

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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January 9, 2019

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

Re: Petition of Pennsylvania-American Water  
Company Wastewater Operations for  
Approval of Modification to its Long-Term  
Infrastructure Improvement Plan  
Docket No. P-2014-2431005

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 blue ink that reads "Erin L. Gannon".

Erin L. Gannon  
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Enclosures:

cc: Office of Administrative Law Judge  
Dan Searforce, Manager, Bureau of Technical Utility Services  
Certificate of Service  
\*263511

CERTIFICATE OF SERVICE

Re: Petition of Pennsylvania-American :  
Water Company Wastewater :  
Operations for Approval of :  
Modification to its Long-Term : Docket No. P-2014-2431005  
Infrastructure Improvement Plan :

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 9<sup>th</sup> day of January 2019.

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/s/ Erin L. Gannon

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Dated: January 9, 2019  
\*263513

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pennsylvania-American Water Company :  
Wastewater Operations For Approval of Modification : Docket No. P-2014-2431005  
Of Long-Term Infrastructure Improvement Plan :

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COMMENTS OF THE  
OFFICE OF CONSUMER ADVOCATE

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Dated: January 9, 2019

## I. INTRODUCTION

In order to qualify for DSIC recovery, a utility must submit a Long-Term Infrastructure Improvement Plan (LTIIP) for Public Utility Commission (Commission) approval. See 66 Pa. C.S. § 1352. Pennsylvania-American Water Company Wastewater Operations' (PAWC-WW or the Company) current LTIIP began with calendar year 2015 and ends in 2019. Petition of Petition of Pennsylvania-American Water Company Wastewater Operations for Approval of LTIIP, Docket No. P-2014-2431005, Order (Dec. 4, 2014) (LTIIP Order). The Company filed Annual Asset Optimization Plans (AAOP) on February 29, 2016, February 28, 2017 and February 27, 2018. The AAOPs describe all eligible property improved in the preceding 12-month period pursuant to the LTIIP and prior year's AAOP and the facilities to be improved in the upcoming 12-month period.

PAWC-WW filed a Petition on November 8, 2018, which was captioned as a Major Modification to its existing LTIIP and a Second LTIIP. The Company filed a request to withdraw the Petition on December 10, 2018. On December 12, 2018, PAWC-WW filed a Petition captioned as a Modification to its existing LTIIP. The proposed LTIIP would replace the Company's existing LTIIP for the Year 2019 and includes Years 2020-2023. Id. at 6.

PAWC-WW indicates that the major changes reflected in the LTIIP are (1) its use of a risk-based condition assessment to prioritize projects, (2) increased spending and (3) the expansion of LTIIP projects to include plant associated with combined sewer systems and the entire customer service lateral. Petition at 7; LTIIP at 7-13, 17-21, 36-37. PAWC-WW also proposes to expand the existing LTIIP to include the following 11 additional wastewater districts:

Rate Zone 1 – Fairview North, Fairview South, McEwensville, and Paint-Elk  
Rate Zone 2 – New Cumberland  
Rate Zone 3 – Scranton  
Rate Zone 4 – Koppel  
Rate Zone 5 – Franklin  
Rate Zone 6 – McKeesport, Dravosburg, and Duquesne<sup>1</sup>

Petition at 7; LTIIP at 1-2. PAWC-WW states that its wastewater customer base has increased from 16,803 at the time the 2014 LTIIP was filed to the current total of 65,139 customer connections. LTIIP at 4.

## II. OCA COMMENTS

In this proceeding, the Commission must determine if PAWC's proposed modifications to its LTIIP will accelerate infrastructure repair and replacement in a cost effective manner. See 66 Pa. C.S. § 1352(a)(5), (6). The OCA submits that additional background information may assist the Commission in this determination.

The Company states that from 2015 to 2018, it spent an average of \$7.39 million annually on wastewater DSIC eligible infrastructure improvements, exclusive of "regulatory driven projects."<sup>2</sup> LTIIP at 37. From 2019 to 2023, PAWC-WW proposes to increase non-regulatory wastewater DSIC eligible spending to over \$20 million annually in order to continue making necessary improvements at an accelerated pace. Id. The Company indicates that

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<sup>1</sup> The Commission approved a term of settlement in PAWC-WW's Application to acquire the wastewater collection and treatment assets of the City of McKeesport, Docket No. A-2017-2606103, which provided that PAWC-WW may collect a DSIC related to the McKeesport system prior to the first base rate case in which the system plant in service is incorporated into PAWC's rate base, subject to certain conditions, including the filing of an amended wastewater LTIIP incorporating the McKeesport area (McKeesport, Dravosburg and Duquesne districts), which does not re-prioritize other existing commitments in other service areas. Application of PAWC-WW to Acquire the City of McKeesport, Order at 3-4 (Oct. 26, 2017) (McKeesport Order).

<sup>2</sup> PAWC-WW indicates that "[n]on-regulatory wastewater DSIC investments are expenditures that exclude regulatory driven costs such as projects associated with a consent order agreement (CO) or a connection management plan (CMP)." LTIIP at 36.

proposed spending for 2019 to 2023 represents a 159 percent increase in wastewater DSIC spending, excluding regulatory-driven projects.

A. Historic Spending and Rate of Replacement

PAWC-WW's filing does not provide a breakdown of its historic annual replacement and retirement by categories of eligible plant, for each district, to demonstrate how the DSIC will accelerate infrastructure repair and replacement across all of its districts and rate zones. The Company provided that information in its AAOPs for 2016 and 2017. The OCA suggests that PAWC-WW supplement the information provided in its LTIIIP filing with a table that includes the information for 2015 through 2018 to-date (by year, by categories of eligible plant and by district).<sup>3</sup>

B. Projected Spending

PAWC-WW provides its projected annual expenditures for each of the five years of the modified LTIIIP, however, the filing does not tie the projected annual expenditures to individual districts or to the priorities identified in the overview of each district. The OCA submits that a table showing the projected annual expenditures by eligible plant categories and by district would provide necessary information and assist the Commission in assessing the cost-effectiveness of PAWC-WW's plan and its prioritization of DSIC-eligible projects.<sup>4</sup> Further, as discussed above, PAWC-WW proposes to expand the LTIIIP to include 11 additional wastewater districts. LTIIIP at 1-2. The Company indicates that these additions include both combined and sanitary systems acquired since 2014 and that DSIC eligible property includes wastewater assets associated with both combined and sanitary systems. Id. at 7; Petition at 7. The Commission has conditioned approval of the combined systems on the requirement that PAWC-WW develop a

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<sup>3</sup> LTIIIP Order at 10-12.

<sup>4</sup> LTIIIP Order at 13-14.

separate cost of service study for the combined systems, which may be the basis for separate rate zones going forward.<sup>5</sup> Accordingly, the OCA suggests that the table recommended above should identify expenditures for combined systems separately from sanitary systems.

C. No Re-Prioritization of Existing Commitments in Other Service Areas

In its Order approving PAWC-WW's acquisition of the wastewater assets of the Municipal Authority of the City of McKeesport, the Commission adopted a condition that PAWC-WW file an amended wastewater LTIP incorporating the McKeesport area (McKeesport, Dravosburg and Duquesne districts), which does not re-prioritize other existing commitments in other service areas. *Supra*, note 1. In its LTIP, the Company provides separate projections for (1) the quantity of property to be improved and annual expenditures related to the McKeesport compliance order and (2) "non-regulatory" quantities/expenditures. LTIP at 36-37; *supra*, note 2. PAWC-WW qualifies its projections by stating that "[a]ctual quantities and scheduling may change depending on the outcome of sewer system evaluation or other planning studies." *Id.* at 36. To assist the Commission and stakeholders in monitoring PAWC-WW's prioritization during the LTIP period, the OCA suggests that the Company continue to distinguish between McKeesport quantities/expenditures and non-regulatory quantities/expenditures in its Annual Asset Optimization Plans and other LTIP-related filings. In addition, to the extent that, relative to the projections in this LTIP, quantities or expenditures are higher for McKeesport and lower for other service areas, PAWC-WW should explain why the shift was appropriate and consistent with the McKeesport Order.

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<sup>5</sup> Joint Application of PAWC-WW and the Sewer Authority of the City of Scranton, Order at 84-86 (Oct. 19, 2016); McKeesport Order at 2.

D. Summary of OCA Recommendations

In summary, the OCA submits that supplemental information may be needed by the Commission and its staff in their review of PAWC-WW's modified LTIP for compliance with the requirements of Act 11. The OCA recommends that the Company provide the following information:

1. a breakdown of historic annual replacement and retirement for categories of plant for 2015 through 2018 to date, by district, and
2. a table showing the projected annual expenditures by eligible plant categories and by district, with expenditures separately identified for combined and sanitary systems.

In addition, in future Annual Asset Optimization Plans and other LTIP-related filings, the OCA submits that PAWC-WW should:

3. continue to distinguish between non-regulatory and regulatory investment and
4. to the extent that, relative to the projections in this LTIP, quantities of property improved or annual expenditures are higher for McKeesport and lower for other service areas, explain why the shift was appropriate and consistent with Ordering Paragraph 7(a) of the Commission's October 26, 2017 Order in Docket No. A-2017-2606103.

### III. CONCLUSION

The OCA submits that, while it is not requesting a hearing in this proceeding at this time, the Company should provide additional information to allow the Commission to determine if PAWC Wastewater's modified LTIP accelerates infrastructure repair and replacement in a cost-effective manner as required by Act 11 and the Commission's Order in Docket No. A-2017-2606103.

Respectfully submitted,



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