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| PUC logo | COMMONWEALTH OF PENNSYLVANIAPENNSYLVANIA PUBLIC UTILITY COMMISSION400 NORTH STREET, HARRISBURG, PA 17120 | **IN REPLY PLEASE REFER TO OUR FILE** |

October 24, 2019

Docket No. M-2019-3013286

To: All Interested Parties

Re: Implementation of Act 120 of 2018

On October 24, 2018, Governor Wolf signed into law Act 120 of 2018, which amended the Public Utility Code regarding the accelerated replacement of customer-owned lead water service lines (LSLs) and damaged wastewater laterals (DWWLs). This new provision of the Public Utility Code establishes a uniform standard under which utilities may seek to replace customer-owned LSLs and DWWLs and recover costs associated with replacement.[[1]](#footnote-2)

By Joint Motion adopted on October 3, 2019, the Commission directed its Bureau of Technical Utility Services (TUS) and Law Bureau (LAW)to develop recommendations for additional parameters for customer-owned LSL and DWWL replacement programs.[[2]](#footnote-3) The Commission further directed TUS and LAW to convene a working group and solicit responses to directed questions in order to gather information and stakeholder input on how the Commission may develop uniform procedures to address customer-owned LSL and DWWL replacement issues facing regulated utilities. Upon completion of the work group process, TUS and LAW are to provide a written recommendation to the Commission by March 31, 2020.

The Joint Motion directs TUS and LAW to, at a minimum, invite all Class A water and wastewater utilities and certain named stakeholders to attend the proposed working group and to provide all parties with directed questions for comment. Other interested parties are also permitted to participate. While it is expected that Class A water and wastewater utilities will participate, this Secretarial Letter extends the invitation to provide comments for the directed questions to all interested parties. The directed questions are attached to this letter as Attachment 1.

The Commission requests all responses to the directed questions in Attachment 1 be submitted by November 22, 2019. Responses should include a cover letter identifying the party providing the comment(s) and should reference the above-captioned docket number. Please send all responses to the Secretary of the Commission at the following address:

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| Secretary, Pennsylvania Public Utility Commission400 North Street, 2nd FloorHarrisburg, Pennsylvania 17120 |

The Act 120 Working Group workshop will be held on December 19, 2019 at 1:30 p.m. in Hearing Room 1, Commonwealth Keystone Building, second floor, 400 North Street, Harrisburg, PA 17120. Stakeholders who wish to actively participate in the discussion should plan to attend the meeting in person. Issues to be addressed in the workshop will be based upon responses received to the directed questions, including additional issues or concerns raised in comments.

If you plan to attend the meeting, please RSVP to

pc-act120implementation@pagov.onmicrosoft.com by December 12, 2019. Please direct any questions you have about the meeting to this e-mail address. NOTE: Should any contested Act 120 proceedings commence during the pendency of working group activities, parties are reminded to maintain a generic discussion to comply with *ex parte* rules under 66 Pa. C.S. § 334(c).

Sincerely,

Rosemary Chiavetta

Secretary

Enclosure: Attachment 1

Cc Richard Kanaskie, BIE

 Renardo Hicks, LAW

 Paul Diskin, TUS

Note: Section headers provided below are intended to organize topics and are not intended to limit or influence responses to directed questions. Please restate the directed question prior to providing a response. References to LSLs and DWWLs below are intended to reference customer-owned LSLs and/or DWWLs, unless specifically identified as company-owned LSLs and/or DWWLs.

Planning and Reporting

1. What information should utilities seeking to replace LSLs and DWWLs provide in a distinct comprehensive replacement plan or as integrated elements within their long-term infrastructure improvement plans (LTIIPs)?
2. What are the most effective methodologies for completing a thorough study to locate and identify LSLs and DWWLs within a utility’s service territory?
3. What would be a reasonable timeframe, based upon a concerted effort, for a utility to identify all the LSLs within its service territory via historical records, city permits, direct visual inspections and other such means early in an LSL replacement plan’s schedule as part of a utility’s LTIIP?
4. What are the best practices and avenues for reporting and/or communicating the results of a thorough study to locate and identify LSLs and DWWLs within a utility’s service territory?
5. Other than annual asset optimization plans filed pursuant to 66 Pa. C.S. § 1356, what is/are the most effective means of reporting the progress of LSL and DWWL replacement program efforts, including the number of LSL and/or DWWL replacements, the size and length of pipe removed, the cost per service, the location of removal, site conditions, etc.?

Communications

1. What information should be provided to customers that are or may be affected by a known or suspected LSL or DWWL (e.g., The utility’s replacement schedule, the material type of the company owned service line, etc.)?
2. How and when should information be provided to customers that are or may be affected by a known or suspected LSL or DWWL? Discussions may include, but are not limited to, providing information in a website portal and/or printed materials, sending out materials at periodic intervals and/or providing materials when a customer completes an application for service.
3. What information, if any, should the utility provide a municipality about the number of known and suspected LSLs within its jurisdictional boundaries and the potential schedule for replacement?
4. What processes and procedures should utilities follow based upon a customer’s acceptance of an LSL or DWWL replacement?
5. What content should be included in notices to utility customers when a utility files a new tariff or tariff supplement pursuant to 66 Pa. C.S. § 1308 to replace LSLs and DWWLs?

Replacements

1. What are the best ways to prioritize LSL replacements outside of scheduled main replacement and relocation projects to allow for a proactive and distinct LSL replacement program in an efficient and effective manner?
2. Should priority LSL replacement scheduling be provided for customers where water is/will likely be consumed by sensitive populations (e.g., children in schools or day-care centers, pregnant women, etc.), what criteria should make a customer eligible for prioritization and how should utilities obtain this information?
3. Describe the considerations and replacement procedure of an LSL on a property where the site conditions would be conducive to a standard approach?
4. Describe the considerations and replacement procedure of an LSL on a property where the site conditions would require the utility to take unique or extraordinary efforts?
5. Should the Commission establish a cap on the amount a utility is permitted to invest in a LSL or DWWL replacement for a customer, what should this amount be and would it be reasonable to establish this cap based on a customer’s meter size?

Refusals

1. What processes or procedures should utilities follow based upon a customer’s refusal of a LSL replacement, including:
	1. Should there be any implications for residential real estate property where the presence of an LSL is identified but the current property owner refuses to voluntarily and affirmatively collaborate with the public utility in question in the replacement of such identified LSL (e.g., filing of notices with appropriate municipal authorities and property registration records whether the LSL and the corresponding company-owned LSL have been identified and have or have not been replaced)?
	2. Should utilities install a backflow prevention device on the company’s service line and/or terminate service to the customer if an LSL is not replaced within a reasonable period?
2. What processes or procedures should utilities follow based upon a customer’s refusal of a DWWL replacement?
3. If a customer refuses to accept full replacement of a LSL, what considerations should be addressed to reduce potential liabilities for the utility and its ratepayers?
4. Considering health implications associated with partial LSL replacements, should Company-owned LSLs be replaced where a customer refuses to allow replacement of the customer-owned LSL and, if so, what additional procedures should a utility follow than those previously discussed?
5. When a number of LSLs are identified within a municipal boundary, should the utility seek legislative support regarding LSLs from the municipal entity to support a complete LSL replacement effort?

1311(b) Analysis

1. What is the appropriate definition of a DWWL?
2. What are reasonable standards, processes, and procedures for establishing the maximum number of LSLs and DWWLs that can be replaced annually?
3. What are reasonable standards, processes, and procedures for establishing a reasonable LSL or DWWL warranty term?
4. What are reasonable standards, processes, and procedures for establishing the amount and means for reimbursing customers that have replaced a LSL and/or DWWL within one year of commencement of a replacement project?
5. What constitutes customer LSL and DWWL projects as referenced in 66 Pa. C.S. 1311(vii)(B) and how would reimbursements be linked to the referenced project (e.g., proximity or direct impact)?

Rates

1. What benefits do LSL and DWWL replacements provide to each customer class, including the public and private fire protection, bulk/wholesale and industrial customer classes?
2. What benefits do utilities and ratepayers realize from LSL and DWWL replacements apart from a return on and of the utility’s investment?
3. What is the applicable depreciation or amortization rate for LSL and DWWL replacement costs for DSIC purposes and would this change over the life of the investment?
4. What is the applicable depreciation or amortization rate for LSL and DWWL replacement costs for base rate purposes and would this change over the life of the investment?
5. When allocating LSL and DWWL replacement costs between customer classes, what guidelines should balance cost causation, benefits received and LSL/DWWL replacement program participation while ensuring just and reasonable rates?
6. When allocating LSL and DWWL replacement costs within a customer class, should customers with larger meters and greater consumption than the average member of their customer class have a lesser, equal or greater proportionate financial responsibility for LSL and DWWL replacement costs and should this responsibility be capped at a fixed amount for customers with meters larger than a certain size?
7. What alternative financial support sources exist for the replacement of LSLs and DWWLs, e.g., grants, and how should the potential and actual use of such funding sources be recognized by public utilities for accounting and ratemaking purposes in their respective LSL and DWWL replacement programs?
8. Should utilities be required to continually seek out alternative financial support sources to fund the replacement of LSL and DWWLs and how should these efforts be documented and/or reported?
9. Should utilities be required to submit and receive approval of a new tariff or a tariff supplement pursuant to 66 Pa. C.S. § 1311(b)(v) before LSL and DWWL replacement costs are incorporated into a utility’s LTIIP?
1. 66 Pa. C.S. § 1311(b). [↑](#footnote-ref-2)
2. *See Joint Motion of Chairman Gladys Brown Dutrieuille and Commissioner John F Coleman, Jr. – Implementation of Act 120 of 2018,* at Docket No. M-2019-3013286. [↑](#footnote-ref-3)