

COMMONWEALTH OF PENNSYLVANIA



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October 29, 2018

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

Re: Petition of The Pittsburgh Water and Sewer
Authority for Approval of Its Long-Term
Infrastructure Improvement Plan
Docket Nos. P-2018-3005037 (water)
P-2018-3005039 (wastewater)

Dear Secretary Chiavetta:

Attached for electronic filing are the Comments of the Office of Consumer Advocate in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Erin L. Gannon".

Erin L. Gannon
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Enclosures:

cc: Office of Administrative Law Judge
Certificate of Service
*261643

CERTIFICATE OF SERVICE

Re: Petition of The Pittsburgh Water and Sewer Authority for Approval of Its Long-Term Infrastructure Improvement Plan : : Docket Nos. P-2018-3005037 (w) P-2018-3005039 (ww)

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Comments, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 29th day of October 2018.

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Dated: October 29, 2018
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of the Pittsburgh Water and Sewer : Docket No. P-2018-3005037 (Water)
Authority for Approval of its Long-Term : Docket No. P-2018-3005039 (Wastewater)
Infrastructure Improvement Plan :

COMMENTS OF THE
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Dated: October 29, 2018

I. INTRODUCTION

On February 14, 2012, Governor Corbett signed Act 11 of 2012 into law. Act 11 amends, *inter alia*, Chapter 13 of the Public Utility Code to permit water and wastewater utilities, electric distribution companies, natural gas distribution companies and city natural gas distribution operations to petition for implementation of a Distribution System Improvement Charge (DSIC).¹ Effective April 1, 2018, Chapter 32 of the Public Utility Code expanded application of Act 11 to the Pittsburgh Water and Sewer Authority.² In order to qualify for DSIC recovery, a utility must submit a Long-Term Infrastructure Improvement Plan (LTIIP) for Public Utility Commission (Commission) approval.³

The following elements must be included in a utility's LTIIP: (1) types and age of eligible property; (2) schedule for its planned repair and replacement; (3) location of the eligible property; (4) reasonable estimate of the quantity of property to be improved; (5) projected annual expenditures and measures to ensure the plan is cost effective; (6) manner in which replacement of aging infrastructure will be accelerated and how repair, improvement or replacement will maintain safe and reliable service; and (7) a workforce management training plan designed to ensure that the utility will have access to a qualified workforce to perform work in a cost-effective, safe and reliable manner.⁴ It is the utility's burden to demonstrate that its proposed LTIIP and associated expenditures are reasonable, cost-effective and designed to maintain safe, adequate and

¹ 66 Pa. C.S. §§ 1350-1360 (Act 11).

² 66 Pa. C.S. § 3202(a)(1) (with certain exemptions, the provisions of Title 66 "shall apply to an authority in the same manner as a public utility").

³ 66 Pa. C.S. § 1352; see also In re: Implementation of Act 11 of 2012, Docket No. M-2012-2293611, Final Implementation Order at 21 (Aug. 2, 2012) (LTIIP FIO).

⁴ See 66 Pa. C.S. § 1352(a); see also LTIIP FIO at 17-19.

reliable service to customers.⁵ The OCA submits that when a utility seeks recovery of costs expended pursuant to its LTIIIP in a future proceeding, the utility must demonstrate, *inter alia*, that the costs were reasonably and prudently incurred. Further, the utility will have to show that there is no overlap of costs already reflected in base rates with costs expended pursuant to an LTIIIP.⁶

A utility must file its proposed LTIIIP with the Commission and serve copies on statutory advocates and all active parties in the utility's last base rate case.⁷ Once filed, a utility's proposed LTIIIP will be assigned to the Commission's Bureau of Technical Utility Services (TUS) for analysis. TUS is to make a recommendation to the Commission, and other parties may file comments to a proposed LTIIIP within 30 days of the date it was filed.⁸ If any party's comments raise issues of material fact, the proposed LTIIIP will be referred to the Office of Administrative Law Judge (OALJ) for hearing and decision, which litigation must be completed within 120 days.⁹

On September 28, 2018, Pittsburgh Water and Sewer Authority (PWSA) filed a Petition for Approval of its LTIIIP, as required by Section 3204(b) of the Public Utility Code¹⁰ and in

⁵ LTIIIP FIO at 20.

⁶ 66 Pa. C.S. § 1357(a)(1)(i).

⁷ See LTIIIP FIO at 20.

⁸ Id.

⁹ Id.

¹⁰ Section 3204(b) states, in part, that PWSA:

shall file a compliance plan with the commission which shall include provisions to bring an authority's existing information technology, accounting, billing, collection and other operating systems and procedures into compliance with the requirements applicable to jurisdictional water and wastewater utilities under this title and applicable rules, regulations and orders of the commission. The compliance plan shall also include a long-term infrastructure improvement plan in accordance with Subchapter B of Chapter 13 (relating to distribution systems).

66 Pa. C.S. § 3204(b).

accordance with the deadline established by the Commission.¹¹

The OCA submits these Comments on PWSA's proposed water/wastewater LTIP for the Commission's consideration. In the OCA's view, the Authority's Plan reflects a thorough effort to address the legislative and Commission elements required for the LTIP. Some additional information may be necessary, however, for the Commission to determine that the proposed improvements are prudent and cost-effective and will maintain safe, reliable and reasonable service as required by 66 Pa. C.S. §§ 1352(a)(5), (a)(6) and 1353.

II. COMMENTS

A. Introduction

As of April 1, 2018, the PWSA is regulated as a public utility by the PUC.¹² The Authority operates water and sewer system facilities, which are leased from the City of Pittsburgh, Allegheny County, Pennsylvania (City). The Authority provides water service to approximately 80,000 residential, commercial and industrial customers in portions of the City of Pittsburgh, owns and operates the water system for the city of Millvale, provides water service to portions of Reserve, O'Hara and Blawnox Townships, provides bulk water to the town of Reserve and Fox Chapel, and provides water for supply and/or emergency use to other neighboring communities.¹³ PWSA also provides wastewater and stormwater service in the City.¹⁴ The Authority's combined sewer system conveys wastewater collected from 24 neighboring communities and sewage generated

¹¹ 66 Pa. C.S. § 3204(b); see also Implementation of Chapter 32 of the Public Utility Code, Docket Nos. M-2018-2640802, M-2018-2640803, Final Implementation Order at 36 (Mar. 15, 2018); Implementation of Chapter 32 of the Public Utility Code, Docket Nos. M-2018-2640802, M-2018-2640803, Tentative Implementation Order at 18 (Jan. 18, 2018).

¹² 66 Pa. C.S. §§ 102, 3201, 3202(a).

¹³ Petition at 2; LTIP at 5.

¹⁴ Petition at 2; LTIP at 6.

within the City boundaries to Allegheny County Sanitary Authority (ALCOSAN) for treatment.

On September 28, 2018, PWSA filed a proposed Long-Term Infrastructure Improvement Plan with the Commission. PWSA elected to file a unified LTIIIP for its water and wastewater operations, noting that it has filed a consolidated revenue requirement in its tariff filings. Petition at 3, n.14. The water system consists of a 117 million gallons per day (MGD) rapid sand type water treatment plant, one 26 MGD microfiltration water treatment plant, approximately 964 miles of mains, 24,900 valves, and 7,450 fire hydrants (not including private), one raw water pump station located along the Allegheny River, two finished water pump stations, eight distribution pump stations, three covered finished water reservoirs, one uncovered source water reservoir, and ten distribution storage tanks/reservoirs.¹⁵ Eligible property for the purpose of the LTIIIP is limited to these plant categories: mains, valves and fire hydrants.¹⁶ The Authority's sewer collection system is comprised of a network of approximately 1,213 miles of sanitary, storm, and combined sewers.¹⁷ The system includes 29,000 manholes, approximately 30,000 inlets, 38 combined sewer overflow (CSO) outfalls, 185 storm sewer outfalls, four wastewater pump stations, and ancillary facilities. Approximately 77% of the sewer system is combined sewers; the remaining 23% of the system consists of separate sewers that are dedicated separate sanitary and dedicated storm sewer pipelines. Eligible property for the purpose of the LTIIIP is limited to sewer mains (separate sanitary, combined sanitary and storm, overflow, and sanitary force mains), including lift stations, manholes and CSO outfalls.¹⁸

¹⁵ LTIIIP at 5.

¹⁶ LTIIIP at 5, 11.

¹⁷ LTIIIP at 6.

¹⁸ LTIIIP at 31-33.

The Authority indicates that it plans to rehabilitate, improve and replace DSIC-eligible aging infrastructure at a cost of approximately \$648 million over the period 2019 to 2023.¹⁹ This is an increase compared to total spending in the historic period 2013 to 2017 of \$112 million.²⁰ The PWSA discusses eight main areas of planned repair and replacement for its water system for the projected period (2018, 2019-2023):

- Hydrant Replacement
- Valve Replacement
- Water Relay Replacement
- Small Diameter Water Main Replacement
- Large Diameter Water Main Improvements
- Large Water Meters
- Small Water Meters
- Lead Service Line Replacement²¹

PWSA discusses four major project categories for planned sewer repair and replacement for the same projected period:

- Small-Diameter Sewer Rehabilitation
- Large-Diameter Sewer Rehabilitation
- Sewer Reconstruction
- Sewers Under Structures²²

¹⁹ LTIP at 42.

²⁰ Id.

²¹ LTIP at 27, App. B at Table 2-6. The Authority indicates that total projected spending for all eligible water projects from 2018 through 2023 is \$505.9 million.

²² LTIP at 39, App. B at Table 3-6. The Authority indicates that total projected spending for all eligible sewer system projects from 2018 through 2023 is \$152 million.

The Authority also discusses 3 categories of eligible properties projects that it has categorized as hybrid water/sewer projects, which contain both water and sewer elements or sanitary and storm sewer elements and are not practicable to segregate which costs are associated with water and which are associated with sewer. Those are:

- Utility Cost Shares: Infrastructure replacement which is carried out as a result of projects in the vicinity by other agencies or utilities.
- Smallman Street Reconstruction: Sewer separation and water main replacement in association with local redevelopment.
- Maytide Storm and Sanitary Sewer System Improvements: reconstruction and realignment of local storm and sanitary sewers.²³

Implementing the mandates of Act 11 of 2012 requires great effort and care by all involved to ensure that the spirit and letter of the law is upheld. The OCA appreciates PWSA's discussion of its LTIP objectives and processes. The OCA submits, however, that certain additional information may be needed for Technical Utility Services and the Commission to properly evaluate whether the Authority's LTIP meets all the requirements of Act 11 and the LTIP FIO.

B. OCA Recommendations

1. General Description of Eligible Property

The Authority states that Figure 2-3 identifies the types of valves in the system and their relative proportions; however, the Authority indicates that the "valve type" field in its GIS system is undergoing verification and reevaluation.²⁴ The OCA recommends that PSWA explain why the valve type field is undergoing verification and reevaluation and when it will be completed. It

²³ LTIP at 41, App. B at Table 4-2. As such, the projected total spending on the three projects from 2018 through 2023 is approximately \$25.9 million.

²⁴ LTIP at 13.

would also be helpful for the Commission and Staff reviewing the LTIIIP to know whether the verification and reevaluation will revise any of the Tables or Figures presented in the LTIIIP and, if so, if and when the updates will be provided.

2. System Replacement and Prioritization Approach

The OCA has identified these areas where clarification and/or additional detail could be provided to support the Authority's chosen rates of replacement:

a) In both 2018 and 2019, PWSA indicates it will replace 2 miles of small diameter water main per year, or 0.2% of the system per year.²⁵ The Authority states further that it is "targeting acceleration to annually replace 1% of the system in 5 years."²⁶ The OCA suggests that PWSA confirm whether this is intended to mean that PWSA will not accelerate to a replacement rate of 1% per year until 2024.

b) The Authority indicates that it plans to perform system modeling and analysis to determine what level of replacement of small diameter mains will maintain an adequate, safe and reliable system.²⁷ The OCA suggests that PWSA provide additional information about the timing of the planned analysis. The OCA also recommends that the Authority provide additional support for its current, selected annual replacement rate of 0.2% to 1.0%.

c) What was the Authority's historic rate of replacement for small diameter mains and each of the other major project categories (hydrant, valve, water relay, large diameter main, meters for unmetered and flat rate properties, large water meters, small water meters and lead service lines)?

²⁵ LTIIIP at 18.

²⁶ Id.

²⁷ LTIIIP at 18.

d) As noted in (a) above, PWSA has provided the projected rate of replacement for small diameter mains. The OCA recommends that PWSA provide the projected rate of replacement for the LTIP period for the major project categories (hydrant, valve, water relay, large diameter main, meters for unmetered and flat rate properties, large water meters, small water meters and lead service lines). For hydrants, for example, the Authority says it has committed to replace approximately 1% of total hydrants per year in 2018 and 2019 but does not indicate what is the rate of replacement for the remaining years of the LTIP.²⁸

e) The Authority states that it “maintains annual contracts to replace broken or inoperable hydrants and replace inoperable valves. These contracts do not include the replacement of hydrants and valves through watermain replacement projects.”²⁹ Does the projected rate of replacement (1% per year for 2018 and 2019) include hydrants replaced through watermain replacement projects or does it reflect annual contract replacements (only)?

f) PWSA’s prioritization of water main replacement projects, other than lead pipe, appears to be based on size without consideration of type of pipe.³⁰ Is the type of pipe factored into the scoring criteria?

g) Likewise, is the type of pipe factored into the scoring criteria for sewer replacement projects?³¹

h) The Authority indicates that it will develop a computerized work order maintenance system to improve the management of day-to-day maintenance of the system and emergent needs during water main breaks. When does PWSA anticipate having this system in place?

²⁸ LTIP at 24.

²⁹ Id.

³⁰ Id.

³¹ LTIP at 35.

3. Projected Annual Expenditures

Tables 2-6, 3-6 and 4-2 in Appendix B of the LTIP provide the Authority's estimated DSIC-eligible costs associated with the planned water, sewer and hybrid projects, respectively, for 2018 through 2019, by major project category. The OCA recommends that the Authority also provide a breakdown of PWSA's historic annual spending for water, sewer and hybrid projects, by major project category for 2014-2017 and 2018 to-date. The OCA submits that this information will allow the Commission to consider PWSA's proposed spending in the projected period in the full context of its historical expenditures.

III. CONCLUSION

The OCA submits that the Pittsburgh Water and Sewer Authority should provide additional information with its filing to allow the Commission to determine if the Authority's LTIP accelerates infrastructure repair and replacement in a cost effective manner as required by Act 11.

Respectfully Submitted,



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