



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
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March 1, 2018

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

Re: Petition of Pennsylvania-American Water Company for Approval of Tariff
Changes and Accounting and Rate Treatment Related to Replacement of
Lead Customer-Owned Service Pipes
Docket No. P-2017-2606100

Dear Secretary Chiavetta:

Enclosed please find the Bureau of Investigation and Enforcement's (I&E) **Main Brief** in the above-captioned proceeding.

Copies are being served on parties as identified in the attached certificate of service. If you have any questions, please contact me at (717) 783-6156.

Sincerely,

Carrie B. Wright
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #208185

CBW/wsf
Enclosure

cc: Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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| Petition of Pennsylvania-American | : | |
| Water Company for Approval of Tariff | : | |
| Changes and Accounting and Rate | : | Docket No. P-2017-2606100 |
| Treatment Related to Replacement of | : | |
| Lead Customer-Owned Service Pipes | : | |

**MAIN BRIEF
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT**

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Dated: March 1, 2018

TABLE OF CONTENTS

| | | |
|------|--|----|
| I. | STATEMENT OF THE CASE | 1 |
| A. | Introduction | 1 |
| B. | Procedural History | 2 |
| II. | BURDEN OF PROOF | 3 |
| III. | SUMMARY OF THE ARGUMENT | 4 |
| IV. | ARGUMENT | 6 |
| A. | PAWC's Tariff Should be Modified to Authorize the Company to Replace Customer-Owned Lead Service Lines | 6 |
| B. | PAWC Should Not be Permitted to Include the Cost of Customer- Owned Lead Service Lines in Rate Base | 9 |
| C. | PAWC Should be Permitted to Recover the Cost of Customer- Owned Lead Service Lines Through a Regulatory Asset | 15 |
| V. | CONCLUSION | 18 |

TABLE OF AUTHORITIES

Cases

| | |
|--|----|
| <i>Samuel J. Lansberry, Inc. v. Pa. PUC,</i> 578 A.2d 600, 602 (Pa. Cmwlt. 1990)..... | 3 |
| <i>Se-Ling Hosier v. Margulies,</i> 70 A.2d 854 (Pa. 1950) | 3 |
| <i>Pocono Water Company v. Pennsylvania Public Utility Commission,</i> 630 A.2d 971 (Pa. Cmwlt. 1993) | 3 |
| <i>Pennsylvania Gas and Water Co. v. Pa. PUC,</i> 341 A.2d 239 (Pa. Cmwlt. 1975) | 10 |

Statutes

| | |
|---------------------------|----|
| 66 Pa. C.S. § 332(a)..... | 3 |
| 66 Pa. C.S. § 1301 | 10 |

Regulations

| | |
|---------------------------|---|
| 52 Pa. Code § 5.501 | 3 |
|---------------------------|---|

Commission Decisions

| | |
|--|--------|
| <i>Petition of the York Water Company for an Expedited Order Authorizing Limited Waivers of Certain Tariff Provisions and Granting Accounting Approval to Record Cost of Certain Customer-Owned Service Line Replacements to the Company's Services Account,</i> Docket No. P-2016-2577404 (Order entered March 8, 2017)..... | 6,7,17 |
| <i>Petition of Peoples Natural Gas Co. LLC for Approval of Limited Waivers of Certain Tariff Rules Related to Customer Service Line Replacement,</i> Docket No. P-2013-2346161 (Order entered May 23, 2013)..... | 13 |

*Petition of Columbia Gas of Pennsylvania, Inc. for Limited Waivers
of Certain Tariff Rules Related to Customer Service Line Replacement,
Docket No. P-00072337 (Order entered May 19, 2008)..... 13,14*

*Petition of Columbia Gas of Pennsylvania, Inc. for Limited Waivers
of Certain Tariff Rules Related to Replacement of Customer Service
Lines and Field Assembled Risers,
Docket No. P-2018-2641560 15*

I. STATEMENT OF THE CASE

A. Introduction

Pennsylvania American Water Company (“PAWC” or “Company”) has not installed lead service lines since the 1950’s; however, it estimates that there are approximately 18,000 lead service lines still in use on its system. Under existing tariff rules, PAWC is prohibited from replacing customer-owned lines because its tariff mandates that customers are responsible for installing, repairing and replacing their portion of the service line. Through this Petition, PAWC is seeking Commission approval to revise its tariff to allow the Company to replace customer-owned lead service lines, to capitalize those costs and to affirm that its lead line replacements constitutes “eligible property” to which it is entitled to recover a return on, and a return of, through its Distribution System Improvement Charge (“DSIC”). The Company proposes to establish a \$6.0 million budget cap per year for customer-owned lead service line replacements. Although the Company is requesting to put the cost of these replacements in rate base, the service lines will continue to be owned by customers as PAWC is not proposing to retain ownership of or maintain the replaced lines.

I&E recognizes the potential harm present in the lead service lines and does not oppose PAWC’s request to modify its tariff. However, the Company’s proposed ratemaking treatment, which would allow it to earn a return on and a return of such costs, unfairly burdens ratepayers. Customer-owned lead service lines do not have the relevant characteristics of a capital asset as they are owned by the customer rather than the

Company. Therefore, I&E recommends that the replacement costs be recovered through a regulatory asset account, which would allow the Company to recover the full replacement cost but would not include a return on the asset. In short, PAWC customers will be doing their part to address this public safety issue by bearing replacement costs that are the responsibility of individual customers, but this should not be an opportunity for the Company to make a profit.

B. Procedural History

On May 22, 2017, PAWC filed the above-captioned Petition requesting tariff revisions to allow the Company to replace customer-owned lead service lines and that it be permitted to capitalize those costs.

On June 12, 2017, the Bureau of Investigation and Enforcement (“I&E”) and the Office of Consumer Advocate (“OCA”) filed Answers to PAWC’s Petition. The Office of Small Business Advocate (“OSBA”) filed a Notice of Intervention on June 15, 2017.

Administrative Law Judge Elizabeth Barnes (“ALJ”) was assigned to develop an evidentiary record and Recommended Decision in this proceeding. The ALJ conducted a Prehearing Conference on August 8, 2017. At the Prehearing Conference, a procedural schedule was developed and subsequently memorialized in the ALJ’s Procedural Order.

Pursuant to the procedural schedule, the parties exchanged Direct, Rebuttal, and Surrebuttal testimony. I&E introduced the following statements of testimony into the evidentiary record:

- I&E Statement No. 1, Direct Testimony of Ethan Cline

- I&E Statement No. 2, Direct Testimony of Rachel Maurer¹
- I&E Statement No. 1-SR, Surrebuttal Testimony of Ethan Cline
- I&E Statement No. 2-SR, Surrebuttal Testimony of Christine Wilson

I&E submits this Main Brief in accordance with the procedural schedule as set forth in the Procedural Order and Commission regulations at Section 5.501.²

II. BURDEN OF PROOF

As a general proposition, the proponent of a rule or order has the burden of proof in advocating its position in a proceeding before the Commission.³ Accordingly, PAWC has the burden to establish that it is entitled to the relief it is seeking.⁴ In a case such as this one, Courts have held that a “litigant's burden of proof before administrative tribunals as well as before most civil proceedings is satisfied by establishing a preponderance of evidence which is substantial and legally credible.”⁵ Therefore, to meet its burden, PAWC must “present evidence more convincing, by even the smallest amount, than that presented by any opposing party.”⁶ Moreover, the ultimate decision of the Commission must be supported by reliable, probative and substantial evidence.⁷

¹ During the pendency of this proceeding, Rachel Maurer left her position in I&E. As a result, as noted on page 1 of I&E Statement No. 2-SR, Christine Wilson adopted Ms. Maurer's Direct Testimony in this proceeding.

² 52 Pa. Code § 5.501.

³ 66 Pa. C.S. § 332(a); *Se-Ling Hosiery, Inc. v. Margulies*, 70 A.2d 854 (Pa. 1950).

⁴ 66 Pa. C.S. § 332(a).

⁵ *Samuel J. Lansberry, Inc. v. Pa. PUC*, 578 A.2d 600, 602 (Pa. Cmwlth. 1990).

⁶ *Se-Ling Hosiery v. Margulies*, 70 A.2d 854 (Pa. 1950).

⁷ *See Pocono Water Company v. Pennsylvania Public Utility Commission*, 630 A.2d 971 (Pa. Cmwlth. 1993).

In the present proceeding, it is the Company's obligation to affirmatively prove the reasonableness of each and every element of its claim. A thorough review of the record will demonstrate that PAWC has failed to do so and, as such, the requested relief should be denied based upon the Company's failure to satisfy its burden of proof. More specifically, I&E recommends that the Commission allow PAWC to modify its tariff to permit the replacement of customer-owned lead service lines; however, the ratemaking treatment as proposed by the Company must be rejected. Instead, a regulatory asset is the most appropriate mechanism for the Company to recover the cost of the lead line replacement program.

III. SUMMARY OF THE ARGUMENT

PAWC does not have elevated lead levels in its system and has not exceeded Lead and Copper Rule ("LCR") action levels for lead in the past thirty years; however, lead service lines pose potential health risks by creating an avenue for lead ingestion. The Company maintains that total risk reduction is only achievable through total replacement of lead service lines. However, total replacement of lead lines is hindered by the fact that service lines are owned separately by PAWC and consumers. The Company is responsible for the line extending from the water main to a curb stop or valve and the customer is responsible for the line extending from the curb stop or valve to the premises. Those customers may not be willing or able to replace the section of the service line that they own for financial or other reasons.

I&E recognizes that the adverse health effects of ingesting lead are significant and, due to this public health concern, does not oppose the Company's request to revise its tariff to permit it to replace customer-owned lead service lines. A partial replacement of lead service lines, where the Company-owned portion is replaced but the customer-owned portion is not, can lead to elevated levels of lead in drinking water. While there still may be lead present in the customer's plumbing or fixtures, replacement of the entire service line serves to eliminate a major source of lead contamination. Therefore, I&E recognizes the importance of replacing the entire lead line, even the portion that is owned by the customer, before a significant problem occurs.

However, I&E disagrees with PAWC's proposed recovery of the lead line replacement program costs. PAWC has proposed to capitalize the cost of replacing customer-owned lead service pipes and recover the costs through its DSIC, which would allow it to recover a return of and a return on the assets. It is simply inappropriate for the Company to earn profit from this program. As was succinctly stated by OCA Witness Scott Rubin, "...the Company is proposing to turn a customer's health risk into a profit center, at the expense of all other customers."⁸ It is important to remember that PAWC's tariff mandates that customers are responsible for paying for their own service line replacement. Under PAWC's proposal, the cost will be socialized to all of the Company's other customers and, because of the health risk, I&E does not oppose socializing the cost in this limited instance. However, I&E recommends that the costs

⁸ OCA St. No. 1, p. 16.

associated with replacing customer-owned lead pipes be recovered through a regulatory asset and amortized over ten years. This regulatory asset treatment was recently approved by the Commission for the York Water Company (“York Water”), which is the only jurisdictional utility that has received Commission approval to replace customer-owned lead service lines, and it should similarly be approved in this proceeding for PAWC.⁹ I&E’s recommendation is in the public interest because it addresses the health risk by removing the lead pipe, allows PAWC to recover the full cost of replacing the lead pipe, and spares other ratepayers who are paying this cost from bearing the additional burden of providing a return on assets that will not be owned by the Company.

Accordingly, as will be discussed below, I&E recommends that PAWC be permitted to modify its tariff to allow for customer-owned lead pipe replacements but that its proposed ratemaking methodology be rejected and I&E’s recommended recovery through a regulatory asset be approved.

IV. ARGUMENT

A. PAWC’s Tariff Should be Modified to Authorize the Company to Replace Customer-Owned Lead Service Lines

The Company’s tariff currently prohibits it from replacing customer-owned property as that responsibility lies solely with the customer. Tariff Rule 4.9 states, “The Customer shall have full responsibility for the installation, repair, replacement, and

⁹ *Petition of the York Water Company for an Expedited Order Authorizing Limited Waivers of Certain Tariff Provisions and Granting Accounting Approval to Record Cost of Certain Customer-Owned Service Line Replacements to the Company’s Services Account*, Docket No. P-2016-2577404 (Order entered March 8, 2017).

maintenance of all Service Pipes...” Through this Petition, PAWC is seeking to modify its tariff and permit it to replace customer-owned lead service pipes. I&E does not object to the Company’s replacement of these lead lines, which is an enormous shift from the current regulatory landscape that mandates customers are responsible for replacing and maintaining their customer-owned service lines. As a result, these costs that historically have been borne by individual customers will now be shifted and recovered from all PAWC customers.

I&E is aware of the dangers posed by lead in drinking water and recognizes that removing such lines is in the best interest of the Company’s customers. To be clear, although the Company has lead service pipes in its system, those lead lines have not posed a problem to date. The Company noted, “[i]n the past thirty years, the Company has not triggered the LCR action level requirement in any portion of its system.”¹⁰ OCA Witness Scott Rubin testified that the lines identified in the Petition seem, although containing lead, to be fully functional, and, therefore, it is unlikely that even a customer who had purchased service line insurance or a home warranty to cover these lines would be able to get the costs of replacement covered.¹¹ This stands in stark contrast to the situation presented by the York Water, which is currently the only water utility under Commission jurisdiction that is authorized to replace customer-owned lines.¹² York

¹⁰ PAWC St. No. 1, p. 7.

¹¹ OCA St. No. 1, p. 16.

¹² *Petition of the York Water Company for an Expedited Order Authorizing Limited Waivers of Certain Tariff Provisions and Granting Accounting Approval to Record Cost of Certain Customer-Owned Service Line Replacements to the Company's Services Account*, Docket No. P-2016-2577404 (Order entered March 8, 2017).

Water found elevated lead levels in its system that exceeded the LCR action level. It entered into a Consent Order and Agreement with DEP and committed to replace its remaining lead service lines. Like PAWC, York Water's tariff prohibited it from replacing service lines owned by customers, so York Water sought waiver of this tariff rule to permit it to replace the customer-owned portion of the line. In contrast, PAWC has not exceeded any LCR action levels or indicated that its lead levels are elevated; however, it is hard to predict when or if that might occur. Because the health concerns related to lead are severe, I&E believes that a proactive rather than reactive response is in the best interest of all customers. Further, because the Company is no longer utilizing lead pipes, once the instant project is completed and the lead hazard has been removed no similar programs will be needed in the future. Therefore, the proposed tariff revision is likely the most expeditious way to address this public health concern as it removes lead pipes for customers who may be unable or unwilling to do so because of monetary constraints.

Considering these health concerns, I&E does not object to the Company's two-part Replacement Plan. Under Replacement Plan – Part 1, the Company will replace lead service lines, with customer permission, when encountered during the course PAWC's regular main and Company-owned service line replacements.¹³ Under Replacement Plan – Part 2, the customer can request replacement of a lead service line. PAWC will keep a log of these requests and when a reasonable number have been made in a particular area

¹³ PAWC St. No. 1, p. 11.

the Company will replace those lines as part of a single project.¹⁴ Initially, I&E expressed concerns that the Replacement Plan – Part 2 parameters were vague and needed to be more clearly defined.¹⁵ In rebuttal testimony, the Company clarified that in order to move forward with replacements under Part 2, PAWC would need to aggregate ten replacements on the weekly schedule and another ten to twenty on the schedule for the next two weeks in a particular geographic area to move forward with the replacements. Further, the Company indicated that it would attempt to maintain a wait time of less than a year for these projects.¹⁶ I&E's concerns regarding the vagueness surrounding the parameters of Replacement Plan – Part 2 have been resolved.

Therefore, while the Company currently has no obligation to replace these lead service pipes, indeed its current tariff expressly prohibits it from doing so, I&E recommends that the Commission approve Tariff Rule 4.9.1 and allow the Company to perform the lead service pipe replacement under the Replacement Plan – Part 1 and Part 2. However, as discussed more fully below, the ratemaking treatment proposed by the Company in Tariff Rule 4.9.1 is inappropriate and must be rejected.

B. PAWC Should Not be Permitted to Include the Cost of Customer-Owned Lead Service Lines in Rate Base

The Company requested in its Petition that the costs associated with the lead pipe replacement be capitalized and recorded in Account 333 – Services and the return of, and

¹⁴ PAWC St. No. 1, p. 12.

¹⁵ I&E St. No. 1, p. 5.

¹⁶ PAWC St. No. 1-R, pp. 7-8.

return on, the investment be recovered through rate base. The Company further requested that the Commission affirm that this investment in capitalized lead service pipe would be recognized as “eligible property” and, therefore, the fixed costs associated with these investments placed in service between base rate cases recovered through the DSIC.¹⁷ This proposed rate recovery will result in unjust and unreasonable rates in violation of the Public Utility Code and must be rejected.¹⁸

A fundamental ratemaking principle is that rates must be just and reasonable: “Every rate made, demanded or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable, and in conformity with regulations or orders of the commission.”¹⁹ Utility rates are designed to recover prudent operating expenses and the opportunity to earn a fair rate of return on invested capital. Here, PAWC is proposing to include customer-owned lead service line replacements in rate base, which would allow it to earn a return on that investment. Rate base is, “...the depreciated original cost of a company’s investment in utility plant for the provision of service.”²⁰ These customer-owned assets are not “utility plant” because they will be owned and maintained by customers, not the Company. Moreover, a public utility is only entitled to an opportunity to earn a return on the value of property that is dedicated to the public service.²¹ These customer-owned service lines will not be dedicated to the public

¹⁷ Petition, pp. 1-2; PAWC St. No. 2, p. 8.

¹⁸ 66 Pa. C.S. § 1301.

¹⁹ 66 Pa. C.S. § 1301.

²⁰ I&E St. No. 1, p. 6.

²¹ *Pennsylvania Gas and Water Co. v. Pa. PUC*, 341 A.2d 239 (Pa. Cmwlth. 1975).

service as they are owned by individual customers. The Company is not proposing to take ownership of or bear any responsibility to maintain these lines. These lines will not be marked for PA One Call purposes and after the relevant replacement work is completed PAWC will no longer be responsible for these pipes. Accordingly, PAWC's proposed ratemaking treatment, which would allow it to earn a return of and on assets that the Company does not own, must be rejected as it results in unjust and unreasonable rates.

The Company has attempted to analogize the service line replacements with road restoration costs. However, this analogy simply does not work. As noted by OCA:

...PAWC has the legal right to occupy public right-of-way and, in particular, to bury its water mains underneath public roads. Opening and then repairing a roadway is absolutely essential in order for PAWC to use the right-of-way and to install or access its property. That is, it is physically impossible for PAWC to use its rights and to access Company-owned property without damaging a publicly owned road service. Thus roadway opening and repair costs are an essential, unavoidable cost that is directly associated with the installation, repair, or replacement of Company-owned property.²²

Further, all PAWC customers benefit from main replacements, while only customers with lead lines benefit from the Replacement Plan.²³ Company mains, once installed are dedicated to the public service, whereas, the lead service lines identified in this proceeding are for private use. In addition, main extension work and associated

²² OCA St. No. 1-SR, p. 5.

²³ I&E St. No. 1, p. 10.

restoration costs are related to plant that the Company owns and will continue to maintain. While the Company does not own the road or sidewalk above the main in most instances, it owns and maintains the main below. Because these continue to be owned and maintained by the Company and because the plant is dedicated to public service, it is reasonable that the return of and the return on the cost associated with this work is shared by all of the Company's customers.²⁴

As I&E Witness Wilson stated:

PAWC's repeated attempts to analogize customer-owned pipe replacement with Company-owned pipe replacement is disingenuous because, in reality, PAWC's proposal to replace customer-owned pipe at the expense of its other ratepayers violates long-standing ratemaking principles.²⁵

As noted previously, PAWC's current tariff makes it illegal for PAWC to replace these customer-owned pipes. The sole reason I&E believes it is appropriate to allow PAWC to do this is the health risk associated with lead pipe. However, this potential health risk does not mean that the Company should be permitted to deviate from all traditional ratemaking principles. To include these replacement costs in rate base would only serve to allow the Company to profit from the health of its customers. This cannot be permitted. If the Company wants to move forward with replacement work that it is currently legally unable to do, it should be required to do so without any expectation of

²⁴ I&E St. No. 1-SR, p. 12.

²⁵ I&E St. No. 2-SR, p. 7.

profit. These are not Company-owned assets and there is no reason to include these restoration costs in rate base.

The Company cites to the gas industry in support of its requested recovery mechanism;²⁶ however, PAWC's reliance on these cases is misplaced from a ratemaking and safety perspective. In Pennsylvania, natural gas distribution companies ("NGDC") typically own and maintain the entire service line from the main to the dwelling. In contrast, jurisdictional water companies typically only own the service line to the curb stop and customers own the service line from there to the dwelling. Therefore, service lines in the gas and water industry are traditionally owned and maintained very differently as the NGDC typically owns the entire service line. However, there is an exception to this general rule in the gas industry, which PAWC relies on in support of its requested ratemaking treatment. Two regulated NGDCs have portions of their service territories where customers own their gas service lines; therefore, those gas companies own some service lines entirely from the main to the dwelling and other service lines only to the curb. Those two NGDC's sought and received Commission approval to replace the customer-owned service lines and include that cost in rate base.²⁷ However, by replacing and rate basing customer-owned service lines, those gas customers were simply being treated the same as the company's other regulated customers whose service

²⁶ PAWC St. No. 2-R, pp. 2-3.

²⁷ *Petition of Peoples Natural Gas Co. LLC for Approval of Limited Waivers of Certain Tariff Rules Related to Customer Service Line Replacement*, Docket No. P-2013-2346161 (Order entered May 23, 2013); *Petition of Columbia Gas of Pennsylvania, Inc. for Limited Waivers of Certain Tariff Rules Related to Customer Service Line Replacement*, Docket No. P-00072337 (Order entered May 19, 2008).

lines were already owned by the company and included in rate base. In sharp contrast, no service lines from the curb to the dwelling are currently included in PAWC's rate base. Indeed, for the water industry at large, those service lines are not in rate base as they are customer property. This is why PAWC's requested rate recovery is such a sharp departure from traditional ratemaking principles. Therefore, the fact that the Commission has permitted two NGDCs to capitalize the cost of customer-owned gas service lines in the gas industry where the utility traditionally owns the entire service line, is not dispositive in the water industry where just the opposite is true.

Additionally, from a safety perspective, there are significant differences between gas and water service lines. As noted by I&E Witness Cline, a vulnerable gas service line represents a clear danger not only to the consumers property, but to that of his neighbors as well.²⁸ A lead water service line represents a danger only to those who live in that particular dwelling to which the line runs.²⁹ The Commission has recognized this difference given the inherent danger of gas lines, "[c]ustomer owned natural gas service lines present safety issues not present with other customer owned lines."³⁰ Given these ratemaking and safety differences, PAWC's reliance on the gas industry to support its request to capitalize customer-owned property is misplaced.

²⁸ I&E St. No. 1-SR, p. 7

²⁹ *Id.*

³⁰ *Petition of Columbia Gas of Pennsylvania, Inc. for Limited Waivers of Certain Tariff Rules Related to Customer Service Line Replacement*, Docket No. P-00072337, pp. 4-5 (Order entered May 19, 2008).

Moreover, I&E notes that NGDC's ability to place into rate base and earn a return on customer-owned property is currently in flux in a recent proceeding filed before the Commission. On January 5, 2018, Columbia Gas submitted a Petition for Limited Waivers of Certain Tariff Rules Related to Replacement of Customer Service Lines and Field Assembled Risers.³¹ On January 29, 2018, OCA filed an Answer in that proceeding indicating that Columbia should no longer be afforded this extraordinary ratemaking treatment due to the change in circumstances from the time when Columbia was first allowed to put into rate base and earn a return on customer-owned service lines.³² The question as to whether this ratemaking treatment is currently appropriate for NGDCs is currently pending before the Commission, making PAWC's heavy reliance on what the Commission has done in the gas industry even less appropriate

C. PAWC Should be Permitted to Recover the Cost of Customer-Owned Lead Service Lines Through a Regulatory Asset

I&E recommends that the Company recover the cost of replacing customer-owned lines through a regulatory asset rather than including the cost in rate base as proposed by the Company. Both methodologies allow the Company to recover the full cost of replacement; however, capitalizing the cost would also allow the Company to earn a return on the cost over the life of the asset, which I&E objects to for the reasons

³¹ *Petition of Columbia Gas of Pennsylvania, Inc. for Limited Waivers of Certain Tariff Rules Related to Replacement of Customer Service Lines and Field Assembled Risers*, Docket No. P-2018-2641560.

³² *Petition of Columbia Gas of Pennsylvania, Inc. for Limited Waivers of Certain Tariff Rules Related to Replacement of Customer Service Lines and Field Assembled Risers*, Docket No. P-2018-2641560, OCA Answer to Petition, pp. 4-5.

discussed above. In contrast, I&E's recommendation provides a path for the Company to replace customer-owned lead lines in a way that balances the public interest because lead lines will be removed from service, all existing PAWC ratepayers will pay for that removal, but those customers will not be burdened with paying the Company a profit for doing so.

A regulatory asset account is an account that is used to defer recognition of an expense that would have been included on the income statement in the current period.³³ This account would appear in the deferred debit portion of the balance sheet and is transferred over to the income statement to be recognized in rates over a predetermined time and amortization rate.³⁴ Amortization is the accounting procedure by which a non-recurring expense is gradually eliminated over a set period of years by charging a pro rata share over the selected amortization period.³⁵

As specified in testimony, I&E recommends a ten-year amortization period.³⁶ This proposal is beneficial for both customers and the Company. As previously discussed, customers benefit by not bearing the burden of paying a return on an asset that the Company does not own. However, I&E's recommended ten-year amortization period benefits the Company as it will recover the associated costs of the Replacement Program at a faster rate than it would through the DSIC and rate base recognition.³⁷

³³ I&E St. No. 2, p. 3.

³⁴ *Id.*

³⁵ I&E St. No. 2-SR, p. 8.

³⁶ I&E St. No. 2, p. 4.

³⁷ *Id.*

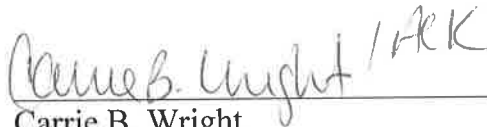
Further, the Commission recently adopted I&E's recommended recovery method in the *York Water* proceeding. York Water was the first jurisdictional water utility to seek Commission approval to replace customer-owned lead service lines. York Water had elevated levels of lead in its system that exceeded the LCR action level, and it entered into a Consent Order and Agreement with DEP to replace its remaining known lead service lines. York Water then sought Commission approval to replace customer-owned lead lines and, like PAWC, it initially requested to include those costs in rate base. However, parties engaged in settlement negotiations which resulted in an agreement that allowed York Water to replace customer-owned lead service lines and record those costs to a regulatory asset account to be amortized over a period of no less than four years and not to exceed six years.³⁸ That settlement was approved by the Commission by order entered March 8, 2017. Unlike York Water, PAWC does not have elevated lead levels on its system and is under no legal requirement to replace lead service lines. However, in the interest of proactively addressing this potential issue, I&E recognizes that it is appropriate to modify PAWC's tariff and permit it to replace customer property but does not agree that it should be included in rate base. Recovering this cost through a regulatory asset was appropriate for York Water's customer-owned lead line replacements and, for the reasons discussed in this case, it is similarly appropriate for PAWC.

³⁸ *Petition of York Water Co. for an Expedited Order Authorizing Limited Waivers of Certain Tariff Provisions and Granting Accounting Approval to Record Cost of Certain Customer-Owned Service Line Replacements to the Company's Services Account*, Docket No. P-2016-2577404 (Order entered March 8, 2017).

V. CONCLUSION

The Commission's Bureau of Investigation and Enforcement recommends that the proper balance of the interest of ratepayers, the Company, and the regulated community as a whole is to allow the Company to replace the lead service lines and recover the replacement costs through a regulatory asset amortized over a ten-year period. The Company's request to include those replacements in rate base and earn a return on assets it will not own or maintain unfairly burdens its customers and must be rejected.

Respectfully submitted,


Carrie B. Wright
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Attorney ID # 208185

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Dated: March 1, 2018

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| Customer-Owned Service Pipes | : | |

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Main Brief** dated March 1, 2018,
in the manner and upon the persons listed below, in accordance with the requirements of
52 Pa. Code § 1.54 (relating to service by a party):

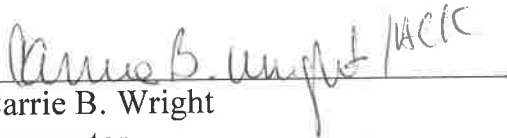
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