settlement, the Joint Petitioners agree that PWSA will continue to make an effort to identify, locate and track dead-end lines to make sure they have a blow-off or hydrant so they can be flushed.

6. Surface Restoration (Joint Petition ¶ 9.F.6.).

In the Settlement, the Joint Petitioners agree that PWSA will continue to coordinate with the City of Pittsburgh and other municipalities to replace water and sewer mains, as much as possible, just prior to repaving. And PWSA will continue to coordinate projects that are not part of an emergency, Department of Environmental

Protection or Environmental Protection Agency deadline with the City of Pittsburgh, the Department of Transportation and other public utilities.

I&E did not submit testimony regarding PWSA's engineering and operations issues raised by other parties. Nevertheless, I&E shares the concerns of the interested Joint Petitioners. When it comes to "safe and reliable service," safety and reliability issues are always a concern of I&E regarding every public utility operating in Pennsylvania. Further, I&E has raised concerns regarding restoration costs and scheduling in other public utility's base rate cases. Additionally, I&E played an active role in the settlement negotiations regarding these issues and monitored the proposals and counter proposals offered by the parties throughout this proceeding. Therefore, I&E supports these settlement terms as a full and fair compromise that provides PWSA, the Joint Petitioners, and the Commission with regulatory certainty and a path forward regarding the engineering and operations issues raised by the parties.

IV. ADDITIONAL TERMS AND CONDITIONS

25. I&E submits that the acceptance of this Settlement negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all parties agree benefits their discrete interests.

26. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, I&E, or any other Joint Petitioner.

27. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation if the Settlement is rejected by the Commission or otherwise properly withdrawn by any other parties to the Settlement.

28. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E does not waive its right to file Replies to Exceptions with respect to any modifications to the terms and conditions of the Settlement or any additional matters that may be proposed by the ALJ in his Recommended Decision. I&E also does not waive the right to file Replies in the event any party files Exceptions.

V. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

29. Finally, I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. The Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the

ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judge Gail M. Chiodo recommends, and the Commission approves, the terms and conditions contained in the Joint Petition for Settlement without modification.

Respectfully Submitted,



Scott B. Granger
Prosecutor
PA Attorney ID No. 63641

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Dated: October 30, 2023

Appendix J

To

**Joint Petition for
Settlement**

Docket Nos.

R-2023-3039919, et. al.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2023-3039920 (Water)
	:		R-2023-3039921 (Wastewater)
v.	:		R-2023-3039919 (Stormwater)
	:		
Pittsburgh Water and Sewer Authority	:		

OFFICE OF CONSUMER ADVOCATE
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I. INTRODUCTION

The Office of Consumer Advocate (OCA), a signatory party to the Joint Petition for Settlement (Settlement), finds the terms and conditions of the Settlement are in the public interest for the reasons set forth below. The OCA respectfully requests that the Pennsylvania Public Utility Commission (Commission) approve the Settlement, without modification, for the reasons set forth below.

A. BACKGROUND

The OCA evaluated PWSA's base rate case from the appropriate starting point, which is with the clear recognition that PWSA is a regulated monopoly utility in Pennsylvania. Customers within PWSA's service territory cannot simply shop for a better price if they are unable to afford PWSA's rates for water, wastewater, or stormwater service. While the distinction seems obvious at the outset, recognition that PWSA is a regulated monopoly is an important starting point for evaluation of the Settlement because while it is not part of the thousands of pages in PWSA's rate filings, the importance of this fact cannot be overstated. As filed, PWSA requested to implement three years of consecutive rate increases by way of a multi-year rate plan (MYRP) proposal which would have raised customers' rates by \$146.1 million over three years, two surcharges needed to support the MYRP, and to increase its water and wastewater distribution system charge caps (DSIC). This filing was unprecedented in scope and complexity.

The significance of PWSA's status as a monopoly increases exponentially when it is combined with the reality that PWSA provides life-sustaining utility service to so many Pennsylvanians. More specifically, PWSA estimates that it provides water service to a population of approximately 305,000, including 80,000 residential, commercial and industrial customers in various portions of Allegheny County, as well as wastewater conveyance service to approximately 113,000 customers in the City of Pittsburgh. PWSA Exh. CF-8 at 3; *PWSA Petition for*

Authorization to Increase Water and Wastewater DSIC Charge Caps to 7.5%, P-2023-3040734 and P-2023-3040735 (May 9, 2023) (DSIC Cap Petition) at ¶ 1; PWSA Hearing Exh. 1. Ensuring that PWSA ratepayers have access to safe and affordable service is not simply a goal, it is an imperative, as “water is essential to human life.” James H. Cawley & Norman J. Kennard, *A Guide to Utility Ratemaking* at 26 (Pa. PUC 2018).

PWSA became subject to regulation by the Pennsylvania Public Utility Commission on April 1, 2018, pursuant to Act 65 of 2017, 66 Pa. C.S. § 3201 *et seq.* Since PWSA became a jurisdictional utility, the OCA has been statutorily charged with the duty to represent the interests of consumers as a party, or otherwise participate in for the purpose of representing the interests of consumers, in any matter properly before the commission relating to an authority. 66 Pa. C.S. § 3206(a). Each of the OCA’s positions in this case were carefully designed to ensure that consumers have access to safe, affordable, and reliable essential utility service.

If approved as filed, PWSA rate proposals would have compromised customers’ access to safe, affordable, and reliable utility service. In its filing, PWSA proposed a MYRP that would have increased rates consecutively over three years, FY 2024, FY 2025 and FY 2026. PWSA’s MYRP was based on projected revenue requirements for each of the three years with increases of \$46.8 million (22.5%), \$45.4 million (17.8%), and \$53.9 million (17.9%), respectively. PWSA St. No. 2 at 44. The OCA opposed PWSA’s MYRP and its attendant and intertwined proposals to implement an Infrastructure Improvement Charge (IIC), a Customer Assistance Charge (CAC), and to increase its water and wastewater DSIC caps from 5.0% to 7.5%, as each proposal was interdependent on the others, and from the OCA’s perspective all were unsupported and unwarranted in their own right. OCA St. 2 at 3.

The OCA’s concerns regarding the accuracy of PWSA’s multi-year rate predictions were heightened in that since PWSA has become a regulated utility, it has significantly overprojected

its capital improvement budget from 2019-2022, with the most recent example being a \$48 million over projection for 2022, equating to 30% of the projected budget. OCA St. 2 at 17. To avoid setting three years of rates based on PWSA's historically inaccurate and now significantly more ambitious projections, and in recognition of the several statutory, regulatory, and practical deficiencies of PWSA's MYRP proposal, the OCA recommended that PWSA's rates be set solely based on the FPFTY ending December 31, 2024. OCA St. 2 at 18. Additionally, because each proposal was both unsupported in its own right and tied to PWSA's MYRP revenue requirements, the OCA's position was the attendant DSIC cap increases, IIC, and CAC surcharges should not be approved. *Id.* at 3. In sum, this Settlement adopts the OCA's position on these issues, and it provides for a justifiable revenue increase for the FPFTY. Additionally, the Settlement provides for critical enhancements in customer service, low-income programming, and quality of service to increase access to affordable, safe and reliable service. The Settlement achieves a fair resolution of the many complex issues presented in this proceeding while protecting customers from unjust and unreasonable rates.

B. PROCEDURAL HISTORY

The OCA incorporates the Procedural History set forth in Appendix A of the Joint Petition.

II. OVERALL REASONS IN SUPPORT OF SETTLEMENT

The terms and conditions of the Settlement satisfactorily address issues raised in the OCA's analysis of PWSA's water, wastewater and stormwater rate filings. The OCA presented the testimony of six expert witnesses.¹ *See* OCA Hearing Exhibit 1. The OCA submits that this

¹ Mr. Dante Mugrace is a Senior Consultant at PCMG and Associates LLC, a regulatory consulting group of experts in economics, accounting, finance, and utility regulation. Mr. Mugrace has 35 years of experience in all aspects of regulatory accounting and policy including processing, analyzing, and evaluating utility rate case petitions before Public Service Commissions. Mr. Mugrace has been involved in rate and related proceedings in Hawaii, Massachusetts, Pennsylvania, Georgia, Maine, Maryland, New Jersey, New York, North Dakota, Ohio, and Wyoming. A complete description of Mr. Mugrace's qualifications is provided in his Direct Testimony as OCA Statement 1, Appendix A.

Settlement, taken as a whole, is a reasonable compromise in consideration of likely litigation outcomes before the Commission. While the Settlement does not reach all the recommendations proposed by the OCA, the OCA recognizes that the Settlement is a product of compromise.

The balance of compromises struck by the settling parties was critical to achieving settlement. Accordingly, the OCA urges the Commission to consider the Settlement as a whole. The Settlement must be viewed in totality because it provides not only a reduction of PWSA's proposed rate increase for FY 2024, but it eliminates the increases proposed for 2025 and 2026. Beyond rate savings, the Settlement protects ratepayers from increases that would result from the implementation of unsupported surcharges, it caps PWSA's DSICs at existing levels, and it

Dr. Karl R. Pavlovic is the Managing Director of and a Senior Consultant with PCMG and Associates LLC. For over thirty-five years, he has performed analyses and submitted testimony regarding electric, gas and water utility operations, cost of service, rate design, and regulatory policy. OCA Statement 2, Exhibit KRP-1 contains a complete list of his engagements as an expert and/or expert witness in matters before state and federal regulatory agencies.

Mr. Jerome Mierzwa is a Principal of Exeter Associates, Inc., with over 30 years of public utility regulatory experience. At Exeter, Mr. Mierzwa has been involved in cost allocation analysis and rate design analysis, conducting management audits and similar investigations. Mr. Mierzwa has participated in developing utility class cost-of-service studies, has presented testimony sponsoring gas, water and wastewater utility cost-of-service studies, least cost gas procurement and incentive regulation, in addition to presenting testimony addressing utility rate base and revenues. Mr. Mierzwa's background and qualifications are set forth in OCA Statement 3, Exhibit JDM-1.

Mr. Roger D. Colton is a Principal of Fisher Sheehan & Colton, Public Finance and General Economics in Belmont, Massachusetts. He provides technical assistance to public utilities and primarily works on low income utility issues. Mr. Colton has devoted his professional career to helping public utilities, community-based organizations and state and local governments design, implement and evaluate energy assistance programs to help low income households better afford their home energy bills. He has been involved with the development of the vast majority of ratepayer-funded affordability programs in the nation. A more complete description of Mr. Colton's education and experience is provided in OCA Statement 4, Exhibit RDC-1.

Ms. Barbara R. Alexander is a Consumer Affairs Consultant who runs her own consulting practice, Barbara Alexander Consulting LLC. She received her Bachelor of Arts degree from the University of Michigan and her J.D. from the University Of Maine School Of Law. Ms. Alexander has appeared in over 30 U.S. and Canadian jurisdictions as an expert witness on behalf of state utility consumer advocates and non-profit organizations. Ms. Alexander's professional experiences and qualifications are attached as Exhibit BA-1 to OCA Statement 5.

Mr. Fought is a consulting engineer with more than forty years' experience as a civil engineer. Mr. Fought is a registered Professional Engineer in Pennsylvania, New Jersey and Virginia and is a Professional Land Surveyor in Pennsylvania. Mr. Fought has prepared studies related to, and designed, water supply, treatment, transmission, distribution and storage for private and municipal wastewater agencies. He has also served as a consultant to the OCA for numerous water and sewer matters since 1984. Mr. Fought's background and qualifications are attached to OCA Statement 6 as Exhibit TLF-Vita.

eliminates application of inappropriately proposed IIC and CAC surcharges. Of equal importance, the Settlement accomplishes all of these ends while also providing critical enhancements for customer service, customer education and outreach, low-income customer protections, and quality of service benefits. For these reasons, and those that are discussed in greater detail below, the OCA submits that the Settlement is in the public interest and the best interest of PWSA's ratepayers, and it should be approved by the Commission without modification.

III. REASONS FOR SUPPORT OF SPECIFIC ISSUES

A. Revenue Requirements, Rates and Charges (Settlement ¶ III.9.A)

1. Rates (Settlement ¶ III.9.A.1)

a. \$36 Million Increase in Base Rate Revenue for FY 2024

Under the Settlement, PWSA agreed to a total system revenue increase of \$35,997,325, exclusive of 5% water and wastewater distribution system improvement charges,² to become effective on February 15, 2024. No revenue increase was recognized for FY 2025 and FY 2026; accordingly, the Settlement does not adopt a MYRP for PWSA. Overall, the revenue increase will provide significant savings to ratepayers from the rates that PWSA proposes in its filings, which, if granted, would have awarded PWSA with three years with increases as follows: \$46.8 million (22.5%), \$45.4 million (17.8%), and \$53.9 million (17.9%), respectively or a total of \$110.1 million across the three years. PWSA St. No. 2, page 44, lines 8-9.

During the litigation phase of this case, after careful scrutiny and analysis of PWSA's rate filings, the OCA recommended an overall revenue requirement increase of no more than \$30,584,475. OCA St. 1 at 11. The OCA averred that its recommended revenue requirement would result in just and reasonable rates and would permit PWSA to meet its bond requirements while

² The OCA addresses the 5% DSIC cap below.

providing safe and effective service without overcharging consumers. In total, the OCA’s revenue recommendation was predicated upon numerous adjustments to PWSA’s proposed budgeted expenses. OCA St. 1 at 15. The adjustments were largely based on utilizing historic costs in reviewing the reasonableness of the PWSA’s projections for FY 2024 only, since PWSA did not meet its burden of proof for FY 2025 and FY 2026. In sum, the testimony presented by the OCA demonstrated that PWSA’s proposed fully projected future test year (FPFTY) revenue requirement should be adjusted downward by over \$16 million. OCA St. 1 at 11. After lengthy, continued, and zealous negotiations, the parties reached a Settlement on all issues, including the recommended annual increase in base rate revenue.

The table below provides a breakdown of the Settlement revenue as compared to PWSA’s filed rate requests:

Year	Revenue Requested	Settlement Revenue Excluding DSIC	% of Settlement Increase Excluding DSIC	Total Cost Savings Excluding DSIC
2024	\$46.8 million	\$35,997,325	77%	\$10.8 million
2025	\$45.4 million	\$0	\$0	\$45.4 million
2026	\$53.9 million	\$0	\$0	\$53.9 million
TOTAL	\$146.1 million	\$35,997,325	25%	\$110.1 million

As illustrated above, the Settlement provides a reduction of approximately \$10.8 million in PWSA’s requested revenue in FY 2024, exclusive of DSIC. Overall, the Settlement provides for a reduction of approximately \$110.1 million from PWSA’s as-filed requests because it provides no increase in base rate revenue for FY 2025 and FY 2026, which is approximately 75% less than PWSA’s original request when viewed in the context of the MYRP revenue requests. Settlement

¶ III.9.A.1.

The new rates to collect the settlement level of water, wastewater and stormwater revenues from each class are shown on Appendix B of the Joint Petition for Settlement. These rates are allocated to water, wastewater and the stormwater rate. Settlement, Appendix B. On a total bill basis, a typical residential water, wastewater conveyance and stormwater customer using 3,000 gallons of water per month will see the total bill (inclusive of the stormwater rate) increase of \$13.84 from \$86.43 to \$100.27, or 16%. Settlement, Appendix C. This is less than the Authority's original proposal, which would have resulted in a total bill increase of \$16.98 from \$86.43 to \$103.41 for FY 2024, or by 19.6%. PWSA St. 6 at 24. Additionally, none of the bill impacts proposed for FY 2025 and FY 2026 will materialize in this case since PWSA will not receive a revenue increase for either of those years under the Settlement. Additionally, PWSA has agreed to collect the water, wastewater conveyance and stormwater revenue by customer class as shown on Appendix B of the Joint Petition for Settlement. Settlement, Appendix B.

The OCA notes that the Settlement revenue allocation between classes represents a compromise among parties who offered various allocation proposals, including the OCA, OSBA, and I&E. As a threshold matter, the "fairness" of a utility rate is generally considered to mean that the rate bears a reasonable relationship to the utility's cost of serving the customer without exceeding the value of service to the customer. *See, e.g., Principles of Public Utility Rates*, James C. Bonbright (New York, N.Y. 1961) (1st Ed.) at 82-92; *The Process of Ratemaking*, Leonard Saul Goodman (Arlington, V.A. 1998), vol. II, at 893-95. The Settlement allocation meets this standard, and it was heavily vetted during the settlement discussions in this case. As a whole, the adopted revenue allocation is consistent with the overall recommendations of OCA witness Mierzwa's position in this case, notwithstanding issues with wholesale water revenue recovery and certain aspects of PWSA's customer charge which are individually addressed in other provisions of this settlement. OCA St. 3 at 3-4. Additionally, PWSA's proposal to recover the water, wastewater

conveyance, and stormwater revenue from each utility service by class is consistent with PWSA's as-filed proposal, which the OCA accepted as reasonable for this case. *Id.*

In general, the Settlement represents a "black box" approach to all individual revenue requirement issues. Black box settlements avoid the need for protracted disputes over the merits of individual revenue adjustments and avoid the need for a diverse group of stakeholders to attempt to reach a consensus on a variety of financial numbers. The OCA submits that it is unlikely that the parties would have been able to reach a consensus on each of the disputed accounting and ratemaking issues raised in this matter, as policy and legal positions can differ widely. As such, the parties have not specified a dollar amount for each issue or adjustment raised in this case. Attempting to reach an agreement regarding each adjustment in this proceeding would likely have prevented any settlement from being reached, but in totality, the Settlement revenue was in a range of reasonableness that did not significantly depart from OCA's litigation position in this case.

i. DSIC

Importantly, the Settlement reflects that both PWSA's water and wastewater DSICs will remain capped at 5% of its distribution rates, which will save PWSA's ratepayers approximately \$5 million for FY 2024. See PWSA St. No. 2-RJ, line 4. Retaining the 5% cap is consistent with the OCA's position that PWSA failed to support a basis for any increase beyond the existing 5% caps. By way of context, PWSA's current water and wastewater DSICs, which are set at 5%, were approved by the Commission as part of its 2020 rate proceedings. *Pa. PUC v. PWSA*, R-2020-3017957, R-2020-3017970, P-2020-3019019, Order (Dec. 3, 2020). PWSA began assessing a 5% DSIC to water and wastewater customers on January 14, 2021. *PWSA Petition for Approval of a Long-Term Infrastructure Improvement Plan for January 1, 2023 through December 31, 2027 (Water)*, Docket No. P-2022-3035953, p. 8 (October 6, 2022). Of special import here is the fact that PWSA's DSICs, as currently structured, already substantially benefit PWSA by waiving

multiple customer protection provisions of the DSIC statute in order to ensure that PWSA has immediate access to full 5% DSIC funding for water and for wastewater. To be sure, a significant advantage PWSA's DSIC provides to it is full instant recovery. OCA St. 2 at 27. Specifically, PWSA DSIC is implemented immediately at 5% on the effective date of new base rates and is not reset at zero at the end of a rate case thereby waiving the ramp-up requirement that would otherwise apply under the DSIC Statute. 66 Pa. C.S. § 1358(b), *Charge Reset*; OCA St. 4-R at 16. PWSA's DSIC also already affords it a waiver of the requirement that would otherwise be triggered by 66 Pa. C.S. § 1357, *Computation of Charge*, because it permitted PWSA to recover its investments in rates before they are ever placed into service instead of having to ensure that the property has been placed into service within the timeframe identified in 66 Pa. C.S. § 1357.

In this case, on the same date that PWSA filed its rate requests, the Authority also filed a Petition for Authorization to Increase Water and Wastewater DSIC Charge Caps to 7.5%. (DSIC Cap Petition). PWSA's DSIC Petition also asked the Commission to waive the provisions of Sections 1358(a) and 1358 (b) of the Code, as well as a significantly broad request for the Commission to "waive or suspend any other Section of the Public Utility Code determined to be necessary to implement this request." DSIC Cap Petition at 1; PWSA Hearing Exh. 1. Alongside its broadly requested waivers, PWSA proposed that the provisions governing its current DSIC, which permit PWSA to charge the DSIC on a levelized basis so that, on an annual basis, will continue so that it may collect recoverable costs for eligible plant additions that have been or are anticipated to be placed in service during the calendar year. *Id.* PWSA's limited support for its requests was mainly confined to claims that "modest" DSIC cap increases³ to 7.5% would permit PWSA to implement the DSIC eligible portion of its Capital Improvement Plan and will offset

³ PWSA projects a total spend of \$12.5 million over 3 years, with \$6.6 million for 2024, \$2.7 million for 2025, and \$3.2 million for 2026. PWSA St. No. 2 at 25.

inflation and deleverage its capital structure so that it is not so dependent on long-term debt. DSIC Cap Petition at 2; PWSA Hearing Exh. 1. PWSA estimated that if approved as filed, its DSIC increases would produce an additional \$12.5 million in funding to replace additional small diameter main per year, make up for the loss of purchasing power resulting from inflation over the past two years; and increase its level of internally generated funds in an effect to reduce its financial leverage. DSIC Cap Petition at ¶¶21-23; PWSA Hearing Exh. 1.

As a jurisdictional water and wastewater utility, PWSA is required to identify and support its claims that it is entitled to an increase in DSIC funding strictly on the basis that it must incur reasonable and prudent costs to repair, improve or replace eligible property in order to ensure and maintain adequate, efficient, safe, reliable and reasonable service. 66 Pa. C.S. § 1353(a). The DSIC is narrowly tailored to limit recovery to a defined purpose that does not include combatting inflation or debt reduction. PWSA's claims that additional DSIC funding would be financially expedient may be accurate, but financial expediency is irrelevant to whether PWSA is entitled to raise its DSIC caps to 7.5% because the General Assembly did not provide for the DSIC to be used for that purpose.

The record in this case from the Public Input Hearings also reflects that ratepayers want PWSA to be more accountable for infrastructure improvement spending. Specifically, PWSA customer Catherine Brosky testified during a public input hearing in this case and she asked where all of PWSA's infrastructure improvements were occurring. Tr. 347-350. Ms. Brosky also asked why there is no reporting on what percentage of the approved infrastructure budget has been spent this year and which projects have been complete. Finally, Ms. Brosky identified a need for the public to assess whether PWSA has responsibly managed infrastructure spending. Tr. 345-350. Permitting PWSA to institute a DSIC cap increase without any accountability to establish what will be improved, when it will be improved, or how much it will cost would certainly compound

the lack of infrastructure improvement accountability that Ms. Brosky identified in her testimony. Accordingly, the record in this case did not support any increase in PWSA's water and wastewater caps and the fact that both caps will remain at 5% is necessary to ensure that ratepayers are protected against unjust and unreasonable rates. The Settlement's elimination of the proposed increase to the DSIC is a benefit provided by the Settlement and in the public interest.

b. Amortization of Covid-19 Expenses (Settlement ¶ III.9.A.1.b)

As part of the Settlement, PWSA has agreed that it will amortize its \$263,215 COVID-19 expense claim over a two- year period, which is consistent with the recommendation of OCA witness Mugrace. More specifically, witness Mugrace disagreed with PWSA's as-filed proposal to recover the entirety of the \$263,215 claimed for COVID-19 expenses in a single year. OCA St. 1 at 47. Because COVID-19 expenses are not regularly occurring, and they should not be an ongoing part of PWSA's rates, PWSA's request to recover the full amount annually was not a reasonable approach. OCA St. 1-SR at 11-12. The OCA's position on amortization of a one-time, unusual expense that is unlikely to reoccur has been recognized by the Commission both in its 2018 utility ratemaking guide and through case precedent. James H. Cawley & Norman J. Kennard, *A Guide to Utility Ratemaking*, 86; *Pa. P.U.C. v. York Water Co.*, 78 PUR 3d.113, 132 (1968). (Pa. PUC 2018). During the litigation phase of this case, the OCA's recommended amortization of PWSA's claimed COVID-19 expenses reduced the amount in the FPPTY 2024 by \$131,608. OCA St. 1 at 47. Because the Settlement adopts the OCA's recommendation for PWSA to amortize its claimed COVID-19 expenses, and the amortization both reflects the exceptional nature of the expenses and it is consistent with Commission's guidance and precedent for such expenses, the amortization should be approved.

c. Wholesale Water Contracts ((Settlement ¶ III.9.A))

The Settlement commits PWSA to engage in good faith negotiations in its attempt to renegotiate its current wholesale water contracts upon each contact's eligibility for renegotiation. PWSA's agreement to this Settlement term is critical, as OCA witness Mierzwa explained, PWSA is a party to three wholesale contracts that obligate PWSA to terms that under-recover actual costs to provide wholesale service by approximately \$9 million in FY 2024 alone, and this shortfall is allocated to other customers. OCA St. 3 at 9. The contracts at issue⁴ are in place between PWSA and the following wholesale customers: Fox Chapel, Aspinwall, and Reserve Township. OCA St. 3, p. 10. The agreement with Fox Chapel was executed in 1995 and had an initial term of 30 years, but PWSA can now cancel with five years of prior notice. The agreement with Aspinwall was executed in 2009 and has an initial term of 30 years, but PWSA may cancel it upon one year of prior written notice. Finally, the agreement with Reserve Township was executed in 1993 and had an initial term of 20 years but it may be cancelled by PWSA with five years of prior notice. OCA St. 3-SR at 11-12.

Witness Mierzwa recommended that PWSA attempt to renegotiate those contracts as soon as it is possible, and he determined that at least one contract, currently in place with Aspinwall, could be renegotiated by 2025. *Id.* Now, by way of the Settlement, PWSA has committed to good faith renegotiation of each of the identified contracts upon eligibility. Settlement ¶ III.9.A.1.c. The OCA submits that PWSA's commitment to do this is necessary to ensure that the significant under-recovery of costs from wholesale customers at the expense of all other customers is abated as soon

⁴ The agreements between PWSA and each of the wholesale customers have been filed with the Commission Docket No. U-2020-3020772 in conformance with the March 26, 2020 Compliance Plan Stage 1 Order at Docket Nos. M-2018-2640802, M-2018-2640803.

as possible. Ensuring that customers are not forced to absorb the costs of PWSA’s legacy contracts in perpetuity is appropriate and the Settlement provision is in the public interest.

2. Base Rate Case Stay Out (Settlement ¶ III.9.A.2)

Absent the exigent circumstances noted in the Settlement, PWSA will not file for a general rate increase under Section 1308(d) of the Public Utility Code prior to January 1, 2025 for rate implementation in 2026. Settlement ¶ III.9.A.2. This stay out provision provides stability for PWSA’s charges and certainty to ratepayers who will experience rate continuity while the stay-out is in effect and while they transition to increased rates while ensuring rate stability. The OCA also avers that the base rate stay out is an important term because the evidentiary record demonstrates that PWSA may experience significant operational changes in 2025, including that it anticipates first-time ownership of the system assets it now operates as of January 2025 and that its Cooperation Agreement with the City of Pittsburgh may be amended or terminated after January 1, 2025. OCA St. 2 at 17. Because any rates proposed prior to 2025 could not capture the currently unidentifiable and unquantifiable rate consequences of these two potentially material changes, permitting PWSA to propose rates prior to 2025 would deprive the Commission of the information necessary to fulfill its duty of ensuring that PWSA’s rates were just and reasonable. Accordingly, the stay out provision of the Settlement is in the public interest and it should be approved.

3. Rate Design and Charges (Settlement ¶ III.9.A.3)

a. Minimum Charge (Settlement ¶ III.9.A.3.a)

An important component of the Settlement is PWSA’s commitment that, as part of its next base rate filing, PWSA will propose to remove the minimum allowance⁵ with the then-proposed

⁵ Throughout its filing, PWSA refers interchangeably to the minimum charge as the “minimum usage allowance” and the “minimum allowance” and OCA adopts those references for consistency here.

rate effective date. Additionally, PWSA will include both a customer bill impact analysis that illustrates the effect of the rate structure change on customer rates, and it will also include a customer cost analysis and rate proposals that fully eliminate the usage allowances. In order to ensure that PWSA has the capability to fulfill these obligations, the Authority has also committed to undertaking the software and billing system changes necessary to implement the rate structure change to remove the minimum allowance. Settlement ¶ III.9.A.3.a.

PWSA's minimum charge is a charge for which residential customers are billed for up to 1,000 gallons of water independent of any consumption. PWSA St. 7 at 28. The actual minimum charge varies by meter size, and PWSA claims that it is used to recover customer costs as well as some of the costs associated with providing capacity to meet customer demand. *Id.* After incurring the minimum charge, then for every full 1,000 gallons over the minimum, customers are assessed consumption charges. PWSA St. 6 at 25. Both water and wastewater customers are assessed the minimum charge. PWSA St. 7 at 28, 41. In this case, PWSA proposed to remove the minimum charge but not until the second year of its MYRP, 2025, and then only in conjunction with the grant of its IIC and CAC proposals, which it claimed were necessary to support the removal. *Id.* at 56.

Although the OCA agreed with PWSA's position to eliminate the minimum allowance from its fixed monthly customer charges because it is inequitable and it disincentivizes conservation efforts, the OCA disagreed that PWSA should condition the removal on approval of the MYRP and the IIC and CAC proposals. OCA St. 3 at 13. The minimum usage allowance is also inconsistent with Commission practice. As stated on page 151 of *A Guide to Utility Ratemaking*: "the Commission's policy is to require the installation of meters and set usage rates to encourage conservation." *A Guide to Utility Ratemaking* (citing 52 Pa. Code § 65.7 (Metered Service)); *see also* 52 Pa. Code § 65.20(6) (Water Conservation Measures). In this case, PWSA

proposed to eliminate the minimum allowance but not until 2025, making the elimination contingent upon approval of PWSA's MYRP. PWSA St. 2 at 50-51.

Significantly, the OCA also recognized that in each of PWSA's jurisdictional rate proceedings prior to this case, PWSA has agreed to develop a plan to remove the minimum allowances, but they still remain in place. *Id.* at 13-14. Most recently, in the Settlement of its 2021 base rate proceeding, PWSA committed to "provide a plan to transition away from the use of minimum usage allowance, with the first stage occurring in the next base rate proceeding." *Pa. PUC v. PWSA*, Docket Nos. R-2021-3024773 *et al.*, Settlement ¶ B(3)(a) (Sept. 7, 2021) (*PWSA 2021 Settlement*). As a part of that Settlement Agreement, PWSA also agreed to provide a customer cost analysis; consider the impact of the change on low-income customers and propose changes to the customer assistance program as appropriate; and to address the impact on residential customers in new construction townhomes with a meter larger than 5/8". *PWSA 2021 Settlement* ¶¶ B(3)(b)-(d). The instant case is the "very next proceeding" identified in PWSA's 2021 base rate case, and the OCA therefore recommended that irrespective of its recommendations that PWSA's MYRP, IIC and CAC proposals be rejected, PWSA should nevertheless be required to be required to make a tariff filing effective January 1, 2025 to implement removal of the minimum allowances in a revenue neutral manner. OCA St. 3 at 14.

Although the Settlement will not require PWSA to implement removal of the minimum allowance by January 1, 2025, it is a reasonable resolution because it prescribes a timing obligation, the proposed rate effective date of PWSA's next base rate case, for PWSA to propose removal. Additionally, PWSA can take steps now to ensure that its software and billing systems are not obstacles to removing the minimum charge so any such hurdles should not exist as a barrier to removal of the minimum charge. Finally, in its next base rate case, PWSA is obligated to provide a customer bill impact analysis that will enable the OCA, interested parties, and the Commission

to understand any customer rate effects that result from the removal. This information, alongside the customer cost analysis PWSA must also provide, will provide the OCA with information necessary to fully analyze the impact to customers, including the rate impact to low-income customers enrolled in PWSA's Bill Discount Program, and to make recommendations as may be necessary to protect customers from unwarranted costs or rates. Finally, the OCA submits that the elimination of the minimum usage allowance is in the public interest because it more fairly allocates the rates to those customers that use greater amounts. Additionally, it provides an important price signal to customers to incentivize conservation efforts, and for all of these reasons, the Settlement commitments should be approved.

b. PENNVEST Charge (Settlement ¶ III.9.A.3.b)

In the litigation phase of this case, PWSA proposed an IIC, which the OCA recommended be rejected; however, as part of the settlement, the parties have reached an agreement that PWSA should be permitted to implement a much more narrowly-tailored recovery mechanism, which is now identified as the PENNVEST Charge. Settlement ¶ III.9.A.3. The OCA submits that the PENNVEST Charge presents a reasonable resolution of PWSA and the OCA's litigation positions regarding the IIC, but there are several important caveats that have been reflected in the settlement and proposed tariff .OCA St. 2 at 28-32. The first of these caveats is that the OCA's support for PWSA's surcharge recovery of Pennsylvania Infrastructure Investment Authority (PENNVEST) debt service is within the limited and defined parameters of this Settlement, which provides guardrails on the timing of recovery to ensure that PWSA is not recovering debt service costs in both rates and via the PENNVEST charge, as well as other customer protections. The second caveat is that the OCA considered PWSA's status as a municipal authority of the second class that is subject to a cash flow ratemaking methodology, meaning that outside of grant funding, PWSA's operations are funded by ratepayer dollars with no shareholders to fund investments.

Implementation of Chapter 32 of the Public Utility Code Re Pittsburgh Water and Sewer Authority, M-2018-2640802 and M-2018-2640803, Final Implementation Order 27-28 (Order entered March 15, 2018). Finally, the record evidence in this case supports that PWSA has attained an unprecedented amount of PENNVEST funding with over \$610.8 million in low-interest loans and \$35.7 million in grants from PENNVEST in 2018, and it anticipates consistent future applications. PWSA St. 2 at 33. It is within the confines of PWSA’s unique circumstances that the OCA is willing to support the PENNVEST Charge.

Importantly, the PENNVEST Charge removes the defects embedded in PWSA’s IIC proposal. In its rate filing, PWSA structured the IIC to permit it to recover debt service on PENNVEST loans and loans authorized by Water Infrastructure Finance and Innovation Act (WIFIA). PWSA St. No. 1 at 14. According to PWSA, the IIC would “expedite” its ability to obtain additional low-cost funding through PENNVEST and WIFIA by having a revenue source to ensure the required debt covenants and additional bonds test can be met and to make additional funds available to pay annual debt service. *Id.* at 15. PWSA also alleged that the IIC would provide transparency of cost recovery because customers will pay only the actual incurred costs, and the cost of rate case litigation will be avoided. PWSA St. No. 6 at 30. PWSA also indicated that the IIC is intended to support its proposed removal of the minimum allowance as part of a rate structure change, and that implementation of the IIC, along with the CAC, would also support PWSA’s MYRP. PWSA St. No. 2 at 50. To support the IIC, PWSA points to the Commission’s Policy Statement that authorizes water and wastewater utilities to recover PENNVEST principal and interest obligations through an automatic adjustment clause. PWSA St. No. 2 at 47-48, citing to 52 Pa. Code §69.363 (PENNVEST Policy Statement).

The Policy Statement PWSA references, 52 Pa. Code §69.363, *Treatment of PENNVEST obligations* (PENNVEST Policy Statement), provides, *inter alia*, as follows:

Water and wastewater companies with outstanding PENNVEST obligations that have not been reflected in rates or future PENNVEST obligations, may establish under 66 Pa. C.S. § 1307(a) (relating to sliding scale of rates; adjustments) an automatic adjustment by means of a sliding scale of rates or other method limited solely to recovery of the company's PENNVEST principal and interest obligations. 52 Pa. Code §69.363 (a).

Outside of limiting the scope of applicability to water and wastewater utilities, the PENNVEST Policy Statement imposes defined requirements. More specifically, the PENNVEST Policy Statement also indicates that utilities are encouraged to notify customers of a request for a PENNVEST increase by bill insert to begin no less than 60 days prior to the effective date. 52 Pa. Code § 69.363(c). Additionally, rate recovery under 66 Pa. C.S. § 1307(a) would only be permitted after receipt of the applicable DEP inspection and final PENNVEST amortization schedule. 52 Pa. Code § 69.363(d). Finally, PENNVEST obligations should be listed on customers' bills as a separate line item, and any complaints arising under the adjustment clause are to be referred to the Commission's Office of Administrative Law Judge for a hearing and adjudication. 52 Pa. Code § 69.363(e)-(f). As indicated above, the Commission's PENNVEST Policy Statement does not provide for WIFIA recovery and therefore does not establish any WIFIA-based conditions precedent to recovery. OCA St. 2SR at 18.

As noted in the testimony of OCA witness Dr. Pavlovic, PWSA failed to demonstrate that the IIC is consistent with the PENNVEST Policy Statement. OCA St. 2 at 32. More specifically, Dr. Pavlovic recognized that despite its claims that the IIC would promote transparency, PWSA did not initially propose to separately identify the rates on customers' bills. OCA St. 2 at 31. The OCA also noted that the PENNVEST Policy Statement clearly indicates that complaints arising under the adjustment clause are to be referred to the Commission's Office of Administrative Law Judge for a hearing and adjudication, and absent clear delineation of charges on customers' bills, it is unclear how any customers could be availed of the opportunity to file a complaint. *Id.* Finally,

as indicated above, the Commission's PENNVEST Policy Statement does not provide for WIFIA recovery and therefore does not establish any WIFIA-based conditions precedent to recovery. OCA St. 4R at 18.

Aside from lack of conformity with the PENNVEST Policy Statement, OCA witness Dr. Pavlovic explained that the Commission has primarily limited any surcharge for PENNVEST recovery to smaller water and wastewater companies. OCA St. 2 at 30. Establishment of surcharges hinged primarily on the utility's small size and its demonstrated inability to meet its loan obligations. *See Pa. PUC v. Shickshinny Water Company*, 67 Pa. PUC 3, 6, 12-13 (1988); *Pa. PUC v. Lemont Water Company*, Docket No. R-912114, p. 7, 34, Order issued on June 24, 1992. In this case, applying the traditionally recognized standards of size and inability to repay to PWSA produces the undeniable conclusion that PWSA is neither small nor payment troubled. In total, the OCA could not support the IIC.

Through continued negotiations and in recognition of the unique circumstances of PWSA explained above, and with the safeguards imposed in the Settlement, the OCA has accepted the PENNVEST Charge as a reasonable and narrowly-tailored mechanism for PWSA's recovery of debt service costs of PENNVEST loans within the confines of the Settlement. First, PWSA may seek recovery of debt service costs of PENNVEST loans no earlier than January 1, 2025. Settlement ¶ III.9.A.3.b.ii. The OCA submits that prescribed timing limitation is important to ensure that PWSA does not "double-recover" debt service costs already embedded in its 2024 revenue requirement level, as the IIC was not proposed to become effective until January 1, 2025. PWSA St. No. 6 at 56. Moreover, PWSA has withdrawn its request to recover WIFIA costs through a surcharge, which is consistent with the OCA's position that there is no authorization or guidance that permits such recovery by surcharge. OCA St. 2SR at 18. Additionally, PWSA will now honor the PENNVEST Policy Statement's guardrails of (1) providing the notice of its intent to recover

qualified PENNVEST loans; (2) and it will display the PENNVEST Charge as a separate line item on customer bills. These protections are important because as the OCA established in this case, true transparency requires that ratepayers' bills clearly delineate the basis for charges. Additionally, and in order for customers to avail themselves of the ability to file a complaint and seek a hearing with the Commission's Office of Administrative Law for a hearing and adjudication. 52 Pa. Code § 69.363(e)-(f); OCA St. 2 at 31.

Furthermore, the Settlement will benefit ratepayers by ensuring that PWSA's recovery of PENNVEST loans is limited in scope to preclude unwarranted recovery. Specifically, the Settlement indicates that PENNVEST loans eligible for the charge will not include grants, and the OCA submits that this distinction ensures that PENNVEST awards without any debt service component cannot be recovered through the PENNVEST charge.

Additionally, PWSA may not use the PENNVEST Charge to seek recovery of PENNVEST loan obligations for loans that are closed before January 1, 2025. Settlement ¶ III.9.A.3.b.ii.b. As explained above, this limitation will ensure that PWSA has not already embedded existing PENNVEST debt service recovery in its base rates while it is simultaneously recovering them in the PENNVEST Charge. Finally, the Settlement prohibits PWSA from including debt service on any PENNVEST loan in the PENNVEST charge until the plant financed is used and useful. *Id.* The OCA submits that conditioning debt service recovery upon financed plant being used and useful is an important ratepayer protection because it will ensure that PWSA is accountable for completion of projects that benefit ratepayers before ratepayers must begin paying the associated debt service costs. For these reasons, the OCA supports the PENNVEST Charge provision of the Settlement.

Significantly, the PENNVEST Charge will be limited in scope to recover the debt service associated with PENNVEST loans in accordance 52 Pa Code §§69.361 – 69.364 but the rate will

be set at \$0.00 effective February 14, 2024. Additionally, the PENNVEST Charge may not be used to seek recovery of any debt costs of PENNVEST loans earlier than January 1, 2025.

c. Withdrawal of Customer Assistance Charge (CAC)
(Settlement ¶ III.9.A.3.c)

As part of the Settlement, PWSA has withdrawn its request to implement the CAC, and the withdrawal is consistent with the OCA's recommendation that the CAC should not be approved. By way of context, PWSA proposed the CAC because it claimed that the administration of customer assistance programs has become increasingly expensive. The CAC was structured to recover 1) the discounts provided to customers pursuant to the Bill Discount Program, 2) the operating costs for the PGH2O Cares team, 3) the costs of PWSA's Hardship Fund, and 4) past due arrearages forgiven pursuant to PWSA's Arrearage Forgiveness Program. PWSA also claimed that alongside its proposal for an Infrastructure Improvement Charge, the CAC would support PWSA's MYRP and save ratepayers the time and expense associated with rate case proceedings. PWSA St. No. 2 at 50-51. The OCA fundamentally rejected the notion that PWSA should be permitted to implement a surcharge to avoid rate cases for several years. OCA St. 2 at 33. In OCA's view, PWSA's reliance upon a surcharge to implement the MYRP exemplified the circular logic behind PWSA's proposals in that each was interdependent on the other in PWSA's plan to avoid rate cases for three years. *Id.*

From a regulatory standpoint, OCA witness Dr. Pavlovic explained that PWSA's CAC operated as an inappropriate cost tracker because PWSA's customer assistance costs are not (1) largely outside of its control; (2) unpredictable and volatile and (3) substantial and recurring. OCA St. 2 at 34. Additionally, Dr. Pavlovic explained that approval of the CAC would weaken PWSA's incentive to control costs, and PWSA made no showing of any exceptional circumstances that would somehow justify approval of the CAC. *Id.* at 35. Finally, from a precedential standpoint,

the Commission has recently and explicitly indicated that it views reconcilable riders as exceptional and has traditionally limited them to circumstances where they are either legislatively mandated or when directed by the Commission. *Pennsylvania Public Utility Commission v. Aqua Pennsylvania, Inc.*, Final Order entered May 16, 2022 at Docket Nos. R-2021-3027385 and R-2021-3027286 at 314. Neither of the two criteria identified by the Commission are operative here, and the OCA submits that PWSA’s withdrawal of the CAC is an essential term of the Settlement. Settlement ¶ III.9.A.3.c.

d. Readiness-to-Serve Component (Settlement ¶ III.9.A.3.d.)

As a condition of the Settlement, PWSA has agreed to remove the readiness-to serve (RTS) component from its monthly water and wastewater conveyance customer charges in the next rate case. Removal of the RTS component of customer charges was recommended by the OCA to protect customers from unwarranted fixed charges. OCA St. 3 at 4. For context, while not defined by PWSA, a RTS component relates to charges that seek to capture a utility’s cost of having a system in place to provide water to a customer “regardless of whether the customer consumes any water in a given service period.” OCA St. 3 at 14-15, citing AWWA M1 Manual at 97. In this case, PWSA’s water cost of service study reflected an allocation of debt service costs in the RTS component built into PWSA’s customer charges. OCA St. 3 at 15.

The OCA contested inclusion of the debt service costs, and it also noted that there is no basis for such allocation and no Pennsylvania precedent for the inclusion of RTS component in customer charges aside from PWSA’s prior rate proceedings. OCA St. 3-SR at 7. Additionally, OCA witness Mierzwa testified that PWSA’s RTS component, which functions as recovery of revenue through fixed charges, is inconsistent with the pricing policy for a regulated public utility. Specifically, the pricing policy of a regulated utility in “should reflect that of competitive markets since the fundamental goal of regulatory policy is that regulation should serve as a surrogate for

competition to the maximum extent possible.” OCA St. 3-SR, citing James C. Bonbright, *et al.*, *Principles of Public Utility Rates*, p. 141 (Second Edition, 1988).

Although PWSA disagreed with the OCA’s position, as a condition of the Settlement, it agreed that it will remove the RTS component from its proposed customer charges in its next base rate case. Settlement ¶ III.9.A.3.d. Importantly, because removal of the RTS component may otherwise adversely impact low-income customers, PWSA has also agreed that alongside the removal of the RTS, it will also propose a Bill Discount Program (BDP) structure that ensures the BDP customers receive at least the same discount on a total bill basis they are currently receiving under the rate design implemented in the Settlement. Settlement ¶ III.9.E.3.d. In totality, these commitments this will ensure that PWSA eliminates the RTS component within the defined parameter of its next base rate case and the terms put PWSA on notice to now take any steps necessary to facilitate the removal so that it can be done as efficiently and cost-effectively as possible without having an undue impact upon Bill Discount customers. Accordingly, the OCA supports these terms as in the public interest.

B. Third Party Collection Agency (Settlement ¶ III.9.B)

During the pendency of this case, PWSA issued an RFP for a third-party debt collector for certain of its unpaid receivables. PWSA St. 6R at 19. While the OCA opposed PWSA’s decision to hire a third-party debt collection agency in this proceeding, the fact that the Settlement includes guardrails intended to protect consumers from unscrupulous collection practices is of significant import. In this case, OCA witness Alexander testified that PWSA should not be permitted to hire a third-party debt collection agency unless it could demonstrate that (1) doing so would be cost effective compared to internal debt collection and lien authority; and (2) that doing so would ensure a reduction in collection costs or efficiency. OCA St. 5SR at 2. While PWSA indicated that its selected debt collection contractor would focus on unpaid debt from individuals or businesses that

are not customers or applicants subject to the regular rights and responsibilities associated with Chapter 56 of the Commission's regulations, the OCA had significant concerns that the scope of the collection agreement could be overly broad in way that could leave certain customers, include applicants, from protections. OCA St. SR5 at 9-11. Additionally, PWSA is under no obligation or order compelling it to engage a collection agency and no metrics support any anticipated collection benefits. *Id.* at 9-10.

While the Settlement does not prevent PWSA from hiring a collection agency, it will require PWSA to make efforts to protect customers and applicants and to track data necessary to gauge the customer impact. Settlement ¶ III.9.B.1.b. Specifically, as part of this Settlement, the parties have agreed that PWSA will include in its training of any third party collection agency with which it enters into a debt collection services contract the requirement to warm transfer to PWSA any individuals seeking to re-establish service with PWSA so that such arrangements can be made with PWSA directly. Settlement ¶ III.9.B.1. Additionally, any third party collection agency retained by PWSA will be trained to affirmatively ask whether an individual wishes to seek service restoration. Settlement ¶ III.9.B.1.a. Finally, if PWSA enters into a contract, PWSA will track and report in the next rate case the data from the collection agency, including how many warm transfers were made and what happened with those customers. Settlement ¶ III.9.B.1.b. From the OCA's perspective, these Settlement measures are floor-level steps necessary to ensure that PWSA customers and applicants are not deprived of the important protections afforded under the Commission's regulations.

C. Stormwater (Settlement ¶ III.9.C)

1. Stormwater Credit Program (Settlement ¶ III.9.C.1.)

The Settlement provides that within 60 days of approval of a final order in this case, parties will contact PWSA to set up a collaborative meeting for purposes of identifying ways that customers can reduce impervious areas or implement stormwater controls on property. Settlement ¶ III.9.A.3.C.1.a. PWSA has committed to assisting parties involved in the collaborative in identifying potential funding opportunities and to use best efforts to secure any opportunities available. Settlement ¶ III.9.C.1.a.ii. Additionally, parties of the collaborative are not precluded from discussing alternative methods of calculating a stormwater fee outside of impervious surface for future rate filings. Settlement ¶ III.9.C.1.a.iii. Although the stormwater policy and credit issues implicated in this Settlement provision were raised primarily by River Development Corporation⁶ and by Pittsburgh School District in this case, the OCA was involved in the vetting of these terms. However, the OCA fully supports all customers' ability to access affordable stormwater service in PWSA's service territory, and to that end, the OCA certainly supports PWSA's commitment to assist parties in identifying credit and funding opportunities to mitigate costs. Accordingly, the OCA supports the stormwater credit program terms of the Settlement.

2. Education and Outreach (Settlement ¶ III.9.C.2)

Pursuant to the Settlement, PWSA has agreed to develop an outreach and education plan related to available assistance and mitigation measures connected to its stormwater fee. Settlement ¶ III.9.C.2.a. The plan will include training and call scripting for PWSA's customer service representatives so that they will be prepared to initiate discussions with customers to (1) determine

⁶ River Development Corporation intervened in this case and its counsel conducted cross-examination during each of the public input hearings in this case; however, River Development Corporation did not move for the admission of any testimony nor participate in the evidentiary hearing held on October 4, 2023.

the customers' interest in adopting stormwater mitigation; (2) discuss the benefits and credit opportunities for stormwater mitigation; and (3) determine whether customers are enrolled in or eligible for the Bill Discount Program to maximize stormwater discount opportunities. Settlement ¶ III.9.C.2.a. In addition to the customer-focused provisions of these terms, PWSA will also work with its Low-Income Assistance Advisory Committee (LIAAC) to craft a community engagement plan for enhanced stormwater education and outreach. PWSA's education and outreach plan will incorporate feedback from PWSA's previous stormwater strategic plan outreach and it will continue until the implementation of rates in PWSA's next base rate case, with an option for continuation beyond that timing by agreement of the Parties in this case. Settlement ¶ III.9.C.2.b.

The OCA supports PWSA's commitment to expand its outreach and education efforts because the record in this case supports the need for the expansion. Specifically, as OCA witness Colton explained in his Direct Testimony, the importance of grassroots outreach was emphasized during the public input hearings in this case. OCA St. 4 at 86. By way of example, Leslie Centola testified on behalf of Upstream Pittsburgh, a local nonprofit focused on clean water, stormwater management, and climate justice. She noted the potential benefits of having specific PWSA "community outreach staff." Tr. 211 – 212. Additionally, PWSA customer and non-profit leader of a non-profit organization called the Mon Water Project, Anne Quinn testified regarding concerns about the pending environmental consent decrees, including the EPA/DEP Wet Weather Consent Decree, in that they will provide significant, but not yet identifiable impacts upon PWSA's ratepayers. In recognition of the pending impact, Ms. Quinn testified that, despite being a designated stormwater partner organization of PWSA who assisted PWSA in doing a public service discussion around stormwater fees, she was not timely informed of the public input hearings in this case. Ms. Quinn testified that she hoped that the "PUC holds PWSA accountable for the future outreach to its regular and everyday residents. . . ." Tr. 420-428. The OCA recognizes

Ms. Quinn’s well-founded concerns and avers that PWSA’s commitments for enhanced stormwater education and outreach is a necessary step in improving customers understanding of stormwater assistance and mitigation opportunities. Ensuring that customers understand the basis of their stormwater charges and opportunities to mitigate costs through this education and outreach provision of the settlement is in the public interest.

3. Arrangements Applicable to the Pittsburgh School District (Settlement ¶ III.9.C.3.)

As part of the Settlement, PWSA and the Pittsburgh School District (PSD) developed a framework comprised of agreed-upon steps that PWSA would undertake to assist PSD in both identifying and maximizing its opportunities for stormwater mitigation and for financial assistance in the form of grants and other funding. Settlement ¶III.9.C.3. The Settlement also provides for additional measures to assist PSD in navigating stormwater management challenges, including a process whereby PWSA and PSD agree to mutually identify a point of contact for issues related to PSD’s stormwater management activities and application of a 5% stormwater credit from January 12, 2022 to be applied to PSD’s first four stormwater bills issued within the month after the effective date of rates approved in this case. Settlement ¶III.9.C.3.i. The OCA was involved in the vetting of these terms and does not oppose them as they are necessary for a collective resolution of this case.

D. Customer Service (Settlement ¶III.9.D)

PWSA has agreed to several customer service and quality of service improvements recommended by the OCA that will either directly improve PWSA’s operations and service or facilitate the evaluation of its practices and service. The following recommendations have been agreed to by PWSA as part of this Settlement:

1. Call Center Performance (Settlement ¶III.9.D.1)

a. Customer Service/Call Center Performance Metrics

OCA witness, Barbara Alexander, recommended that PWSA's Call Center should meet its internal standards of an average answer time of 1 minute and an abandonment rate of 3% or less for all its customer queues each quarter. OCA St. 5 at 12. Ms. Alexander's recommendation was a reflection of the performance PWSA has provided. In order to assess PWSA's Call Center/Customer Service performance, Ms. Alexander applied PWSA's own internal performance objectives to the results and PWSA has not met them. *Id.* at 8. OCA witness Alexander opined that under PWSA's approach, calls for some customers were handled at a lesser quality of service than calls from other customers on different topics, making call quality contingent on the purpose of the call. OCA St. 5SR at 5. The OCA's position was that all calls deserve the same level of performance. In her testimony, Ms. Alexander emphasized, "I documented that PWSA has routinely not complied with its own internal performance standards and has performed poorly in several areas compared to other Pennsylvania utilities in my Direct Testimony." OCA St. 5 SR at 4. Ms. Alexander points out that PWSA has a history of up and down performance at its call center. OCA St 5 SR at 4. According to Ms. Alexander, PWSA relies on a customer call center as the main method by which customers can communicate individually with PWSA. While PWSA has one office in downtown Pittsburgh, that office is not intended to provide a widely accessible means of allowing its approximately 110,000 customers to report an outage, talk about their bill, file a complaint, ask for a payment plan, or respond to a termination notice. OCA St. 5 at 9. PWSA tracks the standard performance metrics for a large call center, including the average speed of answering a call that is transferred to a live customer service representative and the abandonment rate, the percentage of calls in which customers hang up or abandon their call due to a long wait time. *Id.* at 11. PWSA's call center did not meet its internal target goals of 1

minute average speed of answer and 3% abandonment rate from August 2022 through February 2023. *Id.* at 12. Ms. Alexander recommended that PWSA commit to continue meeting its internal goals of an average speed of answer of less than one (1) minute and abandonment rate of less than 3% with the resumption of more traditional termination policies and resulting higher call volume. *Id.* at 13.

The Commission publishes annual reports on customer service performance for the call center, meter reading, billing timeliness, customer satisfaction survey responses, and response to customer disputes. These reports compare the performance of Pennsylvania's largest electric and natural gas distribution companies but do not include performance for water and sewer utilities. Ms. Alexander reviewed PWSA's historical and recent results via discovery in this proceeding, including PWSA's Quarterly Compliance Plan Reports. In addition, the Commission publishes a quarterly UCARE report (Utility Customer Activities Report and Evaluation) that presents data on complaints and payment arrangements handled by the Commission's Bureau of Consumer Services for electric, natural gas, and water and sewer utilities, including PWSA. The most recent reports reflect four quarters of 2022 activities and the First Quarter of 2023.

OCA witness Alexander noted that "a pattern has arisen indicating that handling customer calls during months in which credit and collection and disconnections occur is below average but that the call center performs adequately during the disconnection moratorium periods." OCA St. 5 at 6. The most recent monthly data from August 2022 through March 2023 shows that the percent of calls answered within 30 seconds significantly improved to over 80% but the call abandonment rate remained high in the fall period (9.7% in September, 10.6% in October). *Id.* Ms. Alexander testified that this pattern is not acceptable because customers who are being threatened with disconnection and failed payment plans need access to PWSA with a reasonable level of call center performance. *Id.* at 6-7.

Consequently, as part of this Settlement, PWSA has agreed to improve its customer service performance metrics. Settlement ¶III.9.D.1.a. Specifically, the parties have agreed that PWSA's Call Center will use best efforts to meet its internal standards of an average answer time of 1 minute and an abandonment rate of 3% or less for an average of all its customer queues each quarter. The quarterly calculations of the average answer time and abandonment rate will be separated by queue specific performance. Separation by queue will address Ms. Alexander's concern that grouping together the call statistics was masking the problems with identifying the types of calls. OCA St. 5SR at 6-7. The OCA supports these commitments as necessary to ensure that PWSA is responsive to ratepayers in a timely manner and that it remediates barriers to that responsiveness. The reports will also allow the OCA to review in the future the Authority's performance.

2. Screening for Eligibility for Customer Assistance Programs (Settlement ¶III.9.D.2.)

As a result of this Settlement, PWSA shall develop and implement call scripting and checklists for its Customer Service Representatives (CSRs) so that CSRs are required to assist in screening customers for eligibility in its low income assistance programs. Settlement ¶III.9.D.2.a. In addition, PWSA will screen all new and moving customers for income level and eligibility for assistance at the time their service is established. Settlement ¶III.9.D.2.b. If a customer indicates through the improved screening process that PWSA will now adopt, a customer indicates that they may reasonably have low income status, the customer will be provided a warm referral to the PGH2O Cares team so that they can learn about and enroll in PWSA's low income customer assistance programs as eligible. Settlement ¶III.9.D.2.b.

Pittsburgh United witness Geller raised specific concerns about PWSA's lack of CSR scripting to assist in screening customers for eligibility to help systematize PWSA's enrollment efforts for the customer assistance programs. Pittsburgh United St. 1 at 28. By way of the

Settlement, PWSA has adopted witness Geller's recommendation to improve enrollment. The OCA supports that outcome, and it notes that these combined commitments are also important steps towards addressing OCA witness Colton's concern that PWSA should be doing more to identify eligible customers and ensure that those customers are promptly enrolled in qualifying customer assistance programs. OCA St. 4 at 21. While the OCA avers that use of additional technology, including geo-targeted outreach, should also be explored, PWSA's commitment to adopt an important new CSR screening process should enable PWSA to improve enrollment. *See* OCA St. 4 at 21-23. Overall, the OCA is satisfied with this result, as it reflects PWSA's commitment to improving customers' knowledge of available assistance programs which will better enable vulnerable customers to have access to service.

3. Root Cause Analysis (Settlement ¶III.9.D.3)

PWSA's root cause complaint analysis focused on disputes defined as customer contacts directly with PWSA in which the customer was dissatisfied with the initial response at first contact. OCA St. 5SR at 6. However, PWSA failed to conduct a root cause analysis pursuant to the terms of its 2021 base rate case settlement. *Pennsylvania Public Utility Commission v. Pittsburgh Water and Sewer Authority*, Docket Nos. R-2021-3024773 (*water*), R-2021-3024774 (*wastewater*), and R-2021-3024779 (*stormwater*), *Joint Petition for Settlement* at p. 18 Section III.9, E.8(c.) (2021 Settlement). The exact language of the commitment in the settlement states, "PWSA will undertake a root cause analysis of informal and formal complaints and identify and adopt reforms to reduce formal complaints, verified complaints and justified complaints." *Id*; OCA St. 5SR at 6. However, in this case, OCA witness Alexander identified that PWSA's root cause report did not discuss any complaints except "disputes" and does not identify or discuss the pattern of informal complaints submitted to BCS or any formal complaints submitted to the Commission. OCA St. 5 at 15-16.

PWSA's "root cause" analysis of customer complaints failed to meet the requirements of its prior commitment due to the failure to include informal and formal BCS complaints. *Id.* OCA witness Alexander recommended that PWSA should be required to conduct the required complaint analysis at no additional cost to customers or ratepayers and report the results within 6 months. Ms. Alexander noted that PWSA's "root cause" analysis of customer complaints failed to meet the requirements of its prior commitment due to the failure to include informal and formal BCS complaints. OCA St. 5 SR at 2. Specifically, PWSA failed to conduct a root cause analysis pursuant to the language of the previous stipulation. OCA St. 5 SR at 6. The exact language of the commitment in the settlement states, "PWSA will undertake a root cause analysis of informal and formal complaints and identify and adopt reforms to reduce formal complaints, verified complaints and justified complaints." *Id.*; *2021 Rate Case Settlement*. However, PWSA's root cause report did not discuss any complaints except "disputes" and did not identify or discuss the pattern of informal complaints submitted to BCS or any formal complaints submitted to the Commission. *Id.* As such, OCA witness Alexander recommended PWSA should be required to conduct the required complaint analysis at no additional cost to customers or ratepayers and report the results within 6 months. OCA St. 5 at 8; OCA St. 5 SR at 2. OCA witness Alexander also recommended that PWSA should undertake a root cause analysis of informal and formal complaints and adopt reforms to reduce formal complaints, verified complaints and justified complaints. *Id.* at 17. Also, in response to recurring formal complaints about high "catch-up" bills where meters were not working properly or regularly read for an actual meter reading, Ms. Alexander recommended that PWSA should evaluate its collection policies about seeking payment of back bills, identify and adopt reforms in an effort to reduce complaints related to these issues, and provide the results of the analysis and reforms adopted. Root Cause Analysis. OCA St. 5 at 13-15.

Consequently, as part of this Settlement, PWSA has agreed to update its “root cause” analysis to include evaluation of informal customer complaints submitted to the Commission’s Bureau of Consumer Services (“BCS”) as well as formal customer complaints filed with the Commission. More specifically, the parties have agreed that PWSA’s evaluation will include the following:

- Any trends or patterns regarding the informal and formal complaints;
- Any trends or patterns with respect to BCS’ informally verified infractions.
- The analysis shall be completed using internal staff resources.
- The results shall be reported either within one year of a Final Order in this proceeding or as part of its next base rate filing, whichever is earlier. The results will include a description of any reforms PWSA plans to adopt.

These Settlement terms will require PWSA to maintain the same level of call quality regardless of the purposes of the call, eliminating the link that previously existed and made call quality contingent on the purpose of the call.

4. Convenience Fees Withdrawn (Settlement ¶III.9.D.4)

As an integral part of this Settlement, PWSA has agreed to withdraw its proposal to impose a transaction fee for payment by credit and/or debit cards by residential customers. the cost responsibility for convenience fees. Settlement ¶III.9.D.4. The OCA supports this result, as the OCA recommended that any proposed convenience fee should be rejected for, among other reasons, that PWSA presented no indication that costs associated with eliminating credit/debit card fees has increased since its 2021 base rate case when it agreed to eliminate the fee, and that evidence supports a determination that imposing the fee would adversely impact customers who are facing termination of service. OCA St. 5 at 18-19. Because the Settlement protects vulnerable customers from having to pay a fee to be able to pay their bill, mitigating at least one barrier to service access, the OCA fully supports this term.

E. Low Income Customer Assistance Programs (Settlement ¶III.9.E)

As a critical part of the Settlement, PWSA has agreed to several recommendations regarding improvements to its low-income customer service programs. The OCA's review of PWSA's enrollment of its low-income customers in its Bill Discount Program (BDP) and/or Arrearage Forgiveness Program (AFP) was an essential component of this rate case. During the litigation phase of this case, OCA witness Colton testified that PWSA's failure to take reasonable actions to identify low-income customers and to enroll those customers in BDP and AFP is evidence that PWSA is providing unreasonable service to low-income customers. OCA St. 4 at 58. OCA also raised a concern that PWSA is not adequately serving the BDP population. Accordingly, as part of this Settlement, the OCA recommended and PWSA agreed to certain modifications to the arrearage forgiveness program to improve BDP enrollment and better serve the needs of PWSA's customers. While discussed more in depth below, these terms include a suite of commitments that include mechanisms meant to improve program enrollment, a household affordability study that will provide more updated and accurate information about the population of PWSA customers who need assistance, and expansion of both the BDP, and the AFP. Settlement ¶III.9.E.

The need for such programming is well-established in this case by OCA witnesses Colton and Pittsburgh United witness Geller and is exemplified in the public input testimony of State Representative La'Tasha Mayes. OCA St. 4 at 6-13; Pittsburgh United St. 1 at 8-17; Tr 68-70. OCA witness Colton testified that PWSA's service territory has a high percentage of customers, with an estimated 25,793 customers with an annual household income at or below 150% of the federal poverty level. OCA St. 4 at 9. Pittsburgh United witness Geller testified that before any rate increase resulting from this case, there are already strong indicators that service is unaffordable for a significant number of PWSA's residential customers, including that, as of May 2023,

residential customers were carrying, on average, approximately \$1,041 in arrears, with BDP customers carrying approximately \$1,322.27 in arrears. Pittsburgh United St. 1 at 15. Additionally, Representative Mayes testified that that while water is a human right, access to affordable service in her legislative district, the 24th Legislative District, which is within PWSA's service territory, is an important issue. Tr. 68. Representative Williams testified that 43 percent of households in the 24th Legislative District have a median income of \$35,000 and 28.6 percent of families with children under the age of 18 living in their home are living under the federal poverty line. Tr. 68-70. As Representative Williams' testimony demonstrates, low income customer assistance programs are imperative to improving customers' access to essential utility service. Representative Mayes and Williams' testimonies support the need for improvements to the programs as recommended by OCA witness Colton and Pittsburgh United witness Geller. For the reasons set forth below, the proposed Settlement terms provide for important improvements to the low-income customer programs. The following low income customer assistance items have been agreed to by PWSA as part of this Settlement:

1. Cross Enrollments (Settlement ¶III.9.E.1)

As a result of this Settlement, within thirty (30) days of the entry of an Order in this case the PWSA's Cares Team will contact the City of Pittsburgh and the Allegheny Department of Human Services (Allegheny DHS) to identify potential mechanisms through which it can cross-enroll customers through other municipal offices serving the City of Pittsburgh or through coordination with programs or services administered by the Allegheny DHS. Settlement ¶III.9.E.1.a. PWSA will also solicit leads for contacts from its LIAAC members and report the status of this process to LIAAC. Settlement ¶III.9.E.1.b. The OCA fully supports PWSA's cross enrollment commitment which adopts the recommendation of OCA witness Colton. OCA St. 4 at 22-23; OCA St. 4SR at 9. Mr. Colton's recommendation on this issue was made to ensure that

PWSA could efficiently and effectively improve enrollment in a manner that is consistent with PWSA's unique status as a municipal authority. OCA St. 4 at 22-23. Because the Settlement commits PWSA to coordinating with the City of Pittsburgh to leverage PWSA's unique status as a municipal authority in a manner that will remove administrative barriers and use coordination to improvement program enrollments, as witness Colton recommended, the OCA supports this provision of the Settlement as a necessary step to improve customers' access to service.

2. Household Affordability Study (Settlement ¶III.9.E.2)

The OCA supports PWSA's commitments to perform an updated Household Affordability Study. For purposes of context, PWSA performed its first Household Affordability Study in 2019, and it is analysis that PWSA undertook to provide a baseline understanding of affordability in its service territory. *Pa. PUC v. PWSA*, R-2020-3017957, R-2020-3017970, P-2020-3019019, PWSA St. 8 at 6. The scope of PWSA's 2019 Household Affordability Study was to understand the water and wastewater utility burden on households in the community. *Id.* In this case the evidence revealed that an update is not only warranted, but essential to understanding the true population of low-income customers in PWSA's service territory, which has now likely and significantly changed. Specifically, Pittsburgh United witness Geller testified that while PWSA has continued to operate under the assumption that approximately 20,000 customers are eligible for assistance programs based on a 2019 analysis, a series of unprecedented economic pressures such as the COVID-19 pandemic, have incurred since 2019 and would likely reveal an increased need for assistance. Pittsburgh United St. 1 at 8-10. Pursuant to the Settlement, PWSA will now perform an updated Household Affordability Study within one year of the final order in this proceeding. The update of its 2019 Household Affordability Study will include, at minimum:

- Identification of geographic areas with high concentrations of PWSA's lowest income customers.

- Identification of targeted outreach areas based in these identified geographic areas and a plan as to what, where and how such targeted outreach should be pursued.
- Identification of any patterns or trends regarding customers in these identified areas who exhibit payment difficulties that could be reasonably associated with inability to pay and a plan as to how such patterns or trends are to be identified and tracked.
- An analysis of the burden levels of low income customers, by household FPL (including 0-50%, 51-100%, 101-150%, 151-200%, 201-250% and 251-300% FPL tiers) and various usage levels (ranging between 1,000 to 6,000 gallons), based on service type (i.e. water, wastewater, stormwater, and combined services) at then-current rates.
- Updated estimated low income customer count based on census data of the PWSA's service territory, and disaggregated by service type (e.g. water, wastewater, stormwater, combined).

Settlement ¶III.9.E.2.a.i-E.2.a.v.

A preliminary draft of the Study will be shared with and discussed among the LIAAC members and PWSA will consider, in good faith, whether to incorporate any feedback provided as part of the final study. Settlement ¶III.9.E.2.b. The final study will be provided to members of the LIAAC. PWSA will explain, if applicable, why any recommendations of LIAAC members were not incorporated into the final study. The updated Study will provide the OCA and other stakeholders the opportunity to evaluate the information presented so that more informed, and targeted programming decision can be made. At present, evaluating the affordability of PWSA's rates, the adequacy of its low-income programming, and the participation levels compared to eligibility were limited to data either from PWSA's 2019 data or from its estimates. Pittsburgh United St. 1 at 10. Requiring PWSA to provide updated and more accurate data is in the public interest because it will better enable PWSA, parties, and the Commission to gauge the effectiveness of PWSA's low-income programming as necessary to ensure that ratepayers have access to affordable service.

3. Bill Discount Program (Settlement ¶III.9.E.3)

As part of the Settlement, PWSA made several commitments to expand the BDP, and these were, in part, responses to the OCA's position in this case. Settlement ¶III.9.E.3. In his Direct Testimony, OCA witness Colton identified that PWSA serves an estimated 8,260 customers with income at or below 50% of the federal poverty level, and 25,793 customers with income at or below 150% of the federal poverty level. OCA St. 4 at 14. The actual population of customers within these income parameters cannot be fully determined because PWSA's last affordability study was conducted in 2019. *Id.* at 10-11. OCA witness Colton recommended changes to the BDP to serve its low-income customers more proportionately. OCA St. 4 at 14. Witness Colton presented data to illustrate that a substantial number of low-income households either skip payments or make less than their full utility bill in any given month because of their lack of resources, with the greatest failure to pay being prevalent in the lowest income tier of poverty, 0-50%. OCA St. 4 at 19. OCA witness Colton recommended that PWSA take steps to restructure its BDP program to better address differences in income, with those with incomes at or below 50% of the federal poverty level reflecting the most need, warranting an increase in the volumetric discount to 60%. *Id.* at 45. The Settlement adopts OCA witness Colton's recommendation to increase the discount for customers below 50% of the FPL. As a part of the Settlement, PWSA agrees to increase from 50% to 60% the volumetric discount available to customers with annual income at or below 50% of FPL. Settlement ¶III.9.E.3.a. PWSA will also implement its as-filed proposal to expand the BDP maximum income eligibility from 150% to 200%. Settlement ¶III.9.E.3.b. In combination, these measures will provide much needed assistance to PWSA's low income customers.

An important part of this Settlement is PWSA's withdrawal of its proposal to revise the current BDP structure effective January 1, 2025 in recognition of its agreement not to implement

its proposed rate structure change to remove the minimum charge. Specifically, PWSA anticipated impacts to low income customers as a result of removing its minimum allowance from its rate structure in 2025, and it proposed additional discounts to offset the impact beginning in FY 2025. PWSA St. No. 6 at 38. As a result of this settlement, as explained above, PWSA will not be removing the minimum allowance from its rate structure in this case. However, in recognition of the fact that PWSA will be removing the minimum charge and the readiness-to-serve component from the customer charge in its next rate case and this will adversely impact the discount available to BDP customers, in its next base rate case, PWSA will propose a BDP structure that ensures that BDP customers receive at least the same discount on a total bill basis as they are currently receiving under the rate design implemented as a result of this settlement. Settlement ¶III.9.E.3.d. By way of this term, the Settlement will ensure that when PWSA proposes the removal of its minimum charge in its next base rate case, it will again propose commensurate rate protections for BDP customers, as the OCA submits that it is in the public interest to ensure that vulnerable customers are protected from the rate consequences that flow from changes in PWSA's rate design.

As an additional commitment, PWSA will provide a 50% reduction for BDP participants for the PENNVEST Charge. Settlement ¶III.9.E.3.e. The OCA notes that the reduction is consistent with PWSA's proposal for the IIC. OCA St. 6 at 37. The OCA supports this provision as a reasonable compromise, noting that the scope of PENNVEST charge is narrower than the IIC, and that the settlement imposes customer protections in the form of conditions for the PENNVEST charge in this Settlement. In total, because these measures will provide further assistance to BDP customers, and because PWSA will also now complete a Household affordability Study to better inform future programming for its service territories in need, the OCA supports these BDP commitments.

Additionally, with respect to PWSA's Arrearage Forgiveness Program (AFP) the Settlement provides for enhancements to the AFP which the OCA views as important steps towards improving the effectiveness of the program. The importance of an effective AFP in PWSA's service territory is underscored in that a principal policy goal of customer assistance programming is to provide protections against rate increases for timely paying customers resulting from other customers' delinquencies. 66 Pa. C.S. § 1402(a).⁷ PWSA's AFP should be a tool that enables customers to address a manageable portion of delinquencies over time, in an accessible manner that does not compromise their access to service. In this case, OCA witness Colton testified that the AFP as currently structured is not effectively operating to address pre-existing arrears of low-income customers. OCA St. 4 at 50. As witness Colton explained "it makes little sense to seek to make future bills for current service more affordable of the low-income BDP participants will simply face unaffordable *total* bills because of their obligation to retire pre-existing arrears." *Id.* at 50-51. While the Settlement did not adopt the full suite of recommendations made by the OCA, it provides a path forward for PWSA to design a more cost-effective, efficient and successful AFP to the benefit of all PWSA customers who either face loss of service due to an inability to pay or must absorb the costs of languishing uncollectible accounts in the form of higher bills.

By way of the Settlement, PWSA agrees to increase the current \$30 credit toward a participant's arrears to \$40, and the OCA supports this 25% increase in the credit amount as a starting point in improving the AFP. Settlement ¶III.9.E.3.f.i. Additionally, in PWSA's next base rate case, it shall propose to implement a change to its AFP that would allow then existing and all future participants to receive arrearage forgiveness over no longer than a 36 month period and will

⁷ As OCA witness Colton explains, while PWSA is not a gas or electric utility subject to the Electricity Generation Customer Choice and Competition Act or the Natural Gas Choice and Competition Act specifically provided for in Chapter 14, but the policy objectives of PWSA's water, wastewater, and stormwater universal service programs should not diverge from the stated policy goals simply because PWSA voluntarily offers its programming. OCA St. 4 at 6-7.

not require AFP participants to make a co-payment towards the pre-program frozen arrears. Settlement ¶III.9.E.3.f.ii. The OCA fully supports the proposal as necessary to ensure that program participants have a viable path towards arrearage forgiveness, which is aligned not only with the policy goals for consumer assistance programming, but which benefits all of PWSA's customers in accessing more affordable service.

4. Hardship Fund (Settlement ¶III.9.E.4)

This Settlement provides that PWSA will implement enhancements beyond its initial proposal to allocate two separate annual grants: one to be distributed to eligible water customers; and one to be distributed to eligible wastewater customers. Settlement ¶III.9.E.4.a. Under this Settlement, the maximum Hardship Fund grant will be increased from \$300 to \$450. Settlement ¶III.9.E.4.b. Additionally, PWSA agrees to include an allocation in rates as necessary to continue to fund the Hardship Fund when current settlement funds are exhausted and to the extent employee and other volunteer donations are insufficient. The OCA supports these important Settlement provisions, as they recognize the important concerns raised in the testimony Pittsburgh United witness Geller who demonstrated that the need for Hardship Fund assistance in PWSA's service territory is high and warrants an increase in funding. Pittsburgh United St. 1 at 41-42.

5. Low Income Assistance Advisory Committee (LIAAC) (Settlement ¶III.9.E.5)

As pointed out by OCA's witness, Roger Colton, PWSA's low-income customer service is in need of some improvement. OCA St. 4 at 25. It is the OCA's position that the LIAAC provides an important tool for the success of the programs. Mr. Colton recommended that PWSA be directed to submit to its LIAAC the question of how to encourage low-income tenants to transfer service into their own name. OCA St. 4 at 4. Witness testimony during PWSA's public input hearings supports OCA witness Colton's position. More specifically, DeWitt Walton, a PWSA customer,

and an Allegheny County Councilman, testified that the proposed increases will decimate his county's residents' ability to survive. Tr. 116-17. He testified a three-year increase of water at 60% and wastewater at 40% is unrealistic and unpractical. Tr. 117. He testified that PWSA's assistance programs for low-income individuals do not cover the rate increases. *Id.*

As an important step towards addressing the significant access issues outlined above, under the Settlement, PWSA commits to leading a discussion of the LIAAC members regarding the following topics:

- Evaluation of the potential benefits of developing a program to provide no-cost stormwater mitigation measures for customers.
- Consideration of how enhanced technology could increase the enrollment and retention of low income customers in PWSA's low income customer assistance programs.
- Discussion of how or whether to encourage low income tenants to transfer service into their own name.

According to the terms of this Settlement, PWSA will report on the results of its collaboration with LIAAC regarding the above topics and include any proposed recommendations resulting from the collaboration as part of its next base rate case. Settlement ¶III.9.E.5.a. The OCA is satisfied with these provisions of the Settlement, as it acknowledges OCA's concerns regarding the need for and importance of incentivizing enrollment in low income customer programs and reflects a step towards improvement. The enhancements to PWSA's low-income customer assistance programs provided by the Settlement are in the public interest and these enhancements are a further step towards addressing affordability for the customers who are or will be enrolled in the BDP and will help to generate an improvement in the ability to pay, which will benefit PWSA customers at all income levels. This is in the public interest.

F. Engineering and Operations Issues (Settlement ¶III.9.F)

OCA witness, Terry Fought, investigated quality of service issues related to PWSA's water, wastewater and stormwater service and he provided recommendations regarding concerns of applicable engineering issues. OCA St. 6 at 2. Consequently, PWSA has agreed to several customer service and quality of service improvements recommended by the OCA that will either directly improve PWSA's operations and service or facilitate the evaluation of its practices. Lisa Brown, a PWSA customer, noted that PWSA has to meet certain legal requirements set by the EPA and the DEP, and that she understands the reason for rate increase. Tr. 205. She urged PWSA to consider ways to make the increase equitable. Tr. 205. In sum, the OCA has made the following recommendations, which were agreed to by PWSA as part of this settlement, that will directly improve PWSA's operations and service or facilitate the evaluation of its practices in order to make the rate increase more equitable for its customers from an engineering and operations standpoint:

1. Customer Complaint Logs (Settlement ¶III.9.F.1)

As part of the 2021 Settlement of the base rate case, PWSA committed to recording and maintaining complaints received about pressure in an internal complaint log. *PWSA 2021 Settlement* at ¶9.III.E(8). However, PWSA did not submit the agreed upon information on pressure complaints in the agreed upon complaint log format. OCA St. 6 at 32. OCA witness Fought identified that the complaint log produced by PWSA in this proceeding did not include complaints received about pressure, no water, high consumption and high bills resulting from previously unbilled consumption (due to faulty or nonregistering meters). OCA St. 6 at 18-19. Further, he recommended that complaints recorded as "investigate lid" should be identified and correctly classified as being related to the water, sewer or stormwater system. OCA St. 6 at 18-19. Mr. Fought also stated that both high pressure and low pressure complaints must be identified in the

complaint log. Additionally, according to Mr. Fought, PWSA should be required to submit pressure surveys for each pressure zone in accordance with 52 Pa. Code § 65.6 until PWSA can provide a complete complaint log that includes both high pressure and low pressure complaints, as outlined above. PWSA should also be required to provide customer complaint logs for water, sewer, and storm water. According to Mr. Fought, PWSA has not provided acceptable complaint logs since 2018. OCA St. 6 at 25-26. In his Rebuttal Testimony, Mr. McFaddin stated that PWSA already captures the complaint data in the Spry Mobile Application. Mr. Fought notes that the Spry Mobile Application may have many desirable features for an unregulated utility, but it is not very suitable for providing a Complaint Log for a utility regulated by the PUC. OCA St. 6 SR at 17. In sum, PWSA should be required to submit pressure surveys for each pressure zone in accordance with 52 Pa. Code § 65.6 until they provide a complete complaint log that includes both high and low pressures. Mr. Fought acknowledged that PWSA is capturing pressure inquiries in its work order logs. However, PWSA's work order logs files all customer complaints in a file for each customer instead of an internal complaint log. OCA St. 6 SR at 9. Additionally, PWSA's process does not permit the review of complaints regarding the service it provides and does not meet the requirements of the Commission regulation, as pointed out above. Upon an informal request, PWSA verified that there were no "High Pressure" complaints. OCA St. 6 SR at 6.

As a result of this settlement, PWSA has agreed to provide a complete complaint log. Specifically, PWSA has agreed to maintain complete data regarding customer complaints, work order and service logs which can be made available via Excel in response to any discovery requests by the parties in, e.g., PWSA's next base rate case. Settlement ¶III.9.F.1.a. If the data is requested as part of discovery, the parties agree to collaborate on an informal basis to ensure that it is provided in a mutually acceptable and reasonably sortable format. Settlement ¶III.9.F.1.a. Regarding High Pressures, PWSA will continue to capture pressure inquiries or complaints in its

work order logs. Settlement ¶III.9.F.2. The OCA is satisfied with this result, as this action will improve reporting and facilitate review of complaints to better be able to identify and sort the types of customer complaints.

2. High Pressures (Settlement ¶III.9.F.2)

The OCA has addressed the High Pressures component of the Settlement above, in conjunction with the Complaint Log term because these terms are interrelated and must work in tandem.

3. Isolation Valves (Settlement ¶III.9.F.3)

Isolation valves are installed on water mains so that the water can be shut off in sections of the distribution system in case of a water main break or for main repairs and replacements. OCA St. 6 at 13. Isolation valves are also used to separate different pressure zones. *Id.* Exercising isolation valves is important to ensure the valves maintain full range of movement. OCA St. 6 at 14. An isolation valve that cannot be fully closed will increase the water loss during a water main break and increase the number of customers affected. *Id.* Thus, it is important to repair or replace valves at the time they are found to be inoperable. Regarding valves, Mr. McFaddin states in his rebuttal that PWSA has developed and implemented a valve exercising program where all valves are inspected and exercised on a 5-year cycle. PWSA 3 R at 7-8. Mr. McFaddin adds that PWSA has identified critical valves and expects to inspect and exercise critical valves on a 3-year cycle by the fourth quarter of 2024. *Id.* As such, Mr. McFaddin concludes that it is unnecessary to impose any additional obligations on PWSA as part of this base case. *Id.* In his surrebuttal, Mr. Fought agrees with Mr. McFaddin and PWSA's plan as long as PWSA actually implements this plan. OCA St. 6 SR at 14.

As part of this Settlement, PWSA will continue its valve exercising program where all valves are inspected and exercised on a 5-year cycle. Settlement ¶III.9.F.3.a. Starting by or before

the fourth quarter of 2024, PWSA will use its best efforts to inspect and exercise critical valves on a 3-year cycle. Settlement ¶III.9.F.3.b. Additionally, PWSA shall maintain records of when each valve is exercised. Settlement ¶III.9.F.c. The OCA is satisfied with this result as it addresses the OCA's concerns discussed in Mr. Fought's testimony.

4. Meter Testing and Replacement (Settlement ¶III.9.F.4)

The OCA notes that in years past, PWSA has not been able to meet its target of 8,000 customer meters per calendar year, as agreed to in the settlement of PWSA's most recent base rate case. OCA St. 6 at 19-20. However, OCA witness Fought acknowledged that PWSA has replaced and documented a total of 20,248 customer meters from January 1, 2020 through May 2023 according to its responses to interrogatories. *Id.* In sum, PWSA contends that it is doing all that it can to alleviate this issue. *Id.* As a result of this Settlement, PWSA will use best efforts to test or replace 8,000 meters per calendar year after 2023 until all undocumented meters are either tested or replaced. Settlement ¶III.9.F.4.a. The OCA is satisfied with this result as it will address the concerns identified by OCA witness Fought.

5. Flushing Distribution System (Settlement ¶III.9.F.5)

OCA witness Fought testified that it is good practice to flush the distribution system to help prevent sediment from building up in the pipes, which could result in discolored water and can also affect the taste, clarity and color of water. OCA St. 6 at 21-22. As a result of this Settlement, PWSA will continue to make an effort to identify, locate and track dead-end lines to make sure they have a blow-off or hydrant so they can be flushed. Settlement ¶III.9.F.5.a. The OCA is satisfied with this result as it will address concerns identified by OCA witness Fought.

6. Surface Restoration (Settlement ¶III.9.F.6)

OCA witness Fought investigated and made recommendations regarding the cost sharing of surface restoration between PWSA and the City of Pittsburgh. OCA St. 6 at 32. Specifically, the issue in question pertains to surface restoration that is full lane or curb to curb paving, which is in addition to the typical restoration of roadway pavement to its pre-existing usable condition but would show where the trenches were excavated, backfilled and repaved. OCA St. 6 at 33. Since PWSA has some of its water, wastewater or stormwater lines located in almost all of the City's streets, PWSA customers will eventually pay for providing surface restoration for almost all of the City streets, including those streets the City has resurfaced since 2018. OCA St. 6 at 35-36. Also taking into account that PWSA's water customers are not required to own water service lines within the public right-of-way and that PWSA is much better positioned to carry out and fund the replacements compared to an individual customer, the OCA recommended that PWSA should repair and replace privately-owned damaged sewer laterals within the public right-of-way at PWSA's expense. OCA St. 6 SR at 11.

As a result of this Settlement, PWSA will continue to coordinate with the City of Pittsburgh and other municipalities to replace water and sewer mains, as much as possible, just prior to repaving. Settlement ¶III.9.F.6.a. Additionally, PWSA will continue to coordinate projects that are not part of an emergency, Department of Environmental Protection or Environmental Protection Agency deadline with the City of Pittsburgh, the Department of Transportation and other public utilities. Settlement ¶III.9.F.6.b. As coordination with the City and other municipalities is essential to improve the cost-effectiveness of surface restoration to the benefit of all PWSA customers, the OCA supports this term of the Settlement.

IV. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of this rate investigation, taken as a whole, represent a fair and reasonable resolution of the issues raised by the OCA in this proceeding. Therefore, the OCA submits that the Settlement should be approved by the Commission without modification as it is in the public interest.

Respectfully Submitted,

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Appendix K

To

**Joint Petition for
Settlement**

Docket Nos.

R-2023-3039919, et. al.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission Office : Docket Nos. R-2023-3039919 (stormwater)
of Small Business Advocate Office of : C-2023-3040789
Consumer Advocate : C-2023-3040847

v.

Pittsburgh Water and Sewer Authority

Pennsylvania Public Utility Commission Office : Docket Nos. R-2023-3039920 (water)
of Small Business Advocate Office of : C-2023-3040785
Consumer Advocate. : C-2023-3040845

v.

Pittsburgh Water and Sewer Authority

Pennsylvania Public Utility Commission Office : Docket No. R-2023-3039921 (wastewater)
of Small Business Advocate Office of : C-2023-3040780
Consumer Advocate. : C-2023-3040846

v.

Pittsburgh Water and Sewer Authority

Petition of the Pittsburgh Water and Sewer : Docket No. P-2023-3040734 (water)
Authority for Authorization to Increase Water : P-2023-3040735 (wastewater)
and Wastewater DSIC Charge Caps to 7.5% :
:

Petition of the Pittsburgh Water and Sewer : Docket No. P-2023-3040578
Authority for Authorization to Implement a :
Customer Assistance Charge :

**OFFICE OF SMALL BUSINESS ADVOCATE
STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT**

I. INTRODUCTION

A. Procedural History

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 May 11, 2023, the Pittsburgh Water and Sewer Authority (“PWSA” or the “Authority”) filed Supplement No. 12 to Tariff Water Pa. P.U.C. No. 1 (“Supplement No. 12W”), Supplement No. 11 to Tariff Wastewater PA P.U.C. No. 1 (“Supplement No. 11WW”), and Supplement No. 3 to Tariff Storm Water Pa. P.U.C. No. 1 (“Supplement No. 3SW”) (collectively “Tariffs”). The proposed Tariffs are seeking approval of a multi-year rate plan which, if approved by the Commission, would increase the Authority’s overall rates by approximately \$146.1 million, \$46.8 million per year in 2024, \$45.4 million in 2025 and an additional \$53.9 million in 2026. On May 11, 2023, the Authority also filed (1) a Petition for Waiver of Statutory Definition of Fully Projected Future Test Year and (2) a Motion for Consolidation of Water, Wastewater and Stormwater Rate Proceedings and for Authorization to Use Combined Water, Wastewater and Stormwater Revenue Requirements.

On May 19, 2023, the OSBA filed a Complaint alleging that PWSA’s proposed rates, rate design, and cost and revenue allocation may be insufficient to justify the rate increase requested and that the Company’s present and proposed rates, rules, and conditions of service may be unjust, unreasonable, unduly discriminatory, and otherwise contrary to law, particularly as they pertain to small business customers, in violation of, *inter alia*, Sections 1301 and 1304 of the Public Utility Code, 66 Pa. C.S. §§ 1301 and 1304, and may be contrary to appropriate public

policy and sound ratemaking considerations, and may not be supported by the materials filed by PWSA.

The Commission's Bureau of Investigation and Enforcement ("I&E") filed a Notice of Appearance on May 18, 2023.

A formal complaint was filed by the Office of Consumer Advocate ("OCA") on May 23, 2023.

By Orders entered June 15, 2023, the proposed Tariffs were suspended by operation of law until February 8, 2024. The Commission ordered an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Tariffs. The Commission also ordered an investigation into the reasonableness of PWSA's existing rates, rules, and regulations.

Administrative Law Judge ("ALJ") Eranda Vero was assigned to this proceeding. A Prehearing Notice was issued, and a Prehearing Conference Order was entered on June 16, 2023, scheduling a telephonic prehearing conference in this matter for June 29, 2023.

A combination of in person, and virtual input hearings were held for customers within the Authority's service territory on July 25th, 27th and August 29th of 2023.

On August 9, 2023, the OSBA submitted the direct testimony of Kevin Higgins.

On September 7, 2023 the OSBA submitted the rebuttal testimony of Mr. Higgins.

On September 21, 2023, the OSBA submitted the surrebuttal testimony of Mr. Higgins.

Evidentiary hearings were held before the ALJs on October 4, 2023, wherein the preserved testimony of OSBA Witness Higgins was admitted into the record.

Following the evidentiary hearings, the parties continued to discuss settlement and on October 17, 2023, notified the ALJs that they had reached a full settlement which would be submitted to the ALJ on October 30, 2023.

B. Summary of the OSBA's Principal Concerns and Overall Reasons for Supporting the Settlement

In its Complaint, Prehearing Memorandum, and testimony, the OSBA identified several issues of concern, including the following:

1. Whether PWSA's proposed allocation of its total claimed revenue requirement between water, wastewater and stormwater service is appropriate;
2. Whether the methodology employed in PWSA's water cost-of-service study (WCOSS) is appropriate;
3. Whether the customer class demand factors used in PWSA's WCOSS are reasonable;
4. Whether PWSA's proposed class revenue allocation for water service customers is cost based;
5. Whether the methodology used in PWSA's wastewater cost-of-service study (WWCOSS) is appropriate;
6. Whether PWSA's proposed class revenue allocation for wastewater service customers is cost based;
7. Whether the methodology used in PWSA's stormwater cost-of-service study (SWCOSS) is appropriate;
8. Whether PWSA's proposed class revenue allocation for stormwater service customers is cost based;
9. Whether PWSA's proposed water service rate design is reasonable and appropriate;
10. Whether PWSA's proposed wastewater service rate design is reasonable and appropriate; and
11. Whether PWSA's proposed stormwater service rate design is reasonable and appropriate.

The OSBA has actively participated in the negotiations which led to the filing of the Joint Petition for Settlement (“*Settlement*”). The *Settlement* is a compromise that reasonably resolves the foregoing concerns and produces an overall outcome that is in the public interest of the Authority’s small business customers. Therefore, the OSBA is a signatory to the *Settlement* and respectfully requests that the Commission approve the *Settlement* without modification.

C. Reasons for Support of Specific Issues in the Settlement

The *Settlement* sets forth a comprehensive list of issues which were resolved through the negotiation process. This statement outlines the OSBA’s specific reasons for joining the *Settlement*. The following provisions were of particular significance to the OSBA in concluding that the *Settlement* is in the best interests of PWSA’s small business customers.

II. SETTLEMENT

A. Revenue Requirement, Rates, and Charges

1. Revenue Requirement

In the Authority’s original filing, PWSA sought an increase in retail tariff rate revenue of \$146.1 million, \$46.8 million per year in 2024, \$45.4 million in 2025 and an additional \$53.9 million in 2026.¹ The Authority’s original filing was inclusive of an increased DSIC of 7.5%. In contrast, the *Settlement* provides PWSA with an increase in 2024 retail tariff rate revenue of

¹ PWSA Statement of Reasons at 1.

\$35,997,325 million (exclusive of 5% DSIC), comprised of \$23,765,307 for water, \$6,097,101 for wastewater, and \$6,134,907 for stormwater service rendered on or after February 15, 2024.²

At a time when all types of utility service are becoming more expensive, the \$10.8 million reduction in the overall 2024 single year revenue increase provided by the *Settlement* will benefit all of PWSA's consumers, including the Authority's small business customers.

2. Rates

The Authority's proposed revenue increase for Commercial water service for year 1 (2024) was 30.0%, inclusive of DSIC.³ The OSBA recommended reductions to a number of the Authority's expenses and adjustments, and proposed charges for water service and waste water customers.⁴ The Authority's proposed increase for Commercial wastewater service for 2024 was 6.9%, inclusive of DSIC%⁵

The *Settlement* results in an increase of 19.7% in water rates for commercial customers, a 12.6% increase in wastewater rates, and an approximate across-the-board increase of 26.5% in stormwater rates.⁶ In the aggregate, this amounts to an increase of 19.0% for commercial customers, compared to an overall increase of 18.3%, which is 0.7% above the system average.⁷ The OSBA's analysis indicates that if CAP-related subsidies were removed, the commercial class increase would be 2.0% lower than PWSA proposed.⁸ Applying this difference to PWSA's rebuttal filing, the increase to the commercial class would have been 0.4% *less* than the

² *Settlement* at 6, para. A.1, (a)(i)(ii) and (b), including **Appendix B** (A.1 (a)(i)).

³ PWSA Rate Filing Exhibit HJS-15W.

⁴ OSBA Statement No. 1, p. 7

⁵ PWSA Rate Filing Exhibit HJS-14WW.

⁶ *Settlement* at Appendix B.

⁷ *Settlement* Proof of Revenues, Schedule 5.

⁸ OSBA Statement No. 1 at 20. Table KCH-6.

system average rather than 1.6% above the system average as proposed by PWSA.⁹ The resulting *Settlement* increase in which commercial customers receive an increase that is 0.7% above the system average represents a compromise that is acceptable to the OSBA for the purposes of this case.

As to stormwater increase, the Settlement also provides a commitment by the Authority to establish a collaborative within 60 days following the entry of a final order to help customers implement stormwater controls that may help mitigate the increase.¹⁰

3. Charges

a) Customer Assistance Charge (“CAC”) and Infrastructure Improvement Charge (“IIC”)

In its filing, the Authority proposed a Customer Assistance Charge (“CAC”) to recover certain costs associated with the residential Customer Assistance Program (“CAP”).¹¹ Also, the Authority proposed to implement an Infrastructure Improvement Charge (“IIC”) to recover debt service obligations for new PENNVEST loans as well as the companion federal government loan program known as the Water Infrastructure Innovation Act (“WIFIA”) between rate case filings.

¹² As OSBA Witness Higgins testified, the CAC would have resulted in an increased percentage of CAP costs being recovered from non-residential customers.

While the OSBA recommended that all CAP costs should be recovered solely by the residential class, both the CAC and the IIC were withdrawn as part of the Settlement thereby reducing the increased burden of the recovery of CAP costs from non-residential customers.¹³

⁹ PWSA Exhibits HJS-15W-R, HJS-14WW-R, HJS-7SW-R.

¹⁰ *Settlement* at 8, Para. C.

¹¹ OSBA Statement No. 1 at 7.

¹² OSBA Statement No. 1 at

¹³ *Settlement*, Para. A.3(b)(iii)(as to the IIC) and (c)(as to the CAC), at 7

Additionally, the parties agree that no precedent has been established in the case regarding the allocation and recovery of low-income assistance program costs.

b) Distribution System Improvement Charge (“DSIC”)

The Authority proposed an increase of 2.5% for a 7.5% DSIC for both water and wastewater. As Mr. Higgins testified, although calculating the impacts of capping the DSIC is a bit of a moving target based on the underlying revenue requirement, keeping the DSIC capped at the currently approved 5% would reduce the ratepayer impacts for 2024 by \$4,840,624.¹⁴

As part of the *Settlement*, the DSIC remains capped at 5%.¹⁵

B. Third-Party Collection Agency

The OSBA took no position.

C. Stormwater

The OSBA took no position on the

D. Customer Service

The OSBA took no position.

E. Low Income Customer Assistance Programs

The OSBA did not participate in the negotiation of the specific provisions in the *Settlement* regarding low-income programs and therefore takes no position regarding those costs, except that they should not be borne by non-residential customers. The OSBA relies on the Authority and the Commission to ensure that funds provided by small business customers are expended in an efficient and effective manner. Additionally, the parties agree that no precedent

¹⁴ OSBA Statement No. 1 at 16

¹⁵ *Settlement* Para. A.1.a, at 7

has been established in the case regarding the allocation and recovery of low-income assistance program costs.¹⁶

F. Engineering and Operating Issues

The OSBA took no position.

G. Additional Terms and Conditions

The OSBA took no position.

IV. Conclusion

For the reasons set forth in the *Settlement*, as well as the additional factors enumerated in this statement, the OSBA supports the proposed *Settlement* and respectfully requests that the ALJs and the Commission approve the *Settlement* in its entirety.

Respectfully submitted,

/s/ Sharon E. Webb

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Dated: October 30, 2023

¹⁶ *Settlement* at 16

Appendix L

To

**Joint Petition for
Settlement**

Docket Nos.

R-2023-3039919, et. al.

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2023-3039920
	:	R-2023-3039921
Pittsburgh Water and Sewer Authority	:	R-2023-3039919
	:	
	:	

STATEMENT OF PITTSBURGH UNITED’S OUR WATER TABLE
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT

Pittsburgh United’s Our Water Table (Pittsburgh Untied), a signatory party to the Joint Petition for Settlement (Joint Petition or proposed Settlement), by and through its counsel at the Pennsylvania Utility Law Project, respectfully requests that the terms and conditions contained therein be approved without modification by the Honorable Gail Chiodo, Administrative Law Judge, and the Pennsylvania Public Utility Commission (Commission). For the reasons stated more fully below, Pittsburgh United believes that the terms and conditions of the proposed Settlement are in the public interest and should be approved.

I. INTRODUCTION

Pittsburgh United intervened in this proceeding to ensure that the Pittsburgh Water and Sewer Authority’s (PWSA) proposed rates and terms and conditions of service are appropriately designed and implemented in a manner which allows all consumers in PWSA’s service territory to access safe and affordable water, wastewater, and stormwater services to their homes, regardless of income.

Pittsburgh United made a concerted effort to conduct a thorough investigation and to create a detailed record in this proceeding of the issues it believes were most pressing to address in the

context of the Commission's determination of whether PWSA's proposed rates and terms and conditions of service are just and reasonable, in compliance with applicable laws, regulations, and prevailing public policy. Pittsburgh United submitted written direct, rebuttal, and surrebuttal testimony from its subject matter expert, Harry S. Geller, Esq. Mr. Geller, the former Executive Director of the Pennsylvania Utility Law Project and a nationally recognized expert in utility affordability with over five decades of experience representing low income utility consumers, focused his testimony on the unaffordability of PWSA's proposed rates for low income consumers; the inadequacy of PWSA's universal service programs to provide universally accessible service; and the crucial need for revisions to the policies and procedures of PWSA's low income assistance programs. This testimony documented, in substantial detail, the aspects of PWSA's current policies and procedures which Pittsburgh United asserts must be reformed in order to achieve reasonable and just rates and terms and conditions of service consistent with all applicable policies, laws, and regulations governing public utilities.

The proposed Settlement reasonably addressed a number of issues raised in Pittsburgh United's testimony, and the recommendations of Pittsburgh United's witness therein. While Pittsburgh United's positions were not fully adopted, the resolution of these issues represents a fair and balanced approach which satisfies the many and varied interests of the Settling parties in a reasonable and just manner. As such, and for the specific reasons discussed in further depth below, Pittsburgh United asserts that the proposed Settlement is in the public interest and should be approved without modification.

II. SETTLEMENT

For the reasons discussed below, Pittsburgh United asserts that the proposed Settlement presents a reasonably balanced resolution to the issues raised in this proceeding. While many

provisions of the proposed Settlement are discussed with specificity below, Pittsburgh United's silence with respect to any particular provision does not indicate that Pittsburgh United is not in agreement with that provision. Pittsburgh United requests that the Commission approve the proposed Settlement as a whole and without modification.

A. Revenue Requirement, Rates, and Charges

1. Rates

PWSA's initial rate proposal sought to increase overall rates by approximately \$46.8 million – inclusive of the Distribution System Improvement Charge (DSIC) cap increase.¹ At this proposed level, a residential customer using 3,000 gallons/month and charged Tier 1 for stormwater services would see an increase from \$86.43 to \$146.12 per month – or 69.1% increase -- by 2026.²

PWSA's proposed rate increase, if approved, would have resulted in a substantial increase in basic living expenses, falling especially hard on low income households who already struggle profoundly to make ends meet. PWSA estimates that approximately 20,000 of its residential customers are low income -- meaning they have a household income that is at or below 150% of the federal poverty level (FPL).³ As discussed by Mr. Geller, PWSA's estimate is limited as it was based on its 2019 Household Affordability Analysis and most likely underestimates the number of PWSA's low income customers.⁴ However, even utilizing PWSA's outdated and limited data, there is a substantial number of low income customers served by PWSA. For a household at 150% FPL, PWSA's proposal would represent a substantial increase in the price of

¹ Statement of Reasons, Volume I.

² *Id.*

³ Pittsburgh United St. 1 at 9.

⁴ *Id.*

basic services – especially as PWSA’s proposed increase would represent only one in a series of recent rate increases borne by PWSA’s customers since 2016, the most recent of which was only approved by the Commission last year.⁵

Paragraph III.9.A.1. of the proposed Settlement provides for a total increase of \$35,999,325 (exclusive of 5% DSIC) effective February 15, 2024, to be implemented and allocated as set forth in Appendix B and C to the proposed Settlement.⁶ This Paragraph further provides that PWSA will amortize its \$263,215 COVID-19 expense claim over a two year period, and will engage in good faith negotiations related to new rates connected to its wholesale water contracts.⁷

As discussed in his direct testimony, Mr. Geller did not support PWSA’s proposed rate increases, and explained that PWSA’s current rates are already unaffordable for many of its customers.⁸ Mr. Geller explained that it was both unjust and unreasonable to approve any rate increase, absent additional mitigation measures to address existing rate unaffordability and to fully remediate compounded unaffordability as a result of any rate increase.⁹

In balance, the significant reduction in overall rate increase, along with critical enhancements of PWSA’s low income assistance programs (discussed in further detail below), will help to mitigate the negative effects of the rate increase on PWSA’s low income customers. In turn, and as discussed more thoroughly below, the proposed Settlement includes a number of specific provisions designed to provide enhanced protections for residential consumers over the short term – helping to ease the acute financial hardship residential consumers have experienced over recent years. We will discuss these proposed enhancements in detail below. Further, in

⁵ Id. at 12.

⁶ Proposed Settlement at ¶ Paragraph III.9.A.1.

⁷ Id.

⁸ Pittsburgh United St. 1 at 7.

⁹ Id. at 8.

providing that PWSA will amortize certain COVID-19 expenses over a two year period and engage in good faith negotiations related to new rates for wholesale water contracts, the proposed Settlement represents a careful balancing of the varied interests of the parties to this proceeding.

Overall, we assert that the provisions contained under Paragraph III.9.A.1. are reasonable, in the public interest, and should be approved without modification.

2. Base Rate Case Stay Out

Pittsburgh United did not take a formal position in this proceeding related to the base rate stay out set forth in Paragraph III.9.A.2. of the proposed Settlement. However, Pittsburgh United supports a restriction whereby PWSA will not file for another general rate increase any sooner than January 1, 2025 for rate implementation in 2026.¹⁰ While limited in duration, this stay-out helps to shield against further increases in rates for approximately two years. As Mr. Geller asserts in his direct testimony, any further increase in the cost of basic services will exacerbate preexisting unaffordability felt by PWSA's residential and, in particular, its low income customers.¹¹ By carving out an exception for extraordinary or emergency rate relief pursuant to 66 Pa. C. S. § 1308(e), the proposed Settlement carefully balances the varied interests of the parties in this proceeding, including PWSA's alleged revenue requirements for operation. As such, we asserts that the provisions under Paragraph III.9.A.2. of the proposed Settlement are just, reasonable, and should be approved without modification.

3. Rate Design and Charges

a. Minimum Charge

¹⁰ Proposed Settlement at ¶ III.9.A.2.

¹¹ Pittsburgh United St. 1 at 7-8.

In its initial filing, PWSA proposed to transition away from use of its minimum charge.¹² PWSA proposed to make this transition in 2025 to allegedly give PWSA sufficient time to prepare for the impacts of eliminating the minimum charge on customer billing and other aspects of PWSA's operational and developmental work.¹³ In his direct testimony, Mr. Geller expressed support for elimination of the minimum charge as it may help to improve bill clarity, increase transparency, and promote conservation.¹⁴ However, he explained that elimination of the minimum charge would significantly and adversely impact the BDP, as currently designed, as discount levels are heavily tied to the minimum charge.¹⁵ Mr. Geller therefore asserted that his support for elimination of the minimum charge is contingent on PWSA restructuring the BDP to provide meaningful discounts for low income customers.¹⁶

Paragraph 9.A.3.a. of the proposed Settlement provides that PWSA will undertake the software and billing system changes necessary to be able to implement a rate structure change to remove the minimum allowance. This Paragraph further provides that, as part of its next base rate filing, PWSA will propose to remove the minimum allowance with the then-proposed rate effective date and will include a customer bill impact analysis illustrating the effect on customer rates of its proposed rate structure change. Finally, this Paragraph provides that, in its next base rate case, PWSA will include a customer cost analysis and rate proposals that fully eliminate usage allowances.

Pittsburgh United asserts that the provisions contained at Paragraph 9.A.3.a. of the proposed Settlement represent important compromises between Settling parties. While not

¹² PWSA St. 6 at 25-26,

¹³ Id.

¹⁴ Pittsburgh United St. 1 at 21.

¹⁵ Id.

¹⁶ Id.

providing for immediate elimination of PWSA's minimum charge, these provisions will ensure that PWSA proposes to eliminate its minimum charge in its next case rate case. By requiring that PWSA provide a customer costs analysis and rate proposal accounting for elimination of the minimum charge, the proposed Settlement helps provided important information needed to evaluate the effects and appropriateness of PWSA's proposal to eliminate its minimum charge in its next rate proceeding and, in turn, to shield against potential unjust and unreasonable rate impacts. We therefore assert that these provisions of the proposed Settlement are reasonable, in the public interest, and should be approved without modification.

b. PennVest Charge

Pittsburgh United's Our Water Table did not take a formal position in this proceeding related to the PennVest Charge issues set forth in Paragraph III.9.A.3.b. of the proposed Settlement.

c. Customer Assistance Charge

In its initial filing, PWSA proposed to implement a Customer Assistance Charge (CAC).¹⁷ As proposed, the CAC would have applied to all customer classes to recover the costs of PWSA's BDP and Hardship Fund programs, and certain operational costs associated with these programs.¹⁸ While Mr. Geller did not take a specific position related to the proposed CAC, he explained that he was in favor of rate supported funding for PWSA's Hardship Fund, in addition to its BDP.¹⁹

¹⁷ PWSA St. 6 at 27-28.

¹⁸ Id.

¹⁹ Pittsburgh United St. 1 at 40.

Paragraph III.9.A.3.c. of the proposed Settlement provides that PWSA withdraws its proposal to implement a CAC.

Pittsburgh United asserts that these provisions are reasonable and should be approved. Pittsburgh United and its expert witness did not take a specific position related to whether the CAC should be approved. However, Mr. Geller recommended that provisions were made to ensure that low income assistance programs were adequately funded. As described below, the proposed Settlement ensures adequate funding for PWSA's Hardship Fund through rates, where existing funding and contributions are insufficient. Therefore, taken together with other terms of the proposed Settlement, we assert that withdrawal of PWSA's CAC proposal is reasonable, and should be approved without modification.

d. Readiness to Serve

Paragraph III.9.A.3.d. of the proposed Settlement provides that, in its next base rate case, PWSA agrees to remove its readiness-to-serve component from its monthly water and wastewater conveyance customer charges.²⁰ All parties reserve their right under this Paragraph to challenge any component of the customer charge in future base rate proceedings.²¹

Pittsburgh United did not take a position in this proceeding related to the readiness-to-serve issues set forth in Paragraph III.9.A.3.d. of the proposed Settlement. Nevertheless, we assert that these terms are just and reasonable, as they allow critical opportunity for parties to evaluate the appropriateness of a readiness-to-serve component on monthly water and wastewater conveyance customer charges, and the effect that these adjustments may have on the rates borne by residential and BDP customers. We thus assert that the provisions contained in Paragraph III.9.A.3.d. of the

²⁰ Proposed Settlement at ¶ III.9.A.3.d.

²¹ Id.

proposed Settlement are just, reasonable, in the public interest, and should be approved without modification.

B. Third-Party Collection Agency

Paragraph III.9.B. of the proposed Settlement provides that PWSA will include in its training of any third-party collection agency within which it enters into a debt collection services contract the requirement to warm transfer to PWSA any individuals seeking to reestablish service with PWSA so that such arrangements can be made with PWSA directly.²² Paragraph III.9.B. further provides that: (1) any third-party collection agency retained by PWSA will be trained to affirmatively ask whether an individual wishes to seek service restoration; and (2) if PWSA enters into a contract, PWSA will track and report in the next rate case the data from the collection agency, including how many warm transfers were made and what happened with those customers.²³

Pittsburgh United supports the provisions contained in this Paragraph of the proposed Settlement as they contain critical requirements that PWSA must comply with if they contract with a third-party collection agency. Specifically, the provisions in the Paragraph III.9.B. of the proposed Settlement contain essential requirements that help to ensure that any third-party collection agency retained by PWSA will be trained to affirmatively ask whether an individual is seeking to restore services and will provide a warm transfer back to PWSA to assist with establishing restoration terms for these individuals. This will help ensure that any use of a third party collections agency will not abrogate the ability of consumers to access a restoration payment arrangement consistent with the requirements of Chapter 14 of the Public Utility Code. By

²² Proposed Settlement at ¶ III.9.B.

²³ Id.

requiring PWSA to track and report on warm transfers and the results thereof if it contracts with a third party collections agency, the proposed Settlement will help to provide important data to the Commission and parties to evaluate whether individuals are being provided appropriate information and assistance to restore services. Thus, we assert that these provisions of the proposed Settlement are just, reasonable, in the public interest, and should be approved without modification.

C. Stormwater

1. Stormwater Credit Program

In its initial filing, PWSA proposed provide a one-time \$40 credit to stormwater customers for installed rain barrels.²⁴ Mr. Geller explained in his direct testimony that he did not support PWSA's proposal related to stormwater fees, as proposed. Mr. Geller noted concerns that, despite its proposal to significantly raise stormwater rates, PWSA failed to provide additional ways for low income customers to adopt green stormwater mitigation.²⁵ While acknowledging that PWSA provides a substantial stormwater discount for BDP customers, receiving a discounted stormwater rate is not the same as having the ability to adopt green mitigation strategies to reduced localized flooding, which disproportionately impacts economically vulnerable communities.²⁶ Mr. Geller explained that low income customers do not have the discretionary income required to install rain barrels to receive the proposed \$40 credit.²⁷ Mr. Geller also raised concerns that PWSA does not appear to have a process for how it intends to train its customer-facing staff to solicit whether customers have installed rain barrels so that they can receive promised credits.²⁸ As Mr. Geller

²⁴ PWSA St. 6 at 32: 8-15.

²⁵ Pittsburgh United St. 1 at 45.

²⁶ Id.

²⁷ Id.

²⁸ Id.

explained, without sufficient outreach, customers who may already practice green mitigation may never learn about or be able to access available credits.²⁹

Mr. Geller recommended that (1) the Commission require PWSA to allocate \$100,000/year – funded through rates – so that low income customers can access green mitigation measures, including rain barrels, at no cost; (2) customers who engage in green mitigation should be provided with any available credits, including the \$40 credit for rain barrel installation; (3) in consultation with its LIAAC, PWSA should develop an outreach and education plan related to available assistance and mitigation measures connected to its stormwater fee.³⁰

In response to Mr. Geller’s recommendations, PWSA expert witness, Ms. Julie Mechling, argued that low income customers would be unable to reasonably maintain green stormwater measures, including rain barrels, once installed.³¹ Mr. Geller explained in response that the majority of maintenance for rain barrels includes behavioral actions – such as the washing out of barrels and cleaning of downspouts – that many low income customers are fully capable of conducting.³² However, Mr. Geller acknowledged that, in order to practice green mitigation most effectively, low income households may need to install some additional measures, such as downspout or gutter covers, that would require some additional cost.³³ Thus, Mr. Geller modified his initial recommendation so that PWSA include assistance to install these attendant measure as part of the recommended annual funding.³⁴

Paragraph III.9.C.1. of the proposed Settlement provides that, within 60 days of the final Order, Settling parties will contact PWSA to set up a collaborative meeting to work on

²⁹ Id.

³⁰ Id.

³¹ PWSA St. 6-R at 46-47.

³² Pittsburgh United St. 1-SR at 19.

³³ Id.

³⁴ Id.

identifying ways to help reduce impervious areas or to implement stormwater controls on property subject to stormwater fees, and to help customers obtain credits offsetting stormwater fees as a result of those efforts.³⁵ Pursuant to this Paragraph of the proposed Settlement, PWSA agrees to inform parties of the collaborative, assist in identifying and securing potential funding opportunities, and will not preclude collaborative members from discussing alternatives to the stormwater fee structure.

Pittsburgh United asserts that the provisions contained in this Paragraph of the proposed Settlement are just, reasonable, and in the public interest. While Mr. Geller's recommendations were not adopted in their entirety, the proposed Settlement helps to reasonably address Mr. Geller's concern that low income customers have equitable access to stormwater mitigation measures. By requiring that PWSA set up a collaborative meeting to work on identifying ways to reduce impervious areas and implement stormwater controls, the proposed Settlement will help PWSA to consider additional methods of green stormwater management in a collaborative manner. By requiring that the collaborative address identification of potential funding opportunities and use best efforts assisting to apply for such opportunities, the proposed Settlement will help explore possible funding to help assist with stormwater fees and management. Overall, these proposed Settlement provisions will require important collaboration related to PWSA's stormwater fee and related mitigation measures. These provisions are thus just, reasonable, in the public interest, and should be approved without modification.

³⁵ Proposed Settlement at III.9.C.1.

2. Education and Outreach

As discussed, Mr. Geller raised concerns through testimony that, despite proposing a substantial increase in stormwater rates, PWSA failed to propose adequate mitigation measures so that low income customers could practice green mitigation, and learn about methods to reduce their stormwater fees. Mr. Geller recommended, what includes, that in consultation with its LIAAC, PWSA should develop an outreach and education plan related to available assistance and mitigation measures connected to its stormwater fee. Mr. Geller recommended that this proposed stormwater outreach and education plan include training so that PWSA's CSRs prompt customers whether they have adopted green mitigation, discuss the benefits of practicing green mitigation (including available credits), and discuss whether customers are eligible for the BDP and related stormwater discount.³⁶ Mr. Geller recommended that this plan also include community engagement, crafted utilizing LIAAC feedback and feedback from previous stormwater strategic plan outreach.³⁷

Pursuant to Paragraph III.9.C.2. of the proposed Settlement, PWSA will develop an outreach and education plan related to available assistance and mitigation measures connected to its stormwater fee.³⁸ This outreach and education plan will include training and call scripting for PWSA's CSRs so that CSRs are prepared to ask customers whether they have adopted green stormwater mitigation, explain the benefits of doing so (including the \$40 rain barrel credit), and discuss whether customers are enrolled in the BDP.

Paragraph III.9.C.2. of the proposed Settlement further provides that enhanced outreach and education related to stormwater will include a plan for community engagement, developed in

³⁶ Id.

³⁷ Id.

³⁸ Proposed Settlement at ¶ III.9.C.2.

conjunction with the LIAAC and utilizing feedback from previous stormwater strategic plan outreach.³⁹ This Paragraph further provides that the outreach and education plan will continue until implementation of PWSA’s next base rate case, but could be continued at that time by agreement of parties.⁴⁰

Pittsburgh United supports Paragraph III.9.C.2. of the proposed Settlement, as they reasonably address Mr. Geller’s recommendation that PWSA develop and implement an outreach and education plan related to stormwater and related mitigation measures. By requiring CSRs to be trained to prompt and discuss stormwater mitigation and available stormwater discounts and credits, the proposed Settlement will help an increased number of customers to learn about and practice stormwater mitigation, and access available discounts and credits. By requiring that the outreach and education plan include community engagement, the plan will more likely address community concerns related to stormwater mitigation and fees. Finally, by providing that this plan will continue until implementation of PWSA’s next base rate case, unless continued by agreement, the proposed Settlement helps to reasonably balance the varied interest of the parties to this proceeding by providing further opportunity to review the plan. The provisions contained in Paragraph III.9.C.2. of the proposed Settlement are therefore just, reasonable, in the public interest – and should be approved without modification.

3. Arrangements Applicable to the Pittsburgh School District (“School District”)

In his direct testimony, the School District’s expert witness, Mr. Michael J. McNamara, described how the School District owns a large number of buildings and facilities containing

³⁹ Id. at ¶ III.9.C.2.

⁴⁰ Id.

sizable impervious surfaces.⁴¹ Mr. McNamara argued that, despite having a water efficiency plan that includes stormwater mitigation efforts, the School District does not receive any credits for purported efforts to reduce stormwater run-off.⁴² Mr. McNamara argued that PWSA's stormwater fee may constitute an unlawful tax.⁴³

The School District's expert witness, Mr. Eric M. Callocchia, similarly argued that PWSA should also consider several alternative stormwater fee approaches, including models that exempt school districts from payment of stormwater fees.⁴⁴ Mr. Callocchia appeared to also argue that, in the alternative, credits should be offered to educational customers such as the School District.⁴⁵

While noting his strong support of the need for increased funding for public schools, Mr. Geller expressed concern with the proposals of Mr. McNamara and Mr. Callocchia that the School District be exempted from PWSA's stormwater fee – passing additional costs on to residential consumers.⁴⁶ These increases would directly and adversely impact the families that the School District serves and would make it more difficult for Pittsburgh's low income families to make ends meet. Mr. Geller recommended that the Commission reject the proposals of Mr. McNamara and Mr. Callocchia to exempt the School District from PWSA's stormwater fee.⁴⁷

Paragraph III.9.C.3. of the proposed Settlement provides that, because of the public nature of the School District and its unique ability to provide land for public use and benefits, as well as its potential ability (with assistance from PWSA) to access grants and other funding to assist with the implementation of stormwater mitigation projects, PWSA and the School District recognize the opportunities to work together to potentially address PWSA's and the School

⁴¹ School District St. 1 at 11: 1-9.

⁴² Id. at 12-13.

⁴³ Id. at 14.

⁴⁴ School District St. 2 at 24: 9-14.

⁴⁵ Id. at 27: 12-16.

⁴⁶

⁴⁷

District's stormwater mitigation efforts.⁴⁸ Until PWSA files its next base rate case, both PWSA and the School District will appoint designated persons to be the point of contact for issues relating the School District's stormwater management activities.⁴⁹

Paragraph III.9.C.3. further sets forth provisions related to the School District's stormwater credit calculation based on existing infrastructure. As this Paragraph explains (consistent with PWSA's current stormwater credit program which permits nonresidential property owners to reduce stormwater charges for existing structures that comply with the City of Pittsburgh's 2016 and 2019 development standards or control runoff similarly), PWSA reasonably estimates that the School District would likely have been able to qualify for a 5% credit to the School District's stormwater fee effective January 12, 2022 if it had made an application to PWSA. PWSA therefore agrees to apply a 5% credit retroactive to January 12, 2022 to the first stormwater bills issued to the School District within the month after the effective date of the rates (Retroactive Credit).⁵⁰

Paragraph III.9.C.3. of the proposed Settlement contains additional detailed provisions limiting application of the Retroactive Credit, and detailing how PWSA and the School District will determine actual stormwater credits applicable to the School District. This Paragraph of the proposed Settlement further sets forth several provisions related to the longer term best management practices (BMPs) between PWSA and the School District, including provisions related to the School District and PWSA's coordination related to stormwater controls, projects, and measures.⁵¹

⁴⁸ Proposed Settlement at ¶ III.9.C.3.

⁴⁹ Id.

⁵⁰ Id.

⁵¹ Proposed Settlement at ¶ III.9.C.3.

Finally, Paragraph III.9.C.3. of the proposed Settlement provides certain understandings in consideration of the terms and purposes of the proposed Settlement.⁵² These understandings include whether—and to what extent – the School District can pursue certain litigation positions related to stormwater charges as an unlawful tax.⁵³

Taken together, the proposed Settlement provisions contained at Paragraph III.9.C.3. represent important compromises that account for the varied interests of the Settling parties. The agreement to apply a 5% credit retroactive to January 12, 2022 reasonably address Mr. Geller’s concern that it would be inappropriate to fully exempt the School District from payment of a stormwater fee, while accounting for the alleged need for relief from full stormwater fee payment purported by the School District’s expert witnesses. The proposed Settlement also reasonably balances the interests of the School District and other Settling parties by setting forth important provisions whether – and to what extent – the School District agrees to continue to pursue certain litigation positions related to the lawfulness of PWSA’s stormwater fee.

Overall, the provisions contained in Paragraph III.9.C.3. of the proposed Settlement constitute important provisions to address the concerns raised by the School District related its payment of stormwater fees, while also setting forth provisions that reasonably address concerns raised by the Settling Parties and avoiding further costly and potentially protracted litigation. As such, these proposed Settlement provisions are just, reasonable, in the public interest, and should be approved without modification.

D. Customer Service

⁵² Id.

⁵³ Id.

1. Call Center Performance

Pittsburgh United did not take a position in this proceeding related to the Call Center Performance issues contained in Paragraph III.9.D.1. of the proposed Settlement.

2. Screening for Eligibility for Customer Assistance Programs

In his direct testimony, Mr. Geller raised concerns that PWSA's low income programs were severely undersubscribed, and reached only a fraction of PWSA's estimated low income customers.⁵⁴ For example, compared to PWSA's estimated low income customer population of approximately 20,000, only 4,751 customers were enrolled in the BDP as of June 2023.⁵⁵ Similarly, while 2,548 BDP customers were in payment plans between August 2022 and June 2023, only 295 customers received a Hardship Fund Grant between January and June 2023.⁵⁶

Mr. Geller recommended that PWSA begin to screen all new and moving customers for income level at the time service is established.⁵⁷ If a customer indicates they are struggling financially or entering into a payment arrangement, Mr. Geller recommended that PWSA's CSRs describe PWSA's low income assistance programs and, with customer consent, provide a warm transfer to the PGH2O Cares Team.⁵⁸ Mr. Geller further recommended that PWSA routinely screen for income on any non-emergency calls, and inquire whether there has been updates to any income information already noted on accounts.⁵⁹ Finally, Mr. Geller recommended that PWSA develop call scripting and checklists for CSRs to assist screening customers for eligibility for low income assistance programs.⁶⁰

⁵⁴ Pittsburgh United St. 1 at 23.

⁵⁵ Id.

⁵⁶ Id.

⁵⁷ Id. at 27.

⁵⁸ Id.

⁵⁹ Id.

⁶⁰ Id. at 28.

Paragraph III.9.D.2. of the proposed Settlement provides that PWSA will develop and implement call scripting and checklists for its CSRs so that CSRs are required to assist in screening customers for eligibility in its low income assistance programs.⁶¹ This Paragraph further provides that PWSA will screen all new and moving customers for income level and eligibility for assistance at the time their service is established.⁶² If a customer indicates through screening that they may reasonably have low income status, the customer will be provided a warm referral to the PGH20 Cares Team so that the customer can learn about and enroll in PWSA's low income customer assistance programs, as eligible.⁶³

Pittsburgh United asserts that the provisions contained in Paragraph III.9.D.2. of the proposed Settlement are squarely in the public interest. Screening all new and moving customers for eligibility in assistance programs is critical to ensure that low income households able to receive more affordable rates prior to experiencing payment difficulties. Low income customers should be provided an opportunity to learn about and enroll in assistance programs before they accrue unmanageable arrears as a result of unaffordable rates. While Mr. Geller's recommendations related to screening of PWSA's customers for low income status and financial difficulties were not adopted in their entirety, the proposed Settlement provisions contained in this Paragraph will help increased numbers of low income households to enroll in needed assistance programs prior experiencing payment crises. We therefore assert that the provisions contained in this Paragraph of the proposed Settlement are squarely in the public interest, just and reasonable, and should be approved without modification.

⁶¹ Proposed Settlement at ¶ III.9.D.2.

⁶² Id.

⁶³ Id.

3. Root Cause Analysis

Pittsburgh United did not take a position in this proceeding related to the root cause analysis issues contained in Paragraph III.9.D.3. of the proposed Settlement.⁶⁴

4. Convenience Fees

In its initial filing, PWSA proposed to require customers who pay their bills through certain options that include convenience fees to directly pay the costs of any assessed third-party fees. Mr. Geller opposed PWSA's proposal, explaining that eliminating pass-through treatment of convenience fees would increase the overall amount customers must devote to their monthly PWSA bills.⁶⁵ Mr. Geller argued that this is untenable, as many residential customers – particularly low income customers – already face unaffordable rates, even before any rate increase pursuant to this proceeding.⁶⁶ Customers who are unable to pay these additional fees will be precluded from certain payment options, thus making it more difficult to make timely bill payments.⁶⁷ Mr. Geller recommended that PWSA continue its policy to eliminate merchant fees for residential customers who make Interactive Voice Response (IVR) or online payments.⁶⁸ As a result of the concerns raised by PWSA expert witness, Julie Mechling, in rebuttal testimony related to the costs and administrative burden of implementing this proposal, Mr. Geller subsequently modified his recommendation that the pass through of fees should be limited to low income customers.⁶⁹ Mr. Geller recommended that customers who are identified as low income based on PWSA's records

⁶⁴ PWSA St. 6 at 33.

⁶⁵ Pittsburgh United St. 1 at 47.

⁶⁶ Id.

⁶⁷ Id.

⁶⁸ Id.

⁶⁹ Pittsburgh United St. 1-SR at 15-17.

should receive a reimbursement in their asked-to-pay amount in the month following incursion of the convenience fee.⁷⁰

Paragraph III.9.D.4. of the proposed Settlement provides that PWSA withdraws its proposal regarding the cost responsibility for convenience fees.

We assert that the provisions under Paragraph III.9.D.4. of the proposed Settlement are in the public interest and should be approved. By PWSA withdrawing its proposal regarding cost responsibility for convenience fees, PWSA's current policy – whereby residential customers who make IVR or online payments will not be subject to certain merchant fees – will continue. As Mr. Geller explained through testimony, continuation of this policy will allow residential customers already struggling to afford their monthly bills the flexibility of paying through IVR and online systems, without incurring additional costs. Continuing this policy will encourage timely bill payment, and not exacerbate already unaffordable rates for residential customers. While Mr. Geller's additional recommendation related to convenience fees were not adopted in their entirety, withdrawal of PWSA's convenience fee proposal is a reasonable compromise of the competing considerations raised by the Settling parties. As such, the provisions in Paragraph III.9.D.4. of the proposed Settlement are just, reasonable, in the public interest, and should be approved without modification.

E. Low Income Customer Assistance Programs

1. Cross Enrollments

Paragraph III.9.E.1. of the proposed Settlement provides that, within thirty (30) days of the entry of an Order, PWSA's Cares Team will contact the City of Pittsburgh and the Allegheny

⁷⁰ Id.

Department of Human Services (Allegheny DHS) to identify potential mechanisms through which it can cross-enroll customers through other municipal offices serving the City of Pittsburgh -- or through coordination with programs or services administered by the Allegheny DHS.⁷¹ This Paragraph further provides that PWSA will also solicit leads for contacts from its LIAAC and report the status of this process to LIAAC.⁷²

The provisions contained in Paragraph III.9.E.1. of the proposed Settlement are reasonable and in the public interest. Mr. Geller recommended in his direct testimony that PWSA begin to track cross-program referrals and enrollments.⁷³ Mr. Geller explained that it is important that PWSA regularly track and enhance cross-enrollment efforts to meaningfully increase enrollment in its low income assistance programs – ensuring PWSA’s economically vulnerable consumers are receiving a more affordable rate.⁷⁴ The coordination related to cross-enrollment provided for in Paragraph III.9.E.1. will help to increase coordination between PWSA, the City of Pittsburgh, and Allegheny DHS, and may create avenues of eliminating duplicative administrative processes for consumers applying for assistance. Ultimately, these efforts may help low income customers to more easily access needed assistance, without unnecessary delays or administrative hurdles. For these reasons, we asserts that Paragraph III.9.E.1 of the proposed Settlement is just, reasonable, in the public interest, and should be approved without modification.

2. *Household Affordability Study*

In his direct testimony, Mr. Geller noted that PWSA derived its estimated low income customer count from its 2019 Household Affordability Analysis.⁷⁵ Mr. Geller explained that

⁷¹ Proposed Settlement at ¶ 9.E.1.

⁷² Id.

⁷³ Pittsburgh United St. 1 at 29.

⁷⁴ Id.

⁷⁵ Pittsburgh United St. 1 at 9.

reliance of the Household Affordability Analysis was flawed as it was conducted prior to the unprecedented economic pressures in recent years that likely resulted in additional households becoming low income and eligible for available assistance.⁷⁶ Mr. Geller recommended that PWSA update its estimated low income customer count and its formal needs assessment within one year of the final order in this proceeding.⁷⁷

Paragraph III.9.E.2. of the proposed Settlement provides that, within one year of the final Order, PWSA will update its 2019 Household Affordability Study.⁷⁸ This Paragraph of the proposed Settlement further details the key elements necessary for the Household Affordability Analysis to appropriately assess the need for rate assistance in PWSA's service territory.⁷⁹ Finally, Paragraph III.9.E.2. provides that a preliminary draft will be shared with and discussed with the LIAAC and PWSA will consider, in good faith, whether to incorporate any feedback provided in the final study⁸⁰. The final study will be provides to the LIAAC, and PWSA will explain, where applicable, why recommendations of the LIAAC were not incorporated into the study.⁸¹

We assert that the provisions in Paragraph III.9.E.2. of the proposed Settlement reasonably addresses Mr. Geller's concerns that PWSA's Household Affordability Analysis was outdated, and reliance on the Analysis was therefore inappropriate. Updating the Household Affordability Analysis will provide an important and more up-to-date assessment of need and low income households within PWSA's service territory. Importantly, the proposed Settlement sets forth important minimum parameters that must be met when updating the Household Affordability Analysis, including identification of geographic areas of need, and patterns and trends of payment

⁷⁶ Id.

⁷⁷ Id. at 26-27.

⁷⁸ Proposed Settlement at ¶ III.9.E.2.

⁷⁹ Id.

⁸⁰ Id.

⁸¹ Id.

troubled customers.⁸² By requiring that the updated Household Affordability Analysis also examine burden levels of low income households by FPL, the proposed Settlement helps to better ensure that an updated Household Affordability Analysis will more accurately approximate the level of need amongst PWSA's customers.

Requiring PWSA to update its estimated low income customer count based on certain census data will provide the Commission, parties, and PWSA with an important and more timely assessment of PWSA's low income customer count. An updated estimated low income customer count will help to determine whether PWSA's low income assistance programs are adequately reaching and meeting the needs of PWSA's low income customers – and will aid in evaluating needed enhancements to these programs. Finally, by requiring that a preliminary draft of the Household Affordability Analysis be discussed with the LIAAC – and that feedback not incorporated into the final Analysis be explained – the proposed Settlement will help parties and stakeholders to provide feedback related to whether the Household Affordability Analysis adequately reflects PWSA's low income customers. For these reasons, we assert that the provisions contained in Paragraph 9.E.2. of the proposed Settlement are just, reasonable, in the public interest, and should be approved without modification.

3. **Bill Discount Program (“BDP”)**

a. BDP Structure and Discounts

In its initial filing, PWSA proposed to eliminate its minimum customer charge.⁸³ In recognition that elimination of the minimum customer charge would greatly and adversely impact the BDP's current discounts and structure, PWSA proposed to restructure its BDP to provide BDP

⁸² Proposed Settlement at ¶ III.9.E.2.

⁸³ PWSA St. 6 at 37.

participants with certain fixed bill credits based on delineated income tiers.⁸⁴ PWSA also proposed to increase income eligibility for the BDP from 150% to 200% FPL.⁸⁵ PWSA additionally proposed to provide BDP customers with a 50% reduction to the proposed Infrastructure Improvement Charge (IIC) and a 100% reduction to its proposed Customer Assistance Charge (CAC).⁸⁶

Mr. Geller analyzed PWSA's BDP proposal, and concluded that, in the context of the current rate request, he was generally supportive of PWSA's proposed revisions to the structure and discounts under the BDP.⁸⁷ However, Mr. Geller also noted that PWSA's proposal may ultimately require additional improvements in the structure and discount levels of the BDP to ensure that low income customers – regardless of family size or income level – can achieve affordable burden levels.⁸⁸ Based on the affordability analysis conducted by the Office of Consumer Advocate (OCA) expert witness, Roger Colton, Mr. Geller amended and clarified his initial position.⁸⁹ Mr. Geller explained that his recommendation that PWSA's proposal should be read a necessary floor of revisions for the BDP, and that he was highly supportive of Mr. Colton's recommended changes to the structure and discounts levels of the BDP.⁹⁰

Paragraph III.9.E.3. of the proposed Settlement includes critical expansion of the BDP discount levels. Specifically, the Paragraph provides that PWSA will increase from 50% to 60% the volumetric discount available to customers with annual income at or below 50% FPL.⁹¹ In turn, PWSA will implement its proposal to expand the BDP maximum income eligibility from

⁸⁴ Id.

⁸⁵ Id.

⁸⁶ Id.; Pittsburgh United St. 1 at 31.

⁸⁷ Pittsburgh United St. 1 at 31.

⁸⁸ Id.

⁸⁹ Pittsburgh United St. 1-R at 15-16.

⁹⁰ Id.

⁹¹ Proposed Settlement at ¶ III.9.E.3.

150% to 200%.⁹² This Paragraph of the proposed Settlement also provides that PWSA will provide a 50% reduction for BDP participants for the PennVest Charge.⁹³

As this Settlement contains an agreement not to implement PWSA's proposed rate structure change to remove the minimum charge within the context of this proceeding, PWSA also withdraws its proposal to revise the current BDP structure.⁹⁴ In recognition of the fact that PWSA has also agreed to remove its minimum charge and readiness-to-serve component from the customer charge in its next base rate case, which will adversely impact discounts to BDP customers, this Paragraph requires PWSA to propose a BDP structure in its next base rate proceeding that ensures BDP customers receive at least the same discount on a total bill basis as they are currently receiving under the rate design implemented as a result of the proposed Settlement.⁹⁵

Taken together the provisions under Paragraph III.9.E.3. of the proposed Settlement provide for important enhancements to the BDP. By increasing eligibility for the BDP from 150% to 200% FPL, additional customers in need of financial assistance can access the reduced rates available under the BDP. By increasing the volumetric discount from 50% to 60% for customers with annual income at or below 50% FPL, the proposed Settlement will help to provide increased discounts for customers at the lowest end of the poverty scale, who represent customers with the most need. The proposed Settlement also importantly provides a 50% reduction for BDP participants for the PennVest Charge, thus conveying critical relief for low income BDP participants from bearing the full cost of the PennVest Charge.

⁹² Id.

⁹³ Id.

⁹⁴ Id.

⁹⁵ Id.

Paragraph III.9.E.3. of the proposed Settlement also sets forth important provisions related to PWSA's initial proposal to restructure its BDP as a result of its proposal to eliminate its minimum charge. By providing that, in its next base rate case, PWSA will propose a BDP structure that ensures that BDP customers receive at least the same discount on a total bill basis that they are currently receiving, the proposed Settlement helps to guard against subsequent degradation to the BDP as a result of changes to PWSA's rate structure.⁹⁶

b. *Arrearage Forgiveness Program (AFP)*

In his direct testimony, Mr. Geller also recommended that PWSA restructure its Arrearage Forgiveness Program (AFP). Mr. Geller detailed in his direct testimony how the AFP, as currently structured, does not provide adequate arrearage relief for low income customers.⁹⁷ Mr. Geller explained that the level of enrollment in the AFP is relatively low, with only 261 customers enrolled in the AFP as of July 2022.⁹⁸ By comparison, PWSA reports approximately 18,100 of its total residential customers were in arrears as of July 2023.⁹⁹ Mr. Geller further explained that, as currently structured, the AFP does not offer adequate relief to ensure that participants are able to catch up on accrued arrears.¹⁰⁰ PWSA indicated that, as of May 2023, for BDP customers at or below 50% FPL, carried a total of \$68,986 in preexisting arrears, or \$1,095 per BDP customer.¹⁰¹ PWSA indicated that BDP customers above 50% FPL to 150% FPL carry a total of \$136,600 in pre-existing arrears, or \$983 per customer, as of May 2023.¹⁰²

Mr. Geller noted that the effectiveness of the AFP is further hampered by PWSA's requirement that customers must enter into a payment plan related to past-due arrears in order to

⁹⁶ Id.

⁹⁷ Pittsburgh United St. 1 at 35-36.

⁹⁸ Id.

⁹⁹ Id.

¹⁰⁰ Id.

¹⁰¹ Id.

¹⁰² Id.

enroll in the AFP.¹⁰³ Requiring AFP participants to enter into a payment plan to earn forgiveness credits further increases AFP participants monthly bills and undercuts affordability benefits provided by both the AFP and BDP.¹⁰⁴

To address concerns about current structure of the AFP, Mr. Geller recommended that the AFP be restructured to a percent forgiveness program wherein, for each in-full payment that customers make when enrolled in the AFP, 1/36th of the customer's preprogram arrears would be forgiven.¹⁰⁵ Mr. Geller also recommended that AFP participants be able to earn forgiveness on catch-up payments, and that AFP participants are not required to pay copay or payment plan amounts in order to earn AFP credits.¹⁰⁶

Paragraph III.9.E.3.f. of the proposed Settlement sets forth several important enhancements to the AFP. First, this Paragraph provides that PWSA agrees to increase the current \$30 credit toward a participant's arrears to \$40.¹⁰⁷ Second, this Paragraph sets forth that, in its next base rate case, PWSA will propose to implement a change to its AFP that would allow then-existing and all future participants to receive arrearage forgiveness over no longer than a 36 month period, and that will not require AFP participants to make a co-payment towards the pre-program frozen arrears.¹⁰⁸ All parties reserve their rights regarding any cost recovery proposal proposed regarding the AFP.¹⁰⁹

We assert that the provisions set forth in Paragraph III.9.E.3.f. of the proposed Settlement are reasonable and in the public interest. By increasing AFP credits from \$30 to \$40, the proposed Settlement provides for more immediate improvements to better address the high levels of arrears

¹⁰³ Id. at 36-37.

¹⁰⁴ Id.

¹⁰⁵ Id. at 39.

¹⁰⁶ Id.

¹⁰⁷ Proposed Settlement at ¶ III.9.E.3.f.

¹⁰⁸ Id.

¹⁰⁹ Id.

carried by low income customers. The proposed Settlement also sets forth several important requirements for PWSA in its next case rate case related to the AFP. Specifically, the proposed Settlement requires that PWSA, in its next base rate base, propose to revise its AFP structure so that participants receive arrearage forgiveness in no longer than 36 months, and so that AFP participants are not required to make copayments towards pre-program frozen arrears.¹¹⁰ While Mr. Geller's recommendations to restructure the AFP were not adopted in their entirety in the context of this rate proceeding, the proposed Settlement provides for the essential change to a percent-forgiveness structure without additional payment requirements in the context of the next rate proceeding. We assert that this is a reasonable compromise of the varying interests of the Settling parties and will help to ensure that, in the long-term, PWSA's AFP is restructured to enhance affordability for its low income participants. As such, we asserts that the provisions under Paragraph III.9.E.3.f. of the proposed Settlement are just, reasonable, in the public interest, and should be approved without modification.

4. **Hardship Fund**

In its initial filing, PWSA proposed to permit eligible customers experiencing a hardship two access two separate grants each year of up to \$300 each to resolve a hardship – one to be distributed to eligible water customers and one to be distributed to eligible wastewater customers.¹¹¹ PWSA also proposed that the Hardship Fund be funded through rates collected

¹¹⁰ Id.

¹¹¹ PWSA St. 6 at 37: 22-25.

through the CAC starting in FY 2025.¹¹² In his direct testimony, Mr. Geller explained that he was in favor of rate supported funding for PWSA's Hardship Fund.¹¹³

Mr. Geller raised concerns through his direct testimony that PWSA's current maximum grant amounts – \$300 for water and \$300 for wastewater – were out of line with the average arrearage level carried by PWSA's low income customers.¹¹⁴ The average arrearage of PWSA's BDP customers has increased significantly since 2019, and (as of June 2023) was \$1,041.03.¹¹⁵ By definition, half of BDP customers in arrears would carry higher arrearage levels than this average. Mr. Geller recommended that PWSA increase its maximum Hardship Fund grant from \$300 to \$500 and allow households to apply for grant assistance twice a year – regardless of whether a customer elects to apply to grant to water or wastewater charges.¹¹⁶

Paragraph III.9.E.4. of the proposed Settlement provides that PWSA will implement its initial proposal to allocate two separate annual grants: one to be distributed to eligible water customers and one to be distributed to eligible wastewater customers.¹¹⁷ This Paragraph further provides that the maximum Hardship Fund grant will be increased from \$300 to \$450.¹¹⁸ Finally, this Paragraph states that PWSA agrees to include an allocation in rates as necessary to continue to fund the Hardship Fund when current settlement funds are exhausted and to the extent employee and other volunteer donations are insufficient.¹¹⁹

We assert that the provisions contained in Paragraph 9.E.4. of the proposed Settlement provide important enhancements to the accessibility and level of assistance of PWSA's Hardship

¹¹² Id. PWSA St. 2 at 4: 29-31.

¹¹³ Pittsburgh United St. 1 at 40.

¹¹⁴ Id. at 41.

¹¹⁵ Id.

¹¹⁶ Id. at 43.

¹¹⁷ Proposed Settlement at ¶ III.9.E.4.

¹¹⁸ Id.

¹¹⁹ Id.

Fund. Implementing PWSA's proposal to allocate two separate annual Hardship Fund grants reasonably balances the varied interests of the Settling parties, while helping to expand access to the Hardship Fund for low income customers who struggle to afford their monthly bills throughout the year. By increasing the maximum Hardship Fund grant amount from \$300 to \$450, the proposed Settlement will help to better approximate the accrued debts carried by PWSA's low income customers. PWSA's agreement to continue to fund the Hardship Fund through an allocation in rates (when current settlement funds are exhausted and to the extent employee and other volunteer donations are insufficient) helps to reasonably address Mr. Geller's recommendation that the Hardship Fund should be funded through rates. As such, we assert that the provisions contained in Paragraph III.9.E.4. of the proposed Settlement are just, reasonable, in the public interest, and should be approved without modification.

5. **Low Income Assistance Advisory Committee (LIAAC)**

Throughout his direct testimony, Mr. Geller recommended that PWSA's LIAAC be engaged to provide valuable feedback related to several topics affecting PWSA's low income consumers. For example, Mr. Geller recommended that the LIAAC be consulted and provide feedback related to: (1) his recommended consumer education and outreach plan;¹²⁰ (2) low income customer data tracking and reporting, including on cross-program enrollments;¹²¹ and (3) its progress related to achieving target enrollment levels, as recommended by Mr. Geller.¹²²

Paragraph III.9.E.5. of the proposed Settlement provides that PWSA commits to leading a discussion of its LIAAC related to the following topics: (i) evaluation of the potential benefits of developing a program to provide no-cost stormwater mitigation measures for customers; (ii)

¹²⁰ Pittsburgh United St. 1 at 26.

¹²¹ Id. at 29.

¹²² Id. at 34.

consideration of how enhanced technology could increase the enrollment and retention in PWSA's low income customer assistance programs; (iii) discussion of how or whether to encourage low income tenants to transfer service into their own name.¹²³ Finally, this Paragraph provides that, as part of its next base rate case, PWSA will report on the results of its collaboration with its LIAAC regarding these topics and include any proposed recommendations resulting from the collaboration.¹²⁴

We assert that the provisions contained in Paragraph III.9.E.5. of the proposed Settlement contain important requirements that will help to ensure that PWSA continues to meaningfully engage its LIAAC on timely and important topics affecting its low income customers. In particular, requiring that PWSA consult with the LIAAC regarding the potential benefits of developing programs to provide no-cost stormwater mitigation measures will help to ensure that the LIAAC can provide feedback related to what stormwater mitigation measures would be most useful to be provided at no-cost. This provision helps to address concerns raised by Mr. Geller related to the need for additional green mitigation assistance for low income households, as previously discussed. Requiring PWSA to engage its LIAAC related to how enhanced technology may increase enrollment and retention in low income assistance programs will also open an important dialogue about emerging avenues to connect low income customers with needed assistance. Finally, by requiring PWSA to report in its next base rate case the results of these collaborations and include resulting recommendations in its filing, the proposed Settlement directs PWSA to be responsive to and consider in good faith the feedback and suggestions put forth by its LIAAC members. We therefore assert that the provisions contained in Paragraph III.9.E.5. of the proposed

¹²³ Id.

¹²⁴ Id.

Settlement are just, reasonable, in the public interest, and should be approved without modification.

F. Engineering and Operating Issues

Pittsburgh Untied did not take a position in this proceeding related to the Engineering and Operations Issues set forth in Paragraphs III.9.F. of the proposed Settlement.

G. Additional Terms and Conditions

Paragraphs 10-16 of the proposed Settlement sets forth several additional terms and conditions related to the proposed Settlement that ensure that Settling parties retain certain rights and obligations related thereto.¹²⁵

As a whole, the additional terms and conditions set forth in the proposed Settlement represent a balanced compromise of the interests of the Joint Petitioners and set forth additional rights and obligations of the Joint Petitioners in a fair and reasonable manner that is in the public interest and should be approved.

III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

The Commission's regulations lend unambiguous support for settlements, and declare: "It is the policy of the Commission to encourage settlements."¹²⁶ The Commission has also set explicit policy guiding settlement of a major rate case, explaining in its codified statement of policy

¹²⁵ Proposed Settlement at ¶¶ 10-16.

¹²⁶ 52 Pa. Code § 5.231.

that “the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding.”¹²⁷ Settlements are preferred, at least in part, because they “lessen the time and expense that Parties must expend litigating a case and, at the same time, conserve resources.”¹²⁸ In reviewing whether to approve a proposed settlement, the Commission must determine whether the terms and conditions are in the interest of the public based on a preponderance of the evidence “showing a likelihood or probability of public benefits that need not be quantified or guaranteed.”¹²⁹ Historically, the Commission has defined the public interest as inclusive of ratepayers, shareholders, and the regulated community at large.¹³⁰ Of course, proposed settlement terms must also be consistent with applicable law.¹³¹

The proposed Settlement was achieved by the Joint Petitioners after an extensive investigation of PWSA’s filings.¹³² The Joint Petitioners engaged in extensive informal and formal discovery to investigate PWSA’s filings and proposals, and submitted extensive testimony in this proceeding.¹³³ The proposed Settlement was developed after extensive negotiation and consideration by the Joint Petitioners.¹³⁴

Pittsburgh United asserts that the proposed Settlement is in the public interest. As discussed more fully in Paragraph 18, the proposed Settlement represents a balanced compromise of the issues raised by the Settling parties, and is responsive to concerns about customer impacts on

¹²⁷ 52 Pa. Code § 69.401.

¹²⁸ See Commonwealth of Pa. et al. v. IDT Energy, Inc., Docket No. C-2014-2427657, at 35-37 (Tentative Order entered June 30, 2016).

¹²⁹ See id. (quoting Popowsky v. Pa. PUC, 594 Pa. 583, 937 A.2d at 1040 (2007)).

¹³⁰ See id. (citing Pa. PUC v. Bell Atlantic Pennsylvania, Inc., Docket No. R-00953409 (Order entered Sept. 29, 1995)).

¹³¹ See id. (citing Dauphin County Indus. Dev. Auth. v. Pa. PUC, 2015 Pa. Commw. LEXIS 381 (Sept. 9, 2015)).

¹³² Proposed Settlement at ¶ 17.

¹³³ Id.

¹³⁴ Id.

affordability, customer service, and continued outreach and evaluation related to PWSA's stormwater fees.¹³⁵ The proposed Settlement amicably resolves a substantial number of issues raised in this proceeding, and thereby avoid additional costly litigation on these issues.¹³⁶ The proposed Settlement is consistent with Commission's rules and practice encouraging settlements, set forth in 52 Pa. Code §§ 5.231, 69.391, 69.401-69.406, and is supported by substantial record evidence.¹³⁷ For these reasons, and the reasons set forth throughout this Statement in Support, the proposed Settlement is just, reasonable, in the public interest, and should be approved without modification.

IV. CONCLUSION

The proposed Settlement was achieved by the Joint Petitioners after an extensive investigation of PWSA's filing and negotiations amongst the parties. Pittsburgh United asserts that the proposed Settlement is a reasonable resolution to a variety of complex issues, is in the public interest, and should be approved. Acceptance of the proposed Settlement avoids the necessity of further administrative and possible appellate proceedings about the settled issues – which would have been undertaken at a substantial cost to the Joint Petitioners. Accordingly, Pittsburgh United respectfully requests that ALJ Chiodo and the Commission approve the proposed Settlement without modification.

Respectfully submitted,
Counsel for Pittsburgh United's Our Water Table

¹³⁵ *Id.* at ¶ 18.

¹³⁶ *Id.*

¹³⁷ *Id.*

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Appendix M

To

**Joint Petition for
Settlement**

Docket Nos.

R-2023-3039919, et. al.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2023-3039919 (stormwater)
Office of Small Business Advocate	:	C-2023-3040789
Office of Consumer Advocate	:	C-2023-3040847
	:	
v.	:	
	:	
The Pittsburgh Water and Sewer Authority	:	

Pennsylvania Public Utility Commission	:	R-2023-3039920 (water)
Office of Small Business Advocate	:	C-2023-3040785
Office of Consumer Advocate	:	C-2023-3040845
	:	
v.	:	
	:	
The Pittsburgh Water and Sewer Authority	:	

Pennsylvania Public Utility Commission	:	R-2023-3039921 (wastewater)
Office of Small Business Advocate	:	C-2023-3040780
Office of Consumer Advocate	:	C-2023-3040846
	:	
v.	:	
	:	
The Pittsburgh Water and Sewer Authority	:	

**THE SCHOOL DISTRICT OF PITTSBURGH’S STATEMENT IN SUPPORT OF FULL
SETTLEMENT**

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

The School District of Pittsburgh (“School District”) hereby files this Statement In Support Of Full Settlement (“Statement”) in connection with a Joint Petition for Approval of Settlement (“Settlement Agreement,” “Settlement,” or “Joint Petition”) entered into by The School District of

Pittsburgh (“School District”), the Pennsylvania Public Utility Commission’s (“Commission”) Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), Pittsburgh United’s Our Water Table (“Pittsburgh United”), the Office of Small Business Advocate (“OSBA”), the City of Pittsburgh (“City”), and the Pittsburgh Water and Sewer Authority (“PWSA”) (collectively, “Joint Petitioners”)¹ in the above-captioned proceeding. The Settlement Agreement is intended to resolve all issues related to this proceeding.

I. INTRODUCTION

Due to concerns about large and growing stormwater charges imposed on it by the Pittsburgh Water and Sewer Authority (“PWSA”), the Pittsburgh School District (“School District”) timely intervened in this rate proceeding and has actively participated in it.

The bases for the School District’s intervention and participation in this proceeding were two-fold: First, recent judicial precedent established by the Pennsylvania Commonwealth Court suggests that efforts by entities like municipalities to develop and charge a “fee” for stormwater “service” is legally unsupportable under Pennsylvania law because, among other things, stormwater management is a “public” service broadly available to all members of a municipality much like roads, municipal lighting or police protection and, as such, such services should be paid for by all the citizens of the impacted community via taxes and not as fees or charges for such stormwater service. If that principle were extended to PWSA, it could not charge fees to customers like the School District for stormwater service. Rather, the underlying municipality, in this case largely the City of Pittsburgh, could impose a tax on its residents to pay for stormwater fees the City incurs in providing those services. And, in such event, the School District would have no

¹As noted in the Joint Petition, the Joint Petitioners are authorized to represent that River Development Corporation does not oppose the Settlement.

obligation to pay any tax imposed on stormwater since the School District is a tax-exempt entity. Unlike traditional utility-type services, ratepayers do not request stormwater service, nor is its usage measured on a per customer basis.

Second, and notwithstanding its view that the PWSA stormwater fee is an unlawful tax, the School District challenged a few of PWSA's stormwater-related rate design and cost allocation decisions, leading to the School District's recommendation that the Commission direct PWSA to establish a separate rate classification for the School District – given its unique status as a governmental entity serving many of the most impoverished residents in the community – in order to obtain an 85% discount on the stormwater charges to the School District. Such stormwater discount is exactly comparable to the one PWSA already provides to low-income residential customers, the same socio-economic clientele being served by the School District.

The School District is organized and maintains its existence under the Act of March 10, 1949, P.L. 30, known as the Public School Code of 1949, as amended. The School District is classified by population as a first class-A school district and is fully accredited by the Middle States Association for Elementary and Secondary Schools. The School District is an independent government unit in Pennsylvania. It owns real property comprising more than sixty-five buildings in the City of Pittsburgh and is a water, wastewater and stormwater customer of the PWSA at many of the School District's properties. School District Statement No. 1, at 6.

The School District, the second largest school system in the Commonwealth of Pennsylvania, provides a full range of educational services to students in grades pre-kindergarten (“Pre-K”) through grade 12 who reside in the City of Pittsburgh or Borough of Mt. Oliver. The School District's official 2021-22 enrollment included 20,350 students (Pre-K to 12) with 19,159

K-12 attending 57 schools. The projected enrollment for 2023-2024 is 20,352 students (Pre-K to 12). School District Statement No. 1, at 7. Current enrollment is approximately 18,500 students.

Based on the application of federal guidelines, of the School District's 54 schools, 4 schools have students and their families with less than 70% poverty, 3 schools between 70% and 90% poverty, and the remaining 47 schools have over 90% poverty for the students and their families. School District Statement No. 1-SR, at 11-12.

The School District is a water, wastewater and stormwater customer of PWSA for most of its properties. It owns a large number of buildings and facilities and has a significant amount, about 6.9 million square feet, of impervious surfaces within its footprint, which equates to about 4,264.5 Equivalent Residential Units ("ERUs") as defined by PWSA. About 45 percent of the School District total land area, according to PWSA, constitutes impervious surface. School District Statement No. 1, at 11. PWSA's impervious surface methodology, used for allocating stormwater costs, does not take into account the significant amount of the School District's land area that is permeable.

From January 1, 2022 to December 31, 2022, the School District paid PWSA \$935,910.26 for water service, \$523,905.28 for wastewater service \$9,889.65 for fire line service and \$303,378.44 for stormwater. The total average annual payment to the PWSA (based on the last five years) for water, wastewater and stormwater for all School District properties is \$1,347,892, while the total paid to PWSA in 2022 was \$1,773,083.50. Payments to the PWSA comprise about 16% of the School District's average annual utility budget². School District Statement No. 1, at 11.

²The School District's "utility budget" specifically refers to the total amount the School District pays in a given year for Water, Sewage, Fire Lines, Natural Gas, Electric, Steam, and Chilled Water.

II. BACKGROUND

PWSA incorporates herein the Background section contained in the Joint Petition of which this Statement is an integral part.

III. SETTLEMENT

A. Revenue Requirement, Rates and Changes

The School District takes no position on any issues related to this Section of the Settlement.

B. Third-Party Collection Agency

The School District takes no position on any issues related to this Section of the Settlement.

C. Stormwater

As noted above, the School District's primary interest in this proceeding and in the Settlement relates to the existence of stormwater charges by PWSA and the magnitude of those charges to the School District, recognizing its distinct and unique customer status unlike any other non-residential customer served by PWSA.

The Settlement terms relating to stormwater have two separate components. One is generally applicable all PWSA customers and includes PWSA's agreement to set up a collaborative meeting to work on identifying ways to reduce impervious areas or to implement stormwater controls and to help customers obtain credits offsetting stormwater fees and assist the Settlement Parties in identifying potential funding opportunities. Further, this general Settlement provision expressly acknowledges that the parties to the collaborative are not precluded from discussing alternatives to a stormwater fee based on something other than the square footage of impervious surface for PWSA's consideration in its future rate case filings. PWSA has also committed to developing an outreach and education plan regarding assistance and mitigation measures regarding its stormwater fees, including training and call scripting for PWSA's customer

service representatives to better prepare them to advise customers about adopting green stormwater mitigation and the benefits of participating in green stormwater mitigation. The enhanced outreach and education related to stormwater will include a plan for “community engagement.”

The second component of the Settlement’s stormwater related provisions is applicable solely to the School District and is in recognition of the district's unique ability to provide land for public use and benefits, as well as its potential ability (with assistance from PWSA) to access grants and other funding to assist with the implementation of stormwater mitigation projects. In short, the School District-centered Settlement provisions recognize that there are joint opportunities for the School District and PWSA to work together collaboratively on stormwater management and mitigation projects that have been not fully explored to date, but which could provide mutual benefits to both parties (and the public generally) if fully implemented. Among the important features of the School District specific stormwater provisions of the Settlement are the following:

- Until PWSA files its next base rate case, both PWSA and the School District have agreed to appoint designated persons to be the point of contact for issues relating to the School District’s stormwater management activities.
- PWSA has agreed to apply a 5% credit retroactive to January 12, 2022 (“Retroactive Credit”) to the first stormwater bills issued to the School District within the month after the effective date of the rates as approved by the Commission in this proceeding.
- The School District and PWSA have committed to work in good faith together for a year after a final Commission order approving the Settlement to fully evaluate the School District’s properties to determine, consistent with PWSA’s Stormwater Credit Program requirements, the amount of the future stormwater credits to be applied to the School District on a going-forward basis.
- PWSA has agreed to jointly work with the School District to apply for third party funding opportunities to assist in improving the School District’s stormwater management practices, conversion of impervious surfaces to pervious surfaces and any other steps reasonably available to qualify for credits pursuant to PWSA’s prevailing Stormwater Credit Program.

- The School District has agreed to work with PWSA regarding potential property presently owned by the School District that may be available for the construction of stormwater controls /projects/measures.
- PWSA has agreed to assist the School District in identifying potential projects and provide guidance to the School District in hiring consultants and contractors for the successful completion of the identified stormwater controls/projects/measures.
- PWSA has agreed to provide guidance to the School District on the operation and maintenance of the constructed stormwater controls/projects/measures.

The School District supports and fully endorses all of the stormwater-related provisions of the Settlement for the reasons specified below in Section IV and urges timely approval of the Settlement as requested in the Joint Petition.

D. Customer Service

The School District takes no position on any issues related to this Section of the Settlement.

E. Low Income Customer Assistance Programs

The School District takes no position on any issues related to this Section of the Settlement.

F. Engineering and Operating Issues.

The School District takes no position on any issues related to this Section of the Settlement.

G. Additional Terms and Conditions

The School District takes no position on any issues related to this Section of the Settlement.

IV. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

The stormwater-related provisions of the Settlement are in the public interest and should be approved timely and without modification.

Both the general and specific Settlement provisions will greatly enhance all customers’ knowledge and understanding of the need to address stormwater management proactively to obtain credits on their stormwater bills while providing long-term benefits to the communities PWSA serves in mitigating future costs of managing stormwater.

The Settlement also properly recognizes the School District as a unique customer of PWSA for stormwater purposes and acknowledges the unique role the School District can play in managing and mitigating the costs and operations related to stormwater management. The School District owns a substantial number of buildings (54) that play a role in stormwater runoff given the almost 6.9 million square feet of impervious surfaces within its footprint, and the commitments by PWSA and the School District in the Settlement to find opportunities to identify and implement new stormwater management projects has the potential to provide benefits to the School District (in lowering its stormwater costs) and PWSA (in assisting in providing better stormwater management and lowering its potential future investment in stormwater-related infrastructure). The benefits to PWSA and the School District are shared by the public generally since managing and addressing stormwater is fundamentally a community-wide issue. More effective stormwater management resulting from the collective and collaborative efforts of PWSA and the School District – especially given the district’s large amount of impervious surfaces in the City of Pittsburgh – will be shared with thousands of community residents and customers of PWSA.

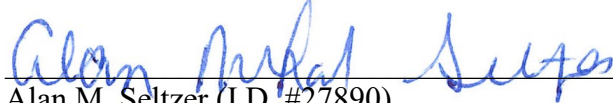
Further, the stormwater-related provisions of the Settlement will provide - via the Retractive Credit – material financial relief to the School District for stormwater charges it previously incurred from January 12, 2022. Every dollar saved by the School District in stormwater related charges can be used in more directly supporting the educational mission and vision of the School District, which involves the sometimes-daunting task of providing quality education to over 20,000 students, most of whom are in school buildings having over 90% poverty for the students and their families.

It is important to note, however, that the benefits reflected in the stormwater-related provisions of the Settlement come with the clear understanding and recognition by the School

District that it is forgoing at the present time and under the circumstances described in detail in the Joint Petition, its litigation position that PWSA's stormwater fee is unlawful since those services should be paid by all community residents as a tax, certain other claims regarding the use of impervious surface exclusively to calculate ERUs and other rate design and rate allocation issues raised in the litigation. But as is the case with all settlements, the School District has carefully evaluated the benefits and costs of the Settlement relating to stormwater and has concluded that it is in its and in the public interest to support the stormwater-related provisions of the Settlement for the reasons noted herein.

Respectfully submitted,

BUCHANAN INGERSOLL & ROONEY PC



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Dated: October 30, 2023

Appendix N

To

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Settlement**

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	:	C-2023-3040785
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	:	
	:	R-2023-3039921 (Wastewater)
	:	C-2023-3040780
v.	:	C-2023-3040846
	:	
	:	R-2023-3039919 (Stormwater)
	:	C-2023-3040789
Pittsburgh Water and Sewer Authority	:	C-2023-3040847

**THE CITY OF PITTSBURGH’S
STATEMENT IN SUPPORT OF SETTLEMENT**

The City of Pittsburgh (“City”) respectfully requests that Administrative Law Judge Gail M. Chiodo (“ALJ”) and the Pennsylvania Public Utility Commission (“Commission”) approve, without modification, the terms and conditions contained in the Joint Petition for Settlement of All Issues with All Parties (“Settlement”).

I. INTRODUCTION

The City intervened in this proceeding in its capacity as a Pittsburgh Water and Sewer Authority customer and ratepayer. As part of its involvement in this proceeding, the City reviewed PWSA’s base rate increase request and related proposals, including PWSA’s supporting testimony and exhibits and discovery responses. The City also reviewed testimony from other parties including the Bureau of Investigation and Enforcement, (“BIE” or “I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Pittsburgh United’s Our Water Table (“United”), and the School District of Pittsburgh (“School District”) (collectively

“Opposing Parties”). While the City determined not to file any responsive testimony in this proceeding, it has evaluated the issues raised and proposals made and participated in numerous settlement discussions with the other parties. As a result of these settlement discussions, the parties reached a reasonably crafted and comprehensive agreement resolving the issues presently before the Commission.

The City supports the Settlement and submits that its terms and conditions are reasonable and in the public interest. In addition, the City believes that the Settlement provides the best outcome for the City, PWSA, and residents of the City, who themselves are customers of PWSA. Accordingly, the City submits that the ALJ and the Commission approve the Settlement, without modification.

II. SETTLEMENT

By way of its base rate increase filing, PWSA sought Commission approval for: a multi-year total overall rate revenue increase of \$146.1 million, inclusive of a Distribution System Improvement Charge (“DSIC”) cap increase. This included a \$46.8 million or 22.5% increase in the FPFTY (FY 2024), \$45.4 million or 17.8% in FY 2025, and \$53.9 million or 17.9% in FY 2026. In response to this filing, Opposing Parties raised concerns about PWSA proposals regarding, *inter alia*, revenue requirement, increasing the DSIC Cap, multi-year rate plan, cost allocation to classes and rate design and allocation of any rate increase to customer classes, wholesale contracts, Infrastructure Improvement Charge (“IIC”), Customer Assistance Charge (“CAC”), stormwater issues including rates, tariff, and credits, customer service, low income customer assistance issues, and operating practices associated with reduction of high pressure, exercising isolation valves, meter testing and replacement, distribution system flushing, etc.

The Settlement comprehensively addresses the concerns raised by the Opposing Parties while providing PWSA with sufficient revenues to provide adequate, efficient, safe, and reasonable service and facilities. The Settlement provides for, *inter alia*, an agreed upon revenue requirement, rate structure, revenue allocation, rate design, and a rate case stay-out. PWSA also makes commitments in the Settlement to address customer service, low-income customer assistance, and other operational issues raised in this proceeding. Specifically, PWSA commits to: remove a readiness-to-serve component from monthly water and wastewater customer charges; train third-party debt collectors regarding warm transfer to PWSA individuals seeking to re-establish service; enhance stormwater charges to include collaborative meetings with interested parties to help customers reduce impervious areas, implement stormwater controls, and help obtain stormwater credits to offset stormwater bills, and additional outreach and education with community engagement; use best efforts to meeting Call Center internal standards for answer time and abandonment rate; develop and implement call scripting and checklists for Customer Service Representatives to assist in screening customers for eligibility to participate in low income customer assistance programs; increasing credits and grants for low income customers; and use best efforts to inspect and exercise critical valves on a 3-year cycle, test or replace 8,000 meters per calendar year, identify, locate and track dead-end lines, and coordinate with governmental authorities relating to surface restoration.

Accordingly, the City supports the Settlement as whole because it is a reasonable compromise of parties' positions that addresses the key issues raised by the parties and results in

just and reasonable rates that afford PWSA the opportunity to collect the necessary revenue to provide adequate, efficient, safe, and reasonable service and facilities.¹

III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

To approve a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assoc.*, 74 Pa. PUC 767 (1991); *Pa. Pub. Util. Comm'n v. Philadelphia Electric Co.*, 60 Pa. PUC 1 (1985). Commission policy “encourage[s] settlements.” 52 Pa. Code § 5.231(a). Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative resources.

The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401. The Commission has also held that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. Pub. Util. Comm'n v. MXenergy Elec. Inc.*, Docket No. M-2012-2201861, slip op. at 8 (Opinion and Order entered Dec. 5, 2013).

The Settlement is in the public interest. As demonstrated above, the Settlement represents a comprehensive resolution of issues in dispute and a reasonable compromise of differing objectives and views. The Settlement addresses the key issues raised by the parties. The Settlement also balances PWSA’s need for increased revenue to provide adequate, efficient, safe, and reasonable service and facilities with customers’ financial interests. Moreover, the Settlement also achieves results preferable to those of a litigated proceeding. Specifically, the

¹ Because the City has not taken a position in litigation on the various proposals of PWSA and Opposing Parties, the City is not submitting argument regarding particular reasons for support of any specific settlement term.

Settlement contains a stay-out provision which the Commission could not order but for the Settlement² and enhancements to low income programs, again something the Commission could not order but for the Settlement.³ Thus, the Settlement achieves benefits to ratepayers that a litigated outcome cannot achieve and is consequently preferable to the results of a litigated outcome.

IV. CONCLUSION

The terms and conditions set forth in the Settlement amicably resolve the various issues amongst and between the parties to the proceeding and provide benefits that a litigated proceeding could not provide. Accordingly, the Settlement is reasonable, in the public interest, and should be approved by the ALJ and the Commission, without modification.

Respectfully Submitted,



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Dated: October 30, 2023

Counsel for the City of Pittsburgh

² *Pa. Pub. Util. Comm'n et al v. CUPA*, Docket Nos. R-2021-3025206 *et al.*, Opinion and Order at p. 46 (Order entered Jan. 13, 2022)(“It must be emphasized, however, that settlement agreement ‘stay out’ provisions are not required but are voluntary and achieved only as a part of a larger negotiation.”).

³ Neither the Public Utility Code nor the Commission’s regulations require or consider that a water utility or authority must provide assistance specific to low-income customers.