



COMMONWEALTH OF PENNSYLVANIA

March 15, 2018

E-FILED

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
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:

I am delivering for filing today my Reply Brief, on behalf of the Office of Small Business Advocate ("OSBA"), in the above-captioned proceeding.

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

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

Sincerely,

Elizabeth Rose Triscari
Deputy Small Business Advocate
Attorney ID No. 306921

Enclosures

cc: The Honorable Elizabeth H. Barnes
Mr. Brian Kalcic
Parties of Record

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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

**Elizabeth Rose Triscari
Deputy Small Business Advocate
Attorney ID 306921**

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

**Office of Small Business Advocate
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Date: March 15, 2018

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I. INTRODUCTION AND PROCEDURAL HISTORY

On May 22, 2017, the Pennsylvania-American Water Company ("PAWC" or the "Company") filed a petition to approve tariff changes that will allow PAWC to replace customer-owned lead "Service Pipes" (as defined in Rule 2.12 of PAWC Tariff-Water Pa. P.U.C. No.4) and recover associated costs ("Petition").

Answers to the Petition were filed by the Office of Consumer Advocate ("OCA") and the Commission's Bureau of Investigation and Enforcement ("I&E") on June 12, 2017.

On June 15, 2017, the OSBA filed a Notice of Intervention and Public Statement.

A telephonic Prehearing Conference on this case was held on June 19, 2017, before presiding officer Administrative Law Judge ("ALJ") Elizabeth H. Barnes, at which time a procedural schedule and discovery modifications were established.

The OSBA submitted the Direct and Surrebuttal Testimony of Brian Kalcic on October 23, 2017 and November 30, 2017, respectively.

Despite good faith settlement discussions throughout this proceeding, the parties were unable to resolve this matter. However, the parties agreed that the evidentiary hearings scheduled for January 17 and 18, 2018, were not necessary and waived cross-examination of witnesses. On January 16, 2018, ALJ Barnes canceled the scheduled hearings and instructed the parties to submit testimony to be entered into the record by motion and stipulation. Such motion was granted by order dated January 25, 2018.

On March 1, the OSBA filed a Main Brief on the limited issue of cost recovery for the Company's proposed Replacement Plan-Part 2 ("Part 2"). Main Briefs were also filed by PAWC, OCA, and I&E.

The OSBA submits this Reply Brief in response to PAWC's position on Part 2 cost recovery.

II. REPLY ARGUMENT

On page 14 of its Main Brief, the Company correctly summarizes the testimony of OSBA witness Brian Kalcic, which explains that the OSBA does not oppose replacing customer-owned lead Service Pipes as contemplated in Part 2, but is concerned about ratepayer responsibility for excessive costs for these projects. To address these concerns, the OSBA has proposed that the Commission deny PAWC cost recovery for Part 2 expenditures that exceed \$3,500 per unit, or the average replacement cost associated with Replacement Plan-Part 1 ("Part 1") projects conducted through the completion date of a given Part 2 project, whichever is greater. The Company argued that the OSBA's concerns about excessive Part 2 costs are "overstated" given the \$6 million budget allotment, with Part 1 projects having priority.¹ PAWC further argued that the OSBA's proposal would create a disincentive for the Company to undertake Part 2 projects to avoid "shouldering the risk" of cost overruns.²

The OSBA addressed each of these arguments in its Main Brief at pages 3-5. To summarize, first, the Company's proposed \$6 million budget allotment is an *annual* cap, not a limit on total spending. Whatever impact this annual cap may have on mitigating excessive Part 2 spending in a given year, it clearly does not limit ratepayers' ultimate cost exposure in connection with Part 2 projects, for the straightforward reason that PAWC intends to replace ALL customer-owned lead Service Pipes upon customer request, no matter the cost, with no

¹ PAWC Main Brief at 14.

² See *id.*

contribution from the affected customers. Second, the OSBA's proposal is not meant to be a deterrent to Part 2 projects, but rather act as an incentive for PAWC to control costs. PAWC's argument makes clear that it does not want to "shoulder the risk" of cost overruns, but yet the Company has no problem saddling ratepayers with such risks, while providing absolutely no limit on ratepayers' ultimate total cost exposure. The OSBA's proposal promotes the desirable public policy goal of replacing customer-owned lead Service Pipes, while at the same time reducing the risk of excessive expenditures to ratepayers who bear the burden of the socialization of Part 2 project costs.

III. CONCLUSION

The OSBA respectfully requests that the Commission adjudicate this proceeding in accordance with the arguments presented herein, as well as in the OSBA's Main Brief.

Respectfully submitted,



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Dated: March 15, 2018

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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
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CERTIFICATE OF SERVICE

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

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