

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 28, 2021

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

Re: Pennsylvania Public Utility Commission
v.
Pittsburgh Water and Sewer Authority
Docket Nos. R-2021-3024773 (Water)
C-2021-3025473 (Water)
R-2021-3024774 (Wastewater)
C-2021-3025471 (Wastewater)
R-2021-3024779 (Stormwater)
C-2021-3025474 (Stormwater)

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceedings.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Christine Maloni Hoover
Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50026
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Enclosures:

cc: The Honorable Eranda Vero (**email only**)
Certificate of Service

*309884

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission : Docket Nos. R-2021-3024773 (Water)
: C-2021-3025473 (Water)
v. : R-2021-3024774 (Wastewater)
: C-2021-3025471 (Wastewater)
: R-2021-3024779 (Stormwater)
Pittsburgh Water and Sewer Authority : C-2021-3025474 (Stormwater)

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Prehearing Memorandum, 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 28th day of May 2021.

SERVICE BY E-MAIL ONLY

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Dated: May 28, 2021
*309883

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2021-3024773 (Water)
	:		R-2021-3024774 (Wastewater)
v.	:		R-2021-3024779 (Stormwater)
	:		C-2021-3025473 (Water)
	:		C-2021-3025471 (Wastewater)
Pittsburgh Water and Sewer Authority	:		C-2021-3025474 (Stormwater)

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333, and in response to the Prehearing Conference Order issued in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On April 13, 2021, the Pittsburgh Water and Sewer Authority (PWSA or the Authority) filed Supplement No. 7 to Tariff Water – Pa. P.U.C. No. 1, Supplement No. 6 to Tariff Wastewater – Pa. P.U.C. No. 1, and Tariff Stormwater– Pa. P.U.C. No. 1 to become effective June 12, 2021. The Authority is proposing a multi-year rate increase that will: raise PWSA’s total operating revenues for water service by approximately \$12.6 million, or 10% in 2022 and by approximately \$12.9 million, or 9.3% in 2023; reduce PWSA’s total annual operating revenues for wastewater service by approximately \$7.8 million, or 10.6% in 2022 and by approximately \$7.5 million, or 11.4% in 2023; and establish initial total annual operating revenues for stormwater service by approximately \$17.8 million, or 3,118.3% in 2022 and by approximately \$5.9 million, or 32.3% in 2023.

Through this filing, PWSA requests that the Commission approve its new tariffs pursuant to Act 65 of 2017, 66 Pa. C.S. § 3201 *et seq.* On May 20, 2021, the Commission issued three suspension orders—for water, wastewater and stormwater—suspending the case until January 12, 2022 and assigned the matter to the Office of Administrative Law Judge for the prompt scheduling of such hearings as may be necessary and issuance of a Recommended Decision. The case has been assigned to Administrative Law Judge Eranda Vero (ALJ Vero).

PWSA is a municipal water and wastewater authority serving customers in the City of Pittsburgh and surrounding communities. PWSA provides water service to approximately 80,000 residential, commercial and industrial customers in: portions of the City of Pittsburgh; the Borough of Millvale; and portions of Reserve, O’Hara, and Blawnox Townships, Allegheny County. PWSA also provides wastewater conveyance service to customers located in the City of Pittsburgh, Allegheny County, and also conveys sewage for portions of 24 neighboring communities. PWSA’s water and wastewater operations became subject to regulation by the Pennsylvania Public Utility Commission on April 1, 2018, pursuant to Act 65 of 2017, 66 Pa. C.S. § 3201 *et seq.*

Under the Authority’s proposal, a typical residential water, wastewater conveyance, and stormwater service customer using 3,000 gallons per month and charged the base rate for stormwater services would see their total monthly bill increase from \$79.34 to \$87.19 per month or by 9.89% in 2022 and increase from \$87.19 to \$91.05 or by 4.43% in 2023. For the water portion, a residential customer would see their monthly bill increase from \$54.36 to \$58.09 in 2022 and from \$58.09 to \$61.79 in 2023. For the wastewater portion, a residential customer would see their monthly bill decrease from \$24.98 to \$23.14 in 2022 and from \$23.14 to \$21.30 in 2023. The new monthly stormwater fee for a residential customer generating stormwater from one equivalent

residential unit (ERU) would be \$5.96 in 2022 and would increase to \$7.95 in 2023, as discussed in more detail below.

PWSA's new stormwater fee is based on the amount of impervious surface on a property, which includes roofs, sidewalks, parking areas, and other surfaces that do not absorb stormwater. In Pittsburgh, the average amount of impervious surface on a property is approximately 1,650 square feet which is equal to one ERU of impervious surface. PWSA is proposing a three-tiered monthly fee schedule which will phase in the Authority's requested new stormwater rate over 2022 and 2023. As proposed, residential customers will be charged the following stormwater fees on their monthly bills in 2022 and 2023: customers with 0.5 ERU (Tier 1) of impervious surface on their property will be charged a stormwater fee of \$2.99 per month in 2022 and \$3.98 in 2023, customers with 1 ERU (Tier 2) of impervious surface on their property will be charged a stormwater fee of \$5.96 in 2022 and \$7.95 in 2023, and customers with 2 ERUs (Tier 3) of impervious surface on their property will be charged a stormwater fee of \$11.93 in 2022 and \$15.90 in 2023. This stormwater fee would only apply to PWSA customers with property located within the City of Pittsburgh.

II. ISSUES

The OCA is currently conducting discovery in this proceeding. As soon as the OCA has received all of the discovery information and has had the opportunity to review it, the OCA anticipates that additional discovery and/or informal discovery meetings can be scheduled. At those meetings and discussions, the OCA will narrow the scope of additional information requests. Once the discovery process is complete, the OCA will file direct testimony which will set forth the specific issues it will address in this proceeding. At that time, the OCA will also make and quantify its specific recommendations.

The issues and sub-issues set forth below, and others that may develop during discovery, will be analyzed and presented as appropriate by the OCA with the assistance of its expert witnesses:

A. Accounting and Finance

1. The OCA will examine the Authority's claimed revenues and any adjustments to the level of revenues. The OCA will seek to ascertain whether PWSA's claimed expenses are supported, reasonable, and appropriate.

2. The OCA will examine the Authority's debt service coverage ratios and will examine the Authority's cash on hand.

B. Rate Design and Cost Allocation

3. The OCA will examine the reasonableness of PWSA's proposed distribution of the revenue changes among customer classes.

4. The OCA will examine the reasonableness of PWSA's proposed distribution of the revenue changes among water, wastewater and stormwater service.

5. The OCA will examine PWSA's cost of service studies, including the methodology used and the reasonableness of the allocations.

6. The OCA will examine PWSA's proposed rate design, including its proposed effects on residential customers and its ability to reflect the cost to serve different classes of customers.

C. Low-Income Programs

7. The OCA will analyze current and proposed PWSA operations, practices and procedures related to serving low-income customers.

8. The OCA will examine how PWSA's proposed rate changes and rate structure will affect low-income and/or low-usage customers.

9. The OCA will review the Authority's current Customer Assistance Program (CAP) and any proposed changes to the program.

D. Quality of Service

10. The OCA will review the Authority's quality of service to ensure that it is providing safe, adequate, and reliable service, and water that is useful for all household purposes, and that its wastewater collection and conveyance system is operating as required.

11. The OCA will review the Authority's program and practices for replacing lead service lines.

12. The OCA will examine the Authority's ownership and maintenance of sewer laterals within public rights-of-ways and easements.

13. The OCA will examine curb to curb surface restoration of PWSA projects.

14. The OCA will review customer complaints related to water, wastewater and stormwater matters.

E. Tariffs

15. The OCA will examine the reasonableness and appropriateness of the Authority's proposed tariffs, including the new stormwater tariff, and review for formatting and compliance with all applicable laws, regulations, and Commission order.

F. Customer Service

16. The OCA will review the Authority's consumer protection policies and programs in order to ensure compliance with Chapter 14 of the Public Utility Code and Chapter 56 of the Commission's regulations.

17. The OCA will examine the Authority's customer service, including internal training and management oversight policies and programs.

18. The OCA will examine the Authority's consumer education programs, particularly with regard to changes in billing and collection rights and remedies, and complaint processes.

G. Capital Improvement Plan

19. The OCA will examine the Authority's Capital Improvement Plan (CIP), including its issuance of new long-term bonds which will cause PWSA to incur an additional \$22.8 million in debt service.

H. Phased-In Rate Increase.

20. The OCA will examine the Authority's proposed two-year rate phase-in to determine the reasonableness of the proposal.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be

necessary, of the following witnesses in this proceeding. Each witness will present testimony in written form and will also attach various exhibits, documents, and explanatory information which will assist in the presentation of the OCA's case. In light of the COVID-19 emergency, the OCA requests that instead of hard-copy mail, the parties send responses to each appropriate consultant by e-mail as indicated below until the OCA's offices are open again:

Accounting/Regulatory Policy/Multi-year ratemaking:

Dante Mugrace
PCMG & Associates
90 Moonlight Court
Toms River, NJ 08753
OCAPWSA2021@paoca.org

Rate Design/Cost Allocation/
Regulatory Policy:

Scott Rubin
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Quality of Service:

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Harrisburg, PA 17111
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Tariffs/Customer Service:

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83 Wedgewood Drive
Winthrop, ME 04364
OCAPWSA2021@paoca.org

Low-Income Programs:

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Fisher, Sheehan & Colton
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Policy/Bond Coverage:

David Habr
Habr Economics
213 Cornuta Way
Nipomo, CA 93444-5020
OCAPWSA2021@paoca.org

The OCA specifically reserves the right to call additional witnesses, as necessary. All parties of record will be notified as soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case.

IV. EVIDENCE

The OCA will rely on the direct, rebuttal, and surrebuttal testimony of its expert witnesses as well as the testimony of other parties to the proceeding. The OCA will also present relevant exhibits to support its own testimony, including but not limited to, materials obtained from the Authority through discovery and cross-examination.

V. SERVICE ON THE OCA

The OCA will be represented in this case by Senior Assistant Consumer Advocates Christine Maloni Hoover and Erin L. Gannon and Assistant Consumer Advocate Lauren E. Guerra. The OCA has created a group e-mail address provided below. This is the only e-mail address that is required for service on the OCA; it will provide the e-mailed materials to all members of the OCA team including the consultants listed above. A copy of all documents should be served on the OCA by e-mail only until the OCA's offices are open again as follows:

Christine M. Hoover, Senior Assistant Consumer Advocate
Erin L. Gannon, Senior Assistant Consumer Advocate
Lauren E. Guerra, Assistant Consumer Advocate
OCAPWSA2021@paoca.org

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VI. PUBLIC INPUT HEARINGS

In light of the complications posed by the pandemic, the OCA understands that holding traditional public input hearings within the Authority's service area may not be appropriate or possible. As such, the OCA respectfully requests that if in-person public input hearings are not possible, the Commission hold public input hearings by telephone or video conference, on multiple dates at varied times, in order to provide customers with an opportunity to be heard on the record. The OCA requests that the public input hearings be held as early in the proceeding as possible while allowing for sufficient notice of the public input hearings to PWSA customers. Additionally, the OCA is willing to work with the parties and the scheduling office to identify appropriate means of holding the public input hearings, and is open to exploring other ideas. In PWSA's 2020 base rate case, a total of six (6) public input hearings were held from 1 p.m. to 3 p.m. on July 7, 8, and 9, 2020. In order to ensure customers with varied availability are able to participate, the OCA requests a similar schedule for this case from June 22-June 24, 2021.

The OCA also requests that the Authority be directed to extensively advertise these public input hearings. Newspaper notice must be advertised in the general readership sections of local newspapers, not in the legal section. Other methods of informing its customers of the public input hearings, including social media and the Authority's website, should be utilized as well. In addition, the OCA requests the other parties involved in the proceeding be permitted to review these public input hearing announcements prior to their publication and distribution and have input into which publications the announcements are placed.

VII. PROPOSED SCHEDULE

The parties have worked extensively on developing a proposed litigation schedule. Due to the involvement of several witnesses and attorneys in another pending base rate case that follows a similar timeline as this proceeding, it has taken some time to reach a schedule that is acceptable to all parties. On May 26, 2021, PWSA provided ALJ Vero the most recent schedule for early consideration. This proposed schedule will be discussed further at the prehearing conference.

VIII. DISCOVERY

To date, the OCA has served eight (8) sets of interrogatories on the Authority. Going forward, the OCA proposes the following modifications to the Commission's discovery regulations. The OCA notes, however, that it anticipates using informal discovery in this case and will work with PWSA to ensure that discovery is completed efficiently and effectively.

- A. Answers to written interrogatories to be served in-hand within fifteen (15) calendar days of service of the interrogatories. However, PWSA will make best efforts to provide responses within ten (10) calendar days of service.
- B. Requests for admission be deemed admitted unless answered within ten (10) days or objected to within five (5) days of service.
- C. Answers to on-the-record data requests to be served in-hand within seven (7) calendar days of the request.
- D. All discovery due dates shall be "in-hand" and e-mail service on the due date will satisfy the "in-hand" requirement, while the PUC offices remain closed. After re-opening, the "in-hand" requirement will be met where e-mail service is followed, the next business day, by first-class mail service.

IX. SETTLEMENT

The OCA is willing to participate in settlement discussions.

Respectfully Submitted,

/s/ Christine Maloni Hoover
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Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

DATE: May 28, 2021
*309832

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket Nos. R-2021-3024773 (Water)
Pittsburgh Water and Sewer Authority : R-2021-3024774 (Wastewater)
R-2021-3024779 (Stormwater)

PROPOSED PROCEDURAL SCHEDULE
OF THE
OFFICE OF CONSUMER ADVOCATE

Public Input Hearings	June 22-24, 2021
Direct Testimony of Non-Company Parties	July 9, 2021
Rebuttal Testimony	August 9, 2021
Surrebuttal Testimony	August 20, 2021
Evidentiary Hearings	August 31 – September 2, 2021
Close of Record	September 2, 2021
Main Briefs	September 22, 2021
Reply Briefs	October 4, 2021
End of Suspension Date	January 13, 2022