

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, <i>et. al.</i>	:	Docket Nos.	R-2021-3024773
	:		C-2021-3025473
v.	:		C-2021-3025516
	:		
Pittsburgh Water and Sewer Authority - Water	:		
Pennsylvania Public Utility Commission, <i>et. al.</i>	:	Docket Nos.	R-2021-3024774
	:		C-2021-3025471
v.	:		C-2021-3025517
	:		
Pittsburgh Water and Sewer Authority - Wastewater	:		
Pennsylvania Public Utility Commission, <i>et. al.</i>	:	Docket No.	R-2021-3024779
	:		C-2021-3025474
v.	:		C-2021-3025521
	:		
Pittsburgh Water and Sewer Authority - Stormwater	:		

**STATEMENT OF THE PITTSBURGH WATER AND SEWER AUTHORITY
IN SUPPORT OF JOINT PETITION FOR SETTLEMENT**

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I. INTRODUCTION AND OVERALL REASONS IN SUPPORT OF SETTLEMENT

The Pittsburgh Water and Sewer Authority (“PWSA” or the “Authority”) submits this Statement in Support of the Joint Petition for Settlement entered into by PWSA, the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Pittsburgh United (“Pittsburgh United”) and the City of Pittsburgh (“City”) (collectively, “Joint Petitioners” or “Parties”).¹ The Settlement fully resolves all the issues involved in this rate proceeding. Although the benefits of each provision of the Settlement will be discussed in greater detail in the following sections, all of the provisions taken together demonstrate how the Settlement – as a package – has achieved a reasonable balance of many different (and sometimes conflicting) issues and is clearly in the public interest.

Importantly, approval of the additional revenue recommended in the Settlement supports PWSA’s current ambitious capital program focused on replacing water mains, rehabilitating aging sewer lines, constructing new stormwater management infrastructure and implementing the Water Reliability Plan – a series of once-in-a-generation projects to renew key components of the water production and distribution systems. Though the amount agreed-to in the Settlement is less than originally proposed, approving the Settlement provides revenue and rate stability over the next few years and saves the cost of litigating another rate case next year.

The Settlement contains a number of aspects that help to mitigate the effect of the rate increase on consumers, especially on low income customers. From the outset, PWSA took a number of steps to attempt to mitigate the effect of the necessary rate increase in light of the lingering effects of the pandemic. First, the Authority voluntarily chose to make its original request far less than it could have justified under established cash flow ratemaking standards.

¹ The Joint Petition for Settlement (“Settlement” or “Joint Petition”) was filed on September 7, 2021.

Second, PWSA proposed to phase-in the \$32.2 million total rate increase that it did request to spread the increase over two years with the goal of avoiding an additional rate increase filing next year. Third, PWSA proposed a number of customer education, customer service and quality of service measures designed to provide consumers, and particularly low income consumers, with greater benefits whether in terms of financial assistance and/or improved infrastructure and service. All of these pro-consumer initiatives are preserved in the Settlement, as will be explained below.

The Settlement also supports adoption of a new stormwater fee proposed by PWSA and consistent with the Commission's direction in 2018 at the time PWSA became subject to its jurisdiction. Developing the stormwater fee proposal required an enormous amount of work on the part of PWSA. In this proceeding, the Parties presented significant and valuable feedback regarding the necessary components related to introducing a brand new fee including rate structure, the gradual removal of stormwater costs from the wastewater conveyance rates, customer notice, project planning and public input. As a result, the stormwater proposal supported by the Settlement is a good path forward that should be approved without modification.

In addition, the Settlement addresses many customer service and quality of service enhancements particular to PWSA's operations and past Commission decisions including issues related to valve safety, responsibility for damaged sewer lateral repair and replacement, and further revisions to low income customer assistance programs. All of these proposals were developed based on cooperative consideration of the concerns raised by the various parties in light of the ability and financial resources of PWSA. As such, the ultimate proposals in the Settlement addressing these issues are in the public interest.

Although this is PWSA’s third base rate case since coming under the jurisdiction of the Commission, PWSA’s utility rate cases and this one in particular continue to be unique and different from traditional utility rate cases for a number of reasons. First, PWSA is a municipal authority, created pursuant Municipal Authorities Act (“MAA”)² and did not come within the Commission’s jurisdiction until the Public Utility Code was amended in December 2017.³ Second, PWSA is only the second Commission regulated utility to utilize the cash flow ratemaking method (Philadelphia Gas Works is the other). Third, the City of Pittsburgh owns the water and wastewater conveyance systems that are leased to PWSA to manage (until 2025 when PWSA will purchase the system pursuant to pre-existing lease agreements). Fourth, PWSA’s proposals in this proceeding continue to be interrelated with separate on-going Commission proceedings involving PWSA’s Compliance Plan including PWSA’s proposal to revise its water tariff to comply with the Commission’s line extension requirements as directed by an order of the Commission from March 2020, including the elimination of tapping fees.⁴ Fifth, the Commission’s requirement for PWSA to create a separate stormwater tariff with a separate stormwater fee is new as no other Commission regulated utility has a separate stormwater tariff. Finally, prior to coming under the jurisdiction of the Commission and continuing through to the present, PWSA has had to manage other state and federal regulatory compliance obligations related to an infrastructure that has had little to no investment for about 30 years.

Notwithstanding all of these challenges, the Parties worked diligently to craft a reasonable settlement that is in the public interest. Each provision was considered individually

² 53 Pa.C.S. § 5601, *et seq.*

³ 66 Pa. C.S. § 3201 *et. seq.* (“Chapter 32”).

⁴ *See* Joint Petition, Appendix A at 3.

and within the context of the overall settlement package. To achieve the Settlement, Parties agreed to compromise on many issues in the interest of designing a complete Settlement that reasonably resolves all issues. Approving the Settlement without modification will enable PWSA to move forward with ensuring that it is meeting or exceeding all regulatory requirements, including implementation of a brand new stormwater fee, while also recognizing the needs of its customers and taking all measures necessary to ensure safe, just and reasonable service. As such, PWSA urges the Administrative Law Judge (“ALJ”) to recommend that the Commission approve this Settlement as submitted and without modification.

II. REASONS FOR SUPPORT OF SPECIFIC ISSUES

A. Revenue Requirements and Quarterly Reporting

1. Revenue Requirements

a. *Introduction*

In summary, the Joint Petition for Settlement establishes the following terms regarding revenue requirement:

- (1) Allows a base rate increase of \$21 million in annual water and wastewater revenues and a new stormwater charge, phased in over two years, with a \$17 million rate increase permitted in 2022 and an additional \$4 million in 2023.⁵ PWSA proposed a \$32.2 million increase in water/wastewater/stormwater Retail User Revenues.⁶
- (2) (Subject to certain exceptions), PWSA shall not file a general rate increase pursuant to 66 Pa C.S. 1308(d) any sooner than March 2023 for rate implementation in January 2024.⁷
- (4) To the extent that PWSA’s actual 2022 revenues net of expenses (not including the award of any COVID-19 funding) produce a surplus greater than its FPFTY projections, PWSA agrees to use the excess in its discretion to:
 - (a) Add to its year end “days cash on hand;”
 - (b) Pay down its construction line of credit; and/or
 - (c) Repay an item in PWSA’s borrowing portfolio.
 - (d) PWSA also agreed to provide a report to the Parties no later than May 31, 2023 for any surplus covered by the preceding paragraph. The report shall include information

⁵ Joint Petition at 6, ¶ III.A.1 and Appendix E: Revenue Allocation Comparison of Existing Rates with Year 1 and Year 2 Phase In Settlement proposed Rates.

⁶ See Joint Petition, Appendix F: Customer Bill Impacts – Comparison of Original Rate Request v. Proposed Settlement Rates (Full FPFTY, Before Phase In).

⁷ Joint Petition at 6, ¶ III.A.3.

about the amount of the excess, the use of the funds and the rationale for the selected use of the funds.⁸

The background and basis for these terms, and a demonstration of why they are reasonable and in the public interest, follows.

b. ***Background of PWSA Cash Flow Method of Ratemaking and Legal Standards Applicable to Establishing Just and Reasonable Rates for PWSA***

Chapter 32 of the Public Utility Code, added in 2017, gives the Commission jurisdiction over PWSA’s provision of water, wastewater and stormwater service and the establishment of just and reasonable rates for those services.⁹ The Commission has directed that PWSA’s revenue requirement will be determined using the “Cash Flow” method, the traditional method of determining just and reasonable rates for municipal utilities such as PWSA.¹⁰ This is appropriate because PWSA has no shareholders and does not pay a dividend or a rate of return to its owner. Accordingly, PWSA does not have access to shareholder equity-generated capital and all funds raised by the Authority must come directly from government loans or grants, borrowings from the municipal debt markets (the costs of which are borne by ratepayers) or (mostly) from rates paid by ratepayers.¹¹ Therefore, rather than having its revenue requirement determined on the basis of a fair rate of return on a used and useful rate base, PWSA’s rates are set by determining the levels of cash necessary to fund an operating budget and produce reasonable financial metrics (i.e., Days of Cash on Hand and Debt Service Coverage Ratios) that will enable PWSA to: (1) operate and maintain its utility systems and meet all its regulatory obligations; (2) pay for needed capital improvements; (3) experience financial performance that exceeds required minimums and

⁸ Joint Petition at 6, ¶ III.A.4.

⁹ 66 Pa. C.S. § 3201 et. seq.

¹⁰ *Implementation of Chapter 32 of the Public Utility Code Re Pittsburgh Water and Sewer Authority*, Docket Nos. M-2018-2640802 and M-2018-2640803, Final Implementation Order entered March 15, 2018 at 27-28 (“*Final Implementation Order*”)

¹¹ PWSA St. No. 2 at 30-31.

is consistent with comparable companies; and (4) maintain access to the capital markets at reasonable rates.¹² PWSA's calculation of its revenue requirement using the "Cash Flow" method is consistent with the Commission's Cash Flow Ratemaking Policy Statement, which sets forth the financial and other considerations that are reviewed in setting just and reasonable levels using the Cash Flow method.¹³ The Policy Statement states that, under the Cash Flow method, the Commission is obligated to:

provide revenue allowances from rates adequate to cover [the utility's] reasonable and prudent operating expenses, depreciation allowances and debt service, as well as sufficient margins to meet bond coverage requirements and other internally generated funds over and above its bond coverage requirements, as the Commission deems appropriate and in the public interest for purposes such as capital improvements, retirement of debt and working capital.

§ 69.2703. Ratemaking procedures and considerations.

- (a) In determining just and reasonable rate levels for [the Cash Flow utility at issue], the Commission will consider, among other relevant factors:
- (1) [the utility's] test year-end and (as a check) projected future levels of non-borrowed year-end cash.
 - (2) Available short term borrowing capacity and internal generation of funds to fund construction.
 - (3) Debt to equity ratios and financial performance of similarly situated utility enterprises.
 - (4) Level of operating and other expenses in comparison to similarly situated utility enterprises.
 - (5) Level of financial performance needed to maintain or improve PGW's bond rating thereby permitting PGW to access the capital markets at the lowest reasonable costs to customers over time.
 - (6) PGW's management quality, efficiency and effectiveness.
 - (7) Service quality and reliability.
 - (8) Effect on universal service.¹⁴

¹² PWSA St. No. 2 at 32-35.

¹³ 52 Pa. Code § 69.2702(b).

¹⁴ 52 Pa. Code § 69.2702(b) and § 69.2703(a).

Additionally, the Public Utility Code, Section 3208 requires that: “[t]he commission shall permit an authority to impose, charge or collect rates or charges as necessary to permit the authority to comply with its covenants to the holders of any bonds or other financial obligations.”¹⁵

c. *PWSA Initial Proposal*

PWSA rate filing sought a total increase to base rates for 2022 in the amount of \$32.2 million or 17.1%.¹⁶ The proposed base rate increase included the introduction of a new stormwater rate and corresponding reductions to current wastewater conveyance rates where stormwater related costs are currently recovered. In consideration of the current COVID-19 pandemic, PWSA proposed the most minimal rate increase necessary to continue to fund operations and to just barely satisfy its rate covenants.¹⁷ In further recognition of the ongoing economic effects of the pandemic, PWSA proposed to phase-in the overall increase over a two year period, offering to voluntarily defer some of its otherwise justified rate increase, with \$22.0 million to be recovered in 2022 and the additional \$10.20 million to be recovered in 2023.¹⁸ PWSA’s proposal also included additional features (including the manner in which it proposed to structure and assess the new stormwater rate and further enhancements to its low income customer assistance programs) intended to mitigate the rate impact for its customers, as described more fully in the testimony of Ms. Quigley.¹⁹ PWSA also proposed to allocate

¹⁵ 66 Pa. C.S. § 3208(c)(1).

¹⁶ PWSA Exhibit WJP-1 p present PWSA’s proposals in the Rate Case Tables.

¹⁷ PWSA St. No. 2 at 4-13.

¹⁸ PWSA St. No. 2 at 4-13; PWSA St. No. 4 at 46-47; PWSA St. No. 6 at 16-18. While the Authority reserved its right to withdraw its phase-in proposal if the rate increase ultimately awarded were to be materially downward adjusted, PWSA has waived that discretion, assuming the Settlement is approved by the Commission without material modification.

¹⁹ PWSA St. 6 at 18-20.

\$100,000 to its Hardship Grant program to address the continuing decrease of available funding in that program as PWSA draws down the existing funding from a prior litigation settlement.²⁰

PWSA Director of Finance Edward Barca acknowledged that this is the third rate case for PWSA under the PUC and the previous processes have been reasonable and have, to some extent, recognized PWSA's substantial capital needs and prevented PWSA from experiencing a financial crisis. However, the Authority still has not been able to achieve its goals of fully funding its Capital Improvement Plan ("CIP") and operations so as to permit it to enhance the quality of its water and customer service. As a result, PWSA still has multiple (sometimes competing) obligations for limited capital funds.²¹

Mr. Barca explained that there were several overarching reasons why PWSA continues to need a substantial rate increase at this time. First, PWSA continues to need to increase operations to a level that is sufficient to maintain PWSA's large system. PWSA requires an increase of \$9.8 million (or roughly 30%) of the requested \$32.2 million to continue to increase operations to required levels, including increased salaries and benefits (\$3.2 million, or 33%) and increases in the costs of washout disconnection and combined sewer overflow ("CSO") flow monitoring (\$3.8 million or 39%).²²

Second, PWSA needs to fund its substantial Capital Improvement Plan, which includes numerous capital projects necessary to meet regulatory requirements. To do this, PWSA must issue new long term bonds, which, together with increased debt service from existing bonds, will cause PWSA to incur a projected additional \$22.4 million in debt service in the FPFTY.²³

²⁰ PWSA St. No. 2 at 4; PWSA St. No. 6 at 26-27.

²¹ PWSA St. No. 2 at 9-11.

²² PWSA St. No. 2 at 10.

²³ PWSA St. No. 2 at 10.

Third, the COVID-19 pandemic continues to put stress on the financial health of PWSA. PWSA continues to experience decreased collections and consumption caused by the effects of the COVID-19 pandemic. For example, PWSA’s year-over-year collections through February 28, 2021 were down \$3.7 million or -10%, and PWSA has incurred \$1.3 million in COVID-19 related costs since the start of the pandemic. These additional expenses and decreased collections have and will continue to put pressure on the financial health of PWSA. However, PWSA elected not to include any of these costs as part of this rate filing due to the on-going nature of the pandemic and its decision to request only the bare minimum amount of rate increase needed to support operations.²⁴

Fourth, and as described more fully by Ms. Quigley, during the Stage 1 Compliance Plan process, the Commission concluded that its line extension regulations control as to the PWSA’s line extension processes and directed that PWSA – on or before one year from the entry date of the March 26, 2020 Order²⁵ – file with the Commission either; (1) a petition for a permanent waiver of the line extension regulations; or, (2) a supplemental compliance plan detailing how it will revise its processes to be compliant with the Commission’s line extension regulations.²⁶ PWSA filed its Supplemental Compliance Plan Regarding Line Extensions on March 26, 2021 proposing to transition to the Commission’s line extension regulations and to address both the needed tariff changes and rate impacts of that transition in this proceeding. PWSA, like most municipal water companies, currently charges a tapping fee even though the Commission has a

²⁴ PWSA St. No. 2 at 9-11. The Parties arrived at an agreement with respect to future COVID expense recovery as well as the receipt of any government funding to offset the costs incurred by PWSA in dealing with the pandemic. Those provisions are described in Section II.D of this Statement in Support.

²⁵ *Implementation of Chapter 32 of the Public Utility Code Regarding Pittsburgh Water and Sewer Authority – Stage 1*, Docket Nos. M-2018-2640802 (water) and M-2018-2640803 (wastewater), Opinion and Order entered March 26, 2020 at 73-74 (“*March 2020 Stage 1 Order*”).

²⁶ PWSA St. No. 6 at 37-39.

general, long-standing policy of prohibiting public utilities from assessing tapping fees (a tapping fee is a service fee that is charged for connecting PWSA’s public water or sewer main to the private plumbing). After further evaluation, PWSA has decided to propose to eliminate tapping fees and recover those costs through base rates. This means that approximately \$3.5 million which otherwise would have been realized from tapping fees in FY 2022 will now have to be recovered in base rates.²⁷

Because of these various revenue needs and changes, PWSA showed that it had an immediate and clear need for rate relief in FY 2022. As shown in Mr. Barca’s testimony,²⁸ PWSA’s key financial indicators – Days Cash on Hand (“DCOH”) and Debt Service Coverage ratios (“DSC”) – would be at unacceptably low levels unless PWSA were able to implement a substantial rate increase in 2022:

	<i>FY 2020</i>	<i>FY 2021</i>	<i>FY 2022</i>	<i>FY 2023</i>
<i>Days Cash on Hand (“DCOH”)</i>	<i>228.6 DCOH</i>	<i>195 DCOH</i>	<i>87.1 DCOH</i>	<i>(26.8) DCOH</i>

	<i>FY 2020</i>	<i>FY 2021</i>	<i>FY 2022</i>	<i>FY 2023</i>
<i>Senior Debt Service Coverage Ratio</i>	<i>1.51x</i>	<i>1.47x</i>	<i>1.05x</i>	<i>0.96x</i>
<i>Total Debt Service Coverage</i>	<i>1.27x</i>	<i>1.19x</i>	<i>0.85x</i>	<i>0.79x</i>

Notably, without a rate increase, the Authority’s Days Cash on Hand would fall to seriously low levels in FY 2022 and actually go negative in 2023.²⁹ Similarly, no rate increase in FY 2022 would actually result in Debt Service Coverage levels that would be below PWSA’s

²⁷ PWSA St. No. 2 at 11-12.

²⁸ PWSA St. No. 2 at 37-38.

²⁹ PWSA St. No. 2 at 37.

minimum requirements, as set forth in its Bond Indentures (1.25x on senior and 1.10 times on total debt).³⁰ As Mr. Barca explained, this would trigger an additional failure:

A failure to improve these results with additional revenues would prevent PWSA from issuing additional bonds in FY 2022, for failure to meet the Additional Bonds Test, and almost certainly result in a bond rating downgrade. It could also result in a default, which would raise the costs of borrowing and limit PWSA’s access to capital markets. Moreover, a failure to approve the level of rate relief requested would threaten PWSA’s ability to pay its bills when due. PWSA St. 2 at 40.

PWSA calculated that various test year needs and requirements produced a total revenue requirement in the FPFTY of \$232.7, which required a \$32.2 million rate increase. PWSA demonstrated that this proposed rate increase would produce the following financial results³¹:

	2022	2023
Debt Service Coverage - Senior	1.46x	1.36x
Debt Service Coverage - Total	1.18x	1.12x
Days of Cash	175	152

As PWSA’s financial advisor, Thomas Huestis, testified, these coverage levels at proposed rates were just minimally adequate and well below the levels that bond rating agencies expect for an “A” rated entity like PWSA. In fact, Mr. Huestis testified that, as an “A” rated credit, PWSA was expected to have a 1.5x or better debt service coverage ratio on its *total* Debt Service Coverage.³² Note that, even under the proposed rates PWSA would have experienced a total debt service coverage of some 32 basis points lower than the expected 1.5x.³³

The overall \$32.2 million rate increase was proposed to be allocated to water, wastewater and (the new) stormwater service rates based on a cost of service study, as explained by PWSA

³⁰ PWSA St. No. 2 at 38.

³¹ PWSA St. No. 2 at 40-43.

³² PWSA St. No. 3-R at 11-12.

³³ PWSA St. No. 3-R at 11-12.

witness Smith.³⁴ The allocation of the rate increase to these various services and classes within those services is discussed in Section B of this Statement in Support.

d. *Positions of Other Parties and PWSA Response*

In response to PWSA’s proposals, several parties submitted testimony with alternative recommendations regarding a just and reasonable rate increase for the Authority. I&E submitted testimony which initially claimed that PWSA had justified only an overall increase of \$2,339,804 to the FPFTY revenues at present rates of \$196,210,463.³⁵ I&E witness Spadaccio claimed that this \$2.3 million rate increase would nevertheless produce debt service coverages of 1.43x on senior debt and 1.16x overall and 221 year-end days of cash on hand.³⁶ Mr. Spadaccio claimed that these levels of DSC and DCOH were viewed as “adequate” by the rating agencies.³⁷

The I&E revenue requirement position was driven by the testimony of I&E witness Patel who disputed many aspects of PWSA’s FPFTY Operating Budget (no party took issue with any aspect of PWSA’s proposed CIP). Most of Mr. Patel’s adjustments were based on his assertion that PWSA’s FY 2022 Operating Budget (the FPFTY) were not reliable because PWSA had failed to realize its budgeted level of expenses in prior years.³⁸ He also proposed to “normalize” (or spread recovery over a number of years) certain PWSA budgeted expenditures such as rate case expense³⁹ and equipment costs.⁴⁰

On similar grounds, OCA witnesses presented testimony claiming that PWSA had overstated its likely operating expenses in FY 2022 and, therefore, had only justified a \$11.1

³⁴ PWSA St. No. 4 at 3.

³⁵ I&E St. 1 at 7-8.

³⁶ I&E St. 1 at 12 and 16.

³⁷ I&E St. 1 at 12 and 16.

³⁸ I&E St. 2 at 4-6.

³⁹ I&E St. 2 at 10-11.

⁴⁰ I&E St. 2 at 28.

million increase in base rates. This level of increase purportedly produced DSC on PWSA's senior debt of 1.45x and 1.18x overall and DOCH of 134.1.⁴¹ Again, these levels of DSC and DCOH were deemed "adequate."⁴²

e. ***PWSA Response and Other Party Surrebuttal***

In rebuttal testimony, PWSA witness Barca first updated PWSA's claimed revenue requirement. After the submission of its direct case, PWSA was awarded a \$35.5 million low interest loan from PENNVEST to fund the 2021 small diameter water main replacement project. This PENNVEST award resulted in a \$80,798 increase in the FPFTY revenue requirements (\$232,770,841 compared to \$232,690,043) compared to that which was originally filed because the PENNVEST loan, while having a lower interest rate than that projected for PWSA's bond financing, had a shorter term, resulting in higher annual debt service costs in the FPFTY. However, PWSA will realize a significant savings over the term of the PENNVEST loan.⁴³

Mr. Barca also explained that the I&E and OCA positions were based implicitly on the assumption that PWSA would not incur the FY 2022 budgeted expenses that the two parties disallowed. Mr. Barca explained that this key assumption – that PWSA would not actually expend any amounts deemed not includable in FPFTY expenses – was the basis on which I&E and OCA could claim that their recommendations would nonetheless produce metrics that were very close to those that PWSA showed would occur if the *full* rate increase were to be awarded. However, if PWSA *did* incur the level of expenses it was projecting (and which it fully intended to and, in many cases, was required to incur) but only received the level of increase advocated by

⁴¹ OCA St. 1 at 6.

⁴² OCA St. 2 at 3-4.

⁴³ PWSA St. No. 2-R at 4. While PWSA's claimed revenue requirement increased, it did not request a total rate increase higher than its original, \$32.2 million claim.

these parties, PWSA would find itself unable to meet its Bond Indenture requirements (1.25x on senior debt; 1.10x on total debt). This would, in turn mean that PWSA would be in default and would not be able to issue additional debt under the “Additional Bonds Test.”⁴⁴ To remedy or avoid this situation, PWSA would have to take a variety of steps including: (1) freezing hiring and potentially laying off staff; (2) reducing project funding for regulatory obligations, such as Washout Disconnections and CSO flow monitoring; and (3) reducing plant and building repairs at PWSA’s Water Treatment Plant.⁴⁵ Mr. Barca also explained that making “normalization adjustments for a ‘cash flow’ regulated utility that only requests the amounts needed to fund its operating budget is unreasonable and counterproductive; PWSA has no ‘cushion’ that it can use to fund projected operating expenses if the dollars are not authorized in rates.”⁴⁶ Mr. Barca also went through each of the adjustments proposed by the two parties and showed why they were unreasonable or otherwise incorrect.⁴⁷

In surrebuttal testimony, OCA and I&E both responded to most of PWSA’s witness criticisms. However, I&E witness Patel revised his proposed adjustments to recognize that PWSA had presented evidence that convinced him that its claimed projections for level of employees was reasonable.⁴⁸ This increased I&E’s overall revenue requirement to \$209,178,213 and the proposed rate increase it was recommending to \$12,965,791.⁴⁹ I&E witness Spadaccio again claimed that its revised recommendation produced adequate financial metric and was reasonable.⁵⁰

⁴⁴ PWSA St. No. 2-R at 13-14.
⁴⁵ PWSA St. No. 2-R at 13-14.
⁴⁶ PWSA St. No. 2-R at 10-11.
⁴⁷ PWSA St. No. 2-R at 17-49.
⁴⁸ I&E St. 2SR at 15-16.
⁴⁹ I&E St. 2SR at 15-16.
⁵⁰ I&E St. 1SR at 3-12.

OCA witness Mugrace also recognized that PWSA’s rebuttal had demonstrated the reliability of its 2022 projections for salaries and benefits and equipment but did not revise his recommendation.⁵¹

In rejoinder testimony, Mr. Barca testified that if Mr. Mugrace had revised his recommended adjustment for salaries and benefits to recognize the level of employees that PWSA had by June, 2021 his recommendation would have been \$4.7 million higher, or approximately \$16 million.⁵² Mr. Barca also pointed out that I&E’s revised rate increase recommendation would result in a total debt service coverage of just 0.99x, which is below the legally required total debt service coverage of 1.10x and far below the level that Mr. Huestis testified would be reasonable for PWSA to realize as an “A” rated credit (1.5x).⁵³ Similarly, OCA’s original recommended rate increase would have resulted in a total debt service coverage of 0.95x, which fails to meet the minimum legal coverage.⁵⁴ In addition, the rate recommendations from both I&E and OCA would cause PWSA to fail the Additional Bonds Test since sufficient revenue would not be available to maintain the legal debt service coverage ratios while incorporating the additional debt service costs prior to issuing the debt.⁵⁵ Mr. Barca also pointed out that for several of the claimed areas in which PWSA had allegedly failed to provide adequate support for its FPFTY claim, its 2021 actual experience was close to the levels projected for 2022, providing additional support for those projections.⁵⁶

⁵¹ OCA St. 1SR at 9-10

⁵² PWSA St. No. 2-RJ at 7-10.

⁵³ PWSA St. No. 2-RJ at 2-3; PWSA Exh. EB-17.

⁵⁴ PWSA St. No. 2-RJ at 2-3.

⁵⁵ PWSA St. No. 2-R at 12-15; PWSA St. No. 2-RJ at 2.

⁵⁶ PWSA St. 2RJ at 4-5, 7-10.

f. ***Proposed Settlement***

As noted above, in lieu of PWSA’s proposed \$32.215 million increase in water/wastewater/stormwater revenues, the Settlement would permit PWSA to increase its overall revenues by a total of \$21 million in annual water and wastewater revenues and a new stormwater charge.⁵⁷ Importantly, PWSA has voluntarily agreed to phase in the \$21 million rate increase with the first tranche – \$17 million – going into effect on January 12, 2022 and the second tranche – \$4 million – going into effect starting January 1, 2023.⁵⁸ In addition, (subject to certain exceptions), PWSA has agreed not file a general rate increase pursuant to 66 Pa C.S. 1308(d) any sooner than March 2023 for rate implementation in January 2024.⁵⁹

A major issue in the proceeding was the extent to which PWSA’s FY 2022 Operating Budget projections could be relied upon to establish a revenue requirement. PWSA believes that it presented substantial evidence validating the reasonableness of its FPFTY projections, but it agreed to a settlement provision that assures that any unspent amounts will be used to benefit ratepayers. To the extent that PWSA’s actual 2022 revenues net of expenses (not including the award of any COVID-19 funding) produce a surplus greater than its FPFTY projections, PWSA agreed to use the excess in its discretion to: (a) Add to its year end “days cash on hand;” (b) Pay down its construction line of credit; and/or (c) Repay an item in PWSA’s borrowing portfolio.⁶⁰ PWSA also agreed to provide a report to the Parties no later than May 31, 2023 for any surplus

⁵⁷ The total base rate revenue is \$20.998 million, without rounding the number. See Joint Petition, Appendix A at 17, ¶ 74.

⁵⁸ Joint Petition at 6, ¶ III.A.1. The total first year phase-in is \$16.996 million and the second year phase-in is \$4.002 million without rounding the numbers. See Joint Petition, Appendix A at 17, ¶ 74.

⁵⁹ Joint Petition at 6, ¶ III.A.3.

⁶⁰ Joint Petition at 6, ¶ III.A.4.

covered by the preceding paragraph. The report shall include information about the amount of the excess, the use of the funds and the rationale for the selected use of the funds.⁶¹

The Settlement rate increase falls well within the levels of rate increase proposed by the PWSA and the other parties who presented testimony on the issue of revenue requirement. The following table depicts the financial metrics that PWSA projects will be produced by the Settlement rate increase:⁶²

Financial Ratio Projections	Filed	Rebuttal (1)	Settlement		I&E	OCA
			Year 1 (2)	Full Increase		
Debt Service Coverage						
Senior (1.25 Requirement)	1.46	1.53	1.46	1.52	1.43	1.46
Total (1.10 Requirement)	1.18	1.18	1.13	1.17	1.16	1.18
Days Cash on Hand						
	175.1	173.7	177.7	190.7	221.0	134.1

(1) Revised rebuttal model. Updated with 2021 PENNVEST award.

(2) Shows Year 1 of settlement phase-in.

As shown, at the “Full Increase,” the senior and overall Debt Service Coverage produced by the Settlement rate increase are within a few percentage points of the levels recommended as reasonable by I&E and OCA; its Days Cash On Hand is actually lower than the level recommended by I&E.

The Settlement incorporates or continues a number of steps that PWSA has taken to attempt to mitigate the effects of the rate increase on its customers, particularly in light of the lingering effects of the pandemic. First, PWSA explained that its originally requested rate increase was pared down to a minimum level in light of the concern for customers facing

⁶¹ Joint Petition at 7, ¶ III.A.5.

⁶² PWSA calculated its financial metrics with the assumption that some of its planned operating expenditures would have to be deferred in order to accommodate the reduced level of revenues authorized in the Settlement.

increased economic pressures due to the pandemic.⁶³ In fact, PWSA witness Huestis testified that in light of the pandemic PWSA could have justified a rate increase of some \$28.2 million *in addition to* the \$32.2 million requested, but chose not to request the total amount it could have justified to reduce the level of increase and the effects of the rate increase on ratepayers.⁶⁴ The Settlement rate increase further mitigates the level of rate increase compared to what PWSA could have justified.

Second, the phase-in of the full settlement rate increase further enhances the reasonableness of the Settlement. The deferral of the full rate increase means that PWSA will not be billing some \$4 million in 2022 for which it had a legal entitlement.⁶⁵ From PWSA’s standpoint, the Authority agreed to this phase-in to attempt to mitigate the effects of the needed rate increase in consideration of the continued effects of the COVID-19 pandemic. The result is that PWSA’s 2022 financial metrics will be lower in 2022, as can be seen above. Moreover, the total level of revenues that PWSA will be permitted to bill over the two year period, 2022-2023 is materially lower than the amount that it would have been able to bill without the phase-in.

This is shown in the following table.

	2022	2023	Total
PWSA Original Proposal w/o Phase-in	\$32.2m	\$32.2m	\$64.4m
PWSA Original Proposal <i>with</i> Phase-in	\$22.0m	\$32.2m	\$54.2m
Settlement <i>with</i> Phase-in	\$17.0m	\$21.0m	\$38.0m

⁶³ PWSA St. No. 1 at 5.

⁶⁴ PWSA St. No. 3-R at 12-13. Mr. Huestis testified that the additional rate increase would have increased PWSA’s total debt service coverage ratio to 1.5x, (as opposed to the Company’s filed 1.18x); 1.5x is the median level realized by similarly rated utilities, as reported by Moody’s and S&P. *Id.*

⁶⁵ The phase-in should be distinguished from a “multi-year rate increase.” While both are authorized by section 1330 of the Public Utility Code, 66 Pa. C.S. § 1330 (b), a multi-year rate plan essentially determines a revenue requirement based on projected revenues, costs and investment in each year of the plan. In this proceeding, PWSA has justified the entire proposed rate increase on the basis of its 2022 fully projected future test year and has voluntarily deferred a portion of that justified increase to the following year, 2023.

This shows that the Settlement rate increase represents 59% of PWSA's originally requested rate increase over the two year period, 2022-2023, and further supports the reasonableness of the Settlement levels.

For all these reasons, the compromise rate increase reflected in the Settlement and agreed to by all parties is reasonable and in the public interest.

2. Quarterly Reporting

PWSA did not propose any specific reporting requirements as part of its initial rate case filing. OCA, however, proposed that PWSA be required to expand on the data and information that is currently being reported in its PUC Quarterly Update Report which PWSA files pursuant to the Commission's Compliance Plan Stage 1 Orders.⁶⁶ Specifically, OCA recommended the addition of five items related to PWSA's new stormwater offering be included in the current Quarterly Compliance Plan Reports. These items included data related to customer calls, disputes, arrears, and collection actions.⁶⁷ PWSA opposed expanding the reporting requirements of the PUC Quarterly Update Report because: (1) the Commission's Stage 2 proceeding regarding stormwater issues is the more appropriate proceeding to consider the recommendations; and, (2) compiling the current reports already requires a significant amount of staff time and PWSA expressed concerns about adding additional burdens as part of this proceeding.⁶⁸

⁶⁶ As part of the Commission approved Joint Petition for Partial Settlement of the Stage 1 Compliance Plan, PWSA specifically agreed to file updated Compliance Plan Progress Reports on a quarterly basis beginning October 31, 2019 through October 31, 2025. The specific items to be included in the Compliance Plan Progress Reports are identified in the Joint Petition for Partial Settlement. *See, March 2020 Stage 1 Implementation of Chapter 32 of the Public Utility Code Regarding Pittsburgh Water and Sewer Authority – Stage 1*, Docket Nos. M-2018-2640802 (water) and M-2018-2640803 (wastewater), Recommended Decision dated October 21, 2019 at 60-61 (approved by *March 2020 Stage 1 Order* at 22-24).

⁶⁷ OCA St. No. 7 at 34.

⁶⁸ PWSA St. No. 6-R at 59-60.

The Settlement does not propose to add any additional reporting requirements to the existing PUC Quarterly Update Report. But, PWSA does agree to provide a report – on a quarterly basis – on several discrete issues that were the subject of discussion among the parties in this case including: (1) the award of any PENNVEST grants and/or COVID-19 funding; (2) status and results of a root cause analysis of informal and formal complaints; (3) information about the agreed-to stormwater collaborative and enrollment in the stormwater fee credit program; and, (4) status updates regarding valve maintenance record keeping and prioritization plan.⁶⁹

The Joint Petition offers a reasonable comprise of this issue. The new quarterly reporting requirement reasonably relates the subject of the reporting to the key issues in this case, does not create additional burdens with regard to the current Commission-approved PUC Quarterly Update Reports, and maintains an appropriate separation between the Compliance Plan proceeding and this rate case proceeding. Moreover, filing the agreed-to information developed in this rate proceeding at the docket number for this rate proceeding eases the ability of the Commission and parties to access the data. For these reasons, this provision is reasonable and in the public interest and should be approved without modification.

B. Cost Allocation and Rate Design

1. Allocation Criteria Water and Wastewater Conveyance

a. *PWSA Initial Proposal*

PWSA presented a Class Cost of Service Study (“CCOSS”),⁷⁰ sponsored by Harold J. Smith, Vice President of Raftelis Financial Consultants, Inc., a consulting firm specializing in

⁶⁹ Joint Petition at 7, ¶ III.A.6.

⁷⁰ PWSA Exhibits HJS-1 to HJS-6; HJS-1W to HJS-22W and HJS-1WW to HJS-21WW.

the areas of water, wastewater, and stormwater finance and pricing.⁷¹ The purpose of the CCOSS is to allocate PWSA's costs of providing service (revenue requirement) to each utility and rate class. The rate design analysis results in water and wastewater conveyance rates that help ensure that PWSA's costs are recovered from each class in a fair and equitable manner and in a way that reflects the demands that each class place on the systems.⁷² The development of the stormwater rates is discussed more fully below in Section II.B.5 of this Statement in Support.

After determining the total system revenue requirements (determined by PWSA witness Barca), the water, wastewater conveyance, and stormwater utility service revenue requirements were determined. The revenue requirements are designated as water only, wastewater only, stormwater only or allocated between water, wastewater and stormwater based on a set of allocation factors. The allocation of total system revenue requirements to water, wastewater and stormwater for the FPPTY are shown on Schedule HJS-1.⁷³ Most costs were allocated among the three categories.⁷⁴ The remaining costs are allocated using a set of allocation factors. The allocation factors used in the establishment of utility service revenue requirements are summarized and described in Schedule HJS-2. The majority of the Administrative Division expenses were allocated between water, wastewater and stormwater based on each utility's proportionate share of direct operations costs.⁷⁵

⁷¹ PWSA St. No. 4 at 1.

⁷² PWSA St. No. 4 at 3.

⁷³ PWSA St. No. 4 at 11.

⁷⁴ PWSA St. No. 4 at 11.

⁷⁵ PWSA St. No. 4 at 12. However, Customer Service costs were allocated on the basis of the number of bills; meter costs were allocated on the basis of the number of meters used by each segment of service (stormwater was not allocated any metering costs.) Other allocation factors that did not use Operations were: Environmental Compliance – amount of time spent on activities; Warehouse --operations factors; Engineering and Construction –CIP; Existing debt -- fixed assets; Proposed debt and PAYGO – capital plan and known sources and uses. Costs of transfers to reserves are allocated based on FPPTY rate revenue between water, wastewater, and stormwater.

Once costs were allocated among the three services (water, wastewater and stormwater), costs were then allocated to various customer classes for those services. Costs are allocated in a manner consistent with the methodology described in the American Water Works Association (AWWA) Manual M-1 “Principle of Water Rates, Fees and Charges” using the Base/Extra Capacity cost allocation methodology which is a three step process that involves first assigning costs to functional categories, then assigning the costs from each functional category to Base/Extra Capacity cost categories based on system demand characteristics and then allocating the Base/Extra Capacity cost categories to customer classes based on customer class demand patterns.⁷⁶

Once the portion of PWSA’s costs attributable to providing water service was identified, those water-related costs are distributed to each customer class in a manner that reflects the way each class demands service. As demonstrated on Schedule HJS-8W, the revenue requirements from each cost category are used to determine the unit cost of providing service to meet both average day and peak demands.⁷⁷ This results in an allocation of costs to each class of service. In addition, costs were allocated to the Wholesale customer class as shown on PWSA Exh. HJS-9W.⁷⁸

Finally a list of adjustments were made to reflect legal requirements (Public Fire Protection [required by 66 Pa. C.S. 1328]; City of Pittsburgh Phase-in [required by Act 20]; Wholesale contracts [required by existing contract]; bad debt expense [allocated on basis of

⁷⁶ PWSA St. No. 4 at 13-19; PWSA Exh. HJS-8W.

⁷⁷ PWSA St. No. 4 at 19; PWSA Exh. HJS-8W.

⁷⁸ PWSA St. No. 4 at 20; PWSA Exh. HJS-9W.

historical contribution] and the Customer Assistance Program [allocated to all classes]).⁷⁹ These are shown on PWSA Exh. HJS-10W.

A similar process was undertaken for wastewater costs. Wastewater conveyance costs were allocated according to standard industry practice as described in the Water Environment Federation's (WEF) Manual of Practice No. 27, "Financing and Charges for Wastewater Systems."⁸⁰ Similar to the allocation methodology used for determining PWSA's water costs, the allocation process involved three steps: 1) assigning costs to functional categories; 2) assigning the costs from each functional category to cost categories; and 3) allocating the costs from each cost category to customer classes.⁸¹ Most costs were allocated using either volume, meters or billing.⁸²

Two other goals were incorporated into the allocation of costs among the Water and Wastewater rate classes. First, in recognition that the Health and Education Class wastewater rates were above their calculated cost of service, PWSA proposed to reduce the allocation of the rate increase to that class to reduce, but not fully remove, this subsidy.⁸³ Second, PWSA determined to impose gradualism adjustments for any customer classes experiencing a 1.5x increase above the system average increase. This convention required an adjustment to the Industrial Class water rates.⁸⁴

⁷⁹ PWSA St. No. 4 at 22; PWSA Exh. HJS-10W.

⁸⁰ PWSA St. No. 4 at 33.

⁸¹ PWSA St. 4 at 33-35.

⁸² PWSA St. 4 at 37-43.

⁸³ PWSA St. No. 4 at 44-45; PWSA Exh. HJS-9WW.

⁸⁴ PWSA St. 4 at 46; PWSA Exh. HJS-10W.

b. ***Positions of Other Parties and PWSA Response***

In their Direct Testimony, I&E generally accepted PWSA's water and wastewater CCOSSs.⁸⁵ OCA witness Rubin raised only minor issues regarding the CCOSS.⁸⁶ Mr. Kalcic for OSBA, however, proposed a number of adjustments to PWSA's CCOSS on the water, wastewater and stormwater sides.⁸⁷

Through Rebuttal Testimony of Mr. Smith, PWSA addressed these issues and proposals, noting concurrence with some of the positions advanced by other parties, and presented the results of an updated Rebuttal CCOSS that incorporated certain reasonable modifications suggested by other parties which were accepted by PWSA.⁸⁸

In Surrebuttal testimony, OSBA witness Kalcic submitted responses to PWSA's revised CCOSS and proposed revised allocations of PWSA's proposed increase.⁸⁹

c. ***Proposed Settlement***

Based upon the various parties' positions regarding allocation of the settlement rate increase and in an effort to reach a mutually acceptable compromise, the Parties agreed to allocate the increase in a manner that attempted to reflect the positions of the various parties.⁹⁰ A comparison of the allocation of the revenue requirement by class originally proposed,⁹¹ the position of the OSBA (the only witness to make specific adjustments in PWSA's CCOSS) and the allocation agreed to by all parties in the Settlement, for water and wastewater rates is as

⁸⁵ See, I&E St. No. 3 at 9. Issues related to PWSA's proposed stormwater gradualism adjustment are discussed in Section II.B.5 of this Statement in Support.

⁸⁶ OCA St. No. 3 at 9.

⁸⁷ See, OSBA St. 1 at 21, 31, and 33; Exh. BK-4W (Water); BK-4WW and BK-4SW.

⁸⁸ PWSA St. No. 4-R at 2-3.

⁸⁹ OSBA St. No. 1-S at 1-7.

⁹⁰ Joint Petition at 8, ¶ III.B.1 and Appendix C: Allocation of Proposed Settlement Rate Increase.

⁹¹ Joint Petition Appendix D presents a comparison of revenue allocation of existing, PWSA original proposal and the settlement proposed rates at the full FPFTY (before the rate phase in).

follows:

Pittsburgh Water and Sewer Authority
 2022 COS & Rate Design
 FPFTY Revenue Increases

Total Revenue Summary for Water and Wastewater Conveyance

	Original Request (FPFTY 2022)		OSBA Adjustment (FPFTY 2022)		Settlement Proposed (FPFTY 2022)	
	Amount	Percent	Amount	Percent	Amount	Percent
WATER REVENUE						
Base Rate Revenues						
Residential	\$ 53,833,534	37.9%	\$ 56,558,963	39.8%	\$ 51,025,129	38.1%
Residential - CAP	1,869,666	1.3%	1,442,183	1.0%	1,763,654	1.3%
Commercial	54,061,247	38.1%	52,535,639	37.0%	50,513,082	37.8%
Industrial	3,185,547	2.2%	3,242,258	2.3%	2,865,276	2.1%
Health or Education	21,346,292	15.0%	20,473,668	14.4%	20,232,100	15.1%
Municipal (Metered & Unmetered)	2,108,805	1.5%	2,033,666	1.4%	1,954,516	1.5%
Private Fire System	886,072	0.6%	1,072,175	0.8%	896,184	0.7%
Public Fire Protection	1,046,916	0.7%	982,947	0.7%	1,003,760	0.8%
Wholesale & Bulk	3,690,132	2.6%	3,690,132	2.6%	3,539,608	2.6%
Subtotal: Base Rate Revenues	\$ 142,028,210	100.0%	\$ 142,031,631	100.0%	\$ 133,793,309	100.0%
WASTEWATER CONVEYANCE REVENUE						
Base Rate Revenues						
Residential	\$ 24,483,158	44.8%	\$ 25,343,769	46.3%	\$ 22,820,597	44.1%
Residential - CAP	1,218,710	2.2%	1,284,067	2.3%	1,116,830	2.2%
Commercial	20,174,760	36.9%	19,958,862	36.5%	18,821,433	36.4%
Industrial	1,205,941	2.2%	1,064,412	1.9%	1,133,868	2.2%
Health or Education	6,873,274	12.6%	6,326,655	11.6%	7,167,938	13.8%
Municipal (Metered & Unmetered)	750,122	1.4%	740,857	1.4%	695,869	1.3%
Subtotal: Base Rate Revenues	\$ 54,705,965	100.0%	\$ 54,718,623	100.0%	\$ 51,756,535	100.0%

As can be seen, the Settlement allocation reasonably reflects a compromise of the positions of the parties. In particular, the allocation of increase to the Commercial customer class gives some effect to the testimony of OSBA witness Kalcic, who argued on various grounds that PWSA's CCOSS over-allocated some \$1-2 million to the Commercial Class.⁹² Accordingly, the final settlement allocations reduced the relative proportion of the increase allocated to the Commercial Class. The resulting allocations are within the range of reasonableness when compared to the CCOSS results produced by PWSA, OSBA and the other parties.

⁹² OSBA St. No. 1 at 4-46.

2. “Services” as a Functional Category

In PWSA’s CCOSS, the value of service line assets is included in the Transmission and Distribution asset category which are assigned to the Transmission and Distribution functional categories based on inch-feet of pipe. The Transmission and Distribution functional costs are assigned to the Base, Max Day and Peak Hour cost categories based on system peaking characteristics. The Base, Max Day and Peak Hour cost categories are then allocated to customer classes based on each class’s peaking characteristics such that they are recovered through Volume Charges.⁹³ OSBA proposed that service line costs be treated as customer-related and then allocated based on the weighted-average cost of the service lines used by each class.⁹⁴

In rebuttal testimony, PWSA witness Smith explained that while both PWSA and OSBA’s approaches are appropriate, Mr. Kalcic’s approach requires that the utility have an accurate accounting of the value of its service lines and PWSA does not currently have asset data that segregates service lines from other transmission and distribution assets.⁹⁵

The Settlement reasonably resolves this issue because PWSA agrees to identify relevant costs to the extent it is able to do based on its records and propose the most appropriate allocation of the identified costs while all parties reserve their right to challenge PWSA’s proposal in the next base rate case.⁹⁶ By agreeing to provide the data, as available, and determining as part of the next base rate case an appropriate allocation, the Settlement recognizes the value of the issue raised by OSBA, the reality of PWSA’s records and permits all parties to

⁹³ PWSA St. No. 4-R at 5.

⁹⁴ OSBA St. No. 1R at 6-9.

⁹⁵ PWSA St. No. 4-R at 5.

⁹⁶ Joint Petition at 8, ¶ III.B.2.

have access to the information as part of the next rate case to assess proper allocations at that time. This is a reasonable settlement of this issue and should be adopted without modification.

3. Minimum Charge

a. *PWSA's Initial Proposal*

In the Direct Testimony of PWSA witness Harold Smith, Mr. Smith explained that PWSA's Minimum Charge is used to recover PWSA's customer costs, as well as some of PWSA's costs associated with providing capacity to meet customer demand. Additionally, the Minimum Charge includes the cost of a water usage allowance ("Minimum Allowance") that varies by meter size.⁹⁷ The Minimum Charges are calculated based on meter, billing, and usage components, as well as an adjustment for the public fire protection and readiness-to-serve related costs. Once these components are calculated, they are added together to arrive at the proposed Minimum Charges for each meter size.

In PWSA's last rate case, PWSA agreed to explore options for the removal of the Minimum Allowance, but determined that doing so at this point would create a number of challenges for PWSA. Specifically, as Mr. Smith explained, removing the Minimum Allowance from PWSA's rate structure would result in a significant drop in total fixed revenue. Since the Minimum Charge includes the recovery of the cost to provide the Minimum Allowance, removal of those costs from the Minimum Charge would decrease PWSA's fixed revenue recovery from 34.2% of user charge revenues to 19.7%. Removal of the Minimum Allowance would also result in adverse bill impacts for a significant number of PWSA customers and would burden PWSA's Bill Discount Program customers with significantly larger utility bills.⁹⁸

⁹⁷ PWSA St. No. 4 at 24.

⁹⁸ PWSA St. No. 4 at 25-27.

b. ***Positions of Other Parties and PWSA Response***

I&E witness Cline recommended that PWSA scale back its minimum charge (and usage rates) based on the Cost of Service Study (“COSS”) approved by Commission in this proceeding. Further, Mr. Cline recommended that PWSA provide a customer cost analysis that specifically identifies the plant and expenses included in the customer charge as part of its next base rate case. Mr. Cline also recommended that PWSA provide a plan to transition away from the use of a Minimum Allowance, with the first stage occurring in PWSA’s next base rate case.⁹⁹

OCA witness Rubin took the position that the residential customer charge for all customers with meters 1-inch or smaller should be the same and should include a minimum allowance of 1,000 gallons per month.¹⁰⁰ Mr. Rubin also opposed the “readiness-to-serve” component of the water service minimum charges for residential customers.¹⁰¹

Pittsburgh United witness Geller recommended that the Commission approve PWSA’s proposed rate design on a time-limited and conditional basis. Mr. Geller recommended that if and when PWSA redesigns its BDP to a Percentage of Income Program (“PIP”) design, PWSA should remove the Minimum Allowance (minimum usage) from the fixed residential customer charge.¹⁰²

In response, PWSA supported Mr. Cline’s recommendation to explore options for removing the Minimum Allowance. However, PWSA disagreed with Mr. Rubin’s recommendation related to the residential customer charge for a number of reasons, including, *inter alia*, the fact that implementing Mr. Rubin’s recommendation would require PWSA to

⁹⁹ I&E St. No. 3 at 19, 21-22.

¹⁰⁰ OCA St. No. 3 at 12-13.

¹⁰¹ OCA St. No. 3 at 10-12.

¹⁰² Pittsburgh United St. No. 1 at 23-24.

calculate separate Minimum Charges for each customer class, which would be an unnecessary complication to PWSA’s rate structure. Mr. Smith also disagreed with Mr. Rubin’s opposition to the readiness-to-serve component of the water service minimum charges for residential customers, noting that this component is an important aspect of PWSA’s rate structure, is necessary to enhance revenue stability and expose PWSA to less financial risk, and is consistent with generally accepted ratemaking principles.¹⁰³ PWSA witness Quigley also explained that the readiness-to-serve is not an “after the fact adder” to residential rates as Mr. Rubin and Mr. Geller appear to characterize it and that it is a part of the minimum charge which is waived 100% for participants in PWSA’s Bill Discount program.¹⁰⁴ Ms. Quigley also explained that PWSA opposed Mr. Rubin’s proposal to assess all residential customers with meters 1” or smaller the same minimum charge because: (1) Mr. Rubin’s comparison with Pennsylvania American Water Company (“PAWC”) fails to recognize that PAWC’s customer charge does not include a usage allowance like PWSA; (2) Mr. Rubin’s issue focuses on one particular circumstance where customers are required to have a 1-inch meter to satisfy City ordinance requirements but his remedy would be broadly applied to all customers.¹⁰⁵

c. Proposed Settlement

Under the terms of the Settlement, PWSA agrees to provide a plan to transition away from the use of a Minimum Allowance, with the first stage occurring in PWSA’s next base rate case. In support of this transition, PWSA also agrees to provide a customer cost analysis as part of its next base rate case.¹⁰⁶ Thus, PWSA is making a more firm commitment to transition away

¹⁰³ PWSA St. No. 4-R at 9-11.

¹⁰⁴ PWSA St. No. 6-R at 68.

¹⁰⁵ PWSA St. No. 6-R at 93-94.

¹⁰⁶ Joint Petition at 8, ¶¶ III(B)(3)(a)-(b).

from the Minimum Allowance while still maintaining some flexibility to determine how to structure the transition.

At the same time, PWSA also commits to considering proposed changes to its low income customer assistance program. The commitment includes taking into consideration different usage levels and existing minimum usage allowances and volumetric discounts in its proposed redesign of these programs. PWSA agrees to share its proposal with the parties to this proceeding and PWSA's Low Income Assistance Advisory Committee ("LIAAC") members and provide an opportunity for feedback.¹⁰⁷

Further, under the Settlement, for residential customers residing in newly constructed townhomes who are required to install a meter greater than 5/8" for fire protection and due to City ordinance requirements, PWSA agrees to establish a process for customers to submit a request to reduce their Minimum Allowance and assess the customer the 5/8" Minimum Charge set forth in PWSA's Tariff. PWSA will also attempt to identify eligible customers, advertise this reduction, and inform customers of their ability to request said reduction.¹⁰⁸ This approach narrowly tailors the exception to a specific circumstance thereby reasonably minimizing the resulting loss of revenue to PWSA.

PWSA submits that these minimum charge settlement terms represent reasonable compromises in light of the positions raised by the various parties, are in the public interest and should be adopted.

¹⁰⁷ Joint Petition at 8-9, ¶¶ III(B)(3)(c)(i)-(vi).

¹⁰⁸ Joint Petition at 9-10, ¶¶ III(B)(3)(d)(i)-(vi).

4. Lead Service Line Replacements for Non-Residential Customers

a. *PWSA's Initial Proposal*

PWSA witness Mr. King explained that PWSA's Capital Improvement Plan ("CIP") consists of six project classes, including its Water Distribution System, which includes lead service line replacements.¹⁰⁹ Mr. King further explained that PWSA is engaged in the strategic replacement of water mains through its Small Diameter Water Main Replacement Program ("SDWMRP"), designed to improve reliability and water pressure, maintain water quality, and minimize disturbances caused by breaks. These efforts also involve removing lead service lines attached to the water mains, as part of PWSA's Lead Infrastructure Plan.¹¹⁰

b. *Positions of Other Parties and PWSA Response*

In his Direct Testimony, OSBA witness Mr. Kalcic discussed how PWSA's lead service line replacement ("LSLR") program was initially limited to residential customers, but that PWSA recently changed its policy to permit the replacement of non-residential lead service lines in conjunction with PWSA's Small Diameter Water Main Replacement Program. The OSBA supports the extension of PWSA's LSLR program to non-residential customers.¹¹¹

In rebuttal testimony, PWSA witness Pickering indicated that the expansion of the lead service line replacement program to non-residential customers had not yet been reflected in PWSA's Tariff and proposed to do so in response to the OSBA testimony.¹¹² Mr. Pickering pointed out that when PWSA replaces a main and reattaches a private lead service line to the new main there can be issues due to the disturbance, requiring the lead line to be subsequently replaced, thereby causing a newly-paved street to be excavated shortly after restoration.

¹⁰⁹ PWSA St. No. 5 at 6.

¹¹⁰ PWSA St. No. 1 at 9 and PWSA St. No. 5 at 15.

¹¹¹ OSBA St. No. 2 at 10.

¹¹² PWSA St. 1-R at 15-17.

PWSA's replacement will ensure that the line is replaced at the same time as the main and will avoid issues of "partial replacement," which the Commission has indicated is to be strictly avoided.¹¹³ Mr. Pickering explained that since there are only an estimated 190 non-residential lead service lines, the total cost of PWSA taking over the replacement of these lines when it replaces the main is about \$570,000, clearly a reasonable cost to be absorbed in rates.¹¹⁴

c. Proposed Settlement

Pursuant to the Settlement, PWSA agrees to replace a customer lead service line at a non-residential property at no direct cost to the property owner when PWSA replaces a water distribution main connected to the customer lead service line as part of its Small Diameter Water Main Replacement Program. PWSA has included this program expansion in its pro forma Water Tariff submitted with the Joint Petition for Settlement as Appendix I.¹¹⁵

PWSA submits that these settlement terms are consistent with PWSA's LSLR program plans, are in the public interest and should be adopted.

5. Stormwater Gradualism (includes Stormwater Rate and Other Stormwater Adjustments)

a. PWSA's Initial Proposal

PWSA witnesses Smith and Reading collaborated regarding the stormwater revenue requirement and resulting proposed stormwater rates. First, the unadjusted cost of service rate was determined to be \$148.90/ERU annually or \$12.41/ERU per month (rounded).¹¹⁶ Appropriate adjustments were then made to this unadjusted cost of service by customer classes¹¹⁷ to arrive at PWSA's proposed stormwater rate of \$95.34/ERU annually or \$7.95/ERU per month

¹¹³ PWSA St. 1-R at 15-17.

¹¹⁴ PWSA St. 1-R at 15-17.

¹¹⁵ Joint Petition at 10, ¶¶ III(B)(4)(a)-(b).

¹¹⁶ PWSA St. No. 8 at 12-13; PWSA St. No. 4 at 44-45, PWSA Exh. HJS-4SW.

¹¹⁷ PWSA Exh. HJS-5SW.

(rounded).¹¹⁸ These adjustments included: (1) gradualism between wastewater conveyance and stormwater (i.e. maintaining some of the costs of stormwater to be recovered through the wastewater conveyance rates); (2) stormwater bad debt expense (which PWSA set at 40%); (3) cost of credits and incentives program; and, (4) cost of Bill Discount Program forgone revenue (PWSA proposed a 75% discount off the stormwater charge for Bill Discount Program participants).¹¹⁹

The gradualism adjustment, as initially proposed by PWSA would have resulted in the stormwater rates accounting for approximately two thirds of the total stormwater revenue requirement of \$36.7 million. This adjustment is included in Schedule HJS-6SW and was accomplished by making a \$12.4 million downward adjustment to the allocated stormwater cost of service and a commensurate upward adjustment to the allocated wastewater conveyance cost of service, as shown on HJS-9WW. In other words, PWSA proposed to collect some \$12.4 million less from stormwater rates than the level that could otherwise be justified purely on cost of service grounds.¹²⁰ PWSA concluded that the resulting rates after these adjustments of \$7.95/ERU per month was reasonable since this is a brand new fee for consumers (and would be assessed to consumers not currently receiving any other PWSA utility services) and that while other local, regional and monthly stormwater fees vary significantly, PWSA's proposal fell at the lower range among its peers.¹²¹

¹¹⁸ PWSA Exh. HJS-6SW.

¹¹⁹ PWSA St. No. 8 at 13.

¹²⁰ PWSA St. 4 at 44-45; PWSA HJS-9WW.

¹²¹ PWSA St. No. 8 at 13-14.

b. *Positions of Other Parties and PWSA Response*

OCA witness Rubin supported PWSA's proposed gradualism adjustment stating that "it is reasonable to have a short transition period where some stormwater costs continue to be recovered through wastewater rates" but he did not agree with the removal of \$12.4 million from stormwater rates. Therefore, he recommended that the amount of stormwater costs to be collected through wastewater conveyance rates be reduced to \$7.27 million by increasing the stormwater rate from PWSA's proposed \$7.95 to \$10.00.¹²² Ms. Adams, on behalf of Pittsburgh United did not support PWSA's gradualism adjustment raising concerns that continuing to recover any amount of stormwater costs from wastewater conveyance rates fails to reflect a property's equitable contribution to stormwater service needs.¹²³ Ms. Adams recommended that PWSA eliminate or phase out the stormwater gradualism adjustment as quickly as possible as "the most fair and equitable rate structure will be one that recovers all stormwater costs of service through stormwater rates based on impervious areas."¹²⁴ Mr. Cline for I&E, generally accepted PWSA's proposal recover \$12.4 million of stormwater costs through the wastewater cost of service and recommended that any continuation of the gradualism adjustment be evaluated on a case-by-case basis in a future rate case.¹²⁵ Mr. Kalcic for OSBA accepted the appropriateness of the stormwater gradualism adjustment but proposed that the amount included in wastewater conveyance revenue requirements be allocated to classes based on the proportional amount that would have been collected through stormwater rates for ERUs for respective classes had the adjustment not been made.¹²⁶

¹²² OCA St. No. 3 at 23-26.

¹²³ Pittsburgh United St. No. 2 at 18-21.

¹²⁴ Pittsburgh United St. No. 2 at 23.

¹²⁵ I&E St No. 3 at 24-25.

¹²⁶ OSBA St. No. 1 at 31.

OCA witness Rubin and OSBA witness Kalcic also opposed PWSA's proposed nonpayment rate of 40%. Mr. Rubin recommended that it be set at 25% and Mr. Kalcic recommended that it be set at 30%.¹²⁷ The parties also addressed PWSA's proposed stormwater credits and incentives programs as will be discussed more fully in Section C of this Statement in Support of Settlement. United also opposed charging Bill Discount Program participants any stormwater fee¹²⁸ as will be discussed more fully in Section F.1 of this Statement in Support.

In response, PWSA opposed setting the stormwater fee at \$10 as a way to address concerns about the level of gradualism adjustment. More specifically, Mr. Readling testified that the proposal ignored the reasonableness of PWSA's initial rate which was based on the impact of the fee and the recommendations received from a variety of stakeholders about setting the fee. Moreover, complicated changes would result from arbitrarily setting the stormwater fee at \$10 as proposed by Mr. Rubin that would require reconsideration of the PWSA's proposed residential tiers and lead to a less fair fee and new ratios of median impervious areas that would be more difficult to translate into even rates.¹²⁹ PWSA also opposed removing any stormwater gradualism adjustment noting that the stormwater fee will generate approximately 2/3 of the full stormwater revenue requirement while also helping customers acclimate to the new fee before PWSA makes additional movement toward recovering the full cost of stormwater service (which will include expansion of its stormwater program) in the future.¹³⁰ PWSA also opposed revising its initial 40% bad debt expense factor to calculate the total amount that PWSA will collect from

¹²⁷ OCA St. No. 3 at 23 (Mr. Rubin also recommended that PWSA document its actual level of collections and explain and justify the measures it takes to maximize the levels of collections for stormwater-only customers.); OSBA St. No. 1 at 40.

¹²⁸ Pittsburgh United St. No. 1 at 48; Pittsburgh United St. No. 2 at 26-27.

¹²⁹ PWSA St. No. 8-R at 2-5.

¹³⁰ PWSA St. No. 8-R at 5-6.

the new stormwater fee, noting that its 40% calculation was reasonable and supported by experience and data available from other cities.¹³¹ The other issues, credits program and Bill Discount Program fee are discussed in Sections C and F of this Statement in Support.

c. ***Proposed Settlement***

The Settlement resolves the parties concerns about PWSA’s methodology to arrive at a stormwater rate in several ways. First, the Settlement proposes that the stormwater only uncollectible rate will be set at 30% which is a reasonable compromise of the parties’ positions.¹³² Second, the Settlement proposes to revise the amount of discount off the stormwater rate for Bill Discount Program participants from 75% to 85%¹³³ as discussed more fully in Section F.1 of this Statement in Support. Third, the Settlement addresses a number of related issues regarding the customer credits program and customer education as discussed more fully in Section C of this Statement in Support.¹³⁴ Finally, the Settlement addresses concerns related to the stormwater gradualism adjustment in two ways.

First, the Settlement memorializes the commitment of PWSA to continue to reduce or eliminate the gradualism adjustment in the future and, to the extent PWSA proposes to continue it at some level in the next base rate case, PWSA will present the information specified to assist with the evaluation of PWSA’s proposal.¹³⁵

The second way the Settlement addresses concerns about the stormwater gradualism amount is through the proposed allocation of costs agreed to as part of the Settlement. More specifically, the Settlement does not propose any change to the stormwater rate PWSA initially

¹³¹ PWSA St. No. 8-R at 7.

¹³² Joint Petition at 8, ¶ III.B.a.b.

¹³³ Joint Petition at 19, ¶ III.F.1.a.ii. This issue is discussed more fully in Section E of this Statement in Support.

¹³⁴ Joint Petition at 10-13, ¶ C. .

¹³⁵ Joint Petition at 10, ¶ III.B.6.

proposed but rather to apply the agreed-to reduced revenue requirement by lowering the amount of the stormwater costs included with the wastewater rates.¹³⁶ The result of maintaining the initially proposed stormwater rate (rather than reducing them based on the Settlement’s proposed overall reduction of PWSA’s revenue requirements), is to recover \$10.6 million of stormwater costs from wastewater conveyance rather than PWSA’s initial proposed amount of \$12.4 million.¹³⁷ This is smaller than the level of the gradualism adjustment that PWSA had originally proposed and reflects the Settlement’s determination to reduce or eliminate the gradualism adjustment. A comparison of the PWSA’s initial request and the proposed Settlement regarding the stormwater gradualism is displayed below:

	Initial Request	Settlement
Stormwater Revenue Requirements (\$mil)	\$36.7	\$34.6
Stormwater Gradualism Adjustment (\$mil)	-\$12.4	-\$10.6
Gradualism as a Percent of Overall Cost	33.8%	30.6%

This slightly reduced allocation of stormwater revenue requirement to be recovered in wastewater conveyance rates is reasonable in light of the Settlement reduction in Stormwater Revenue Requirement and the positions of some of the settling parties that advocated for a smaller (or no) gradualism adjustment, while others advocated for modifications in the way the gradualism adjustment is allocated to particular classes. The end result produces stormwater rates that are reasonable compared to the stormwater rates of other utilities and positions of the parties.¹³⁸

¹³⁶ Joint Petition at Appendix C: Allocation of Proposed Settlement Rate Increase.

¹³⁷ Joint Petition at Appendix C: Allocation of Proposed Settlement Rate Increase.

¹³⁸ Joint Petition at Appendix G: Customer Bill Impacts – Comparison of Existing Rates v. Proposed Settlement Rates (Exhibit to Year 1 Phase In and Year 1 to Year 2 Phase In). The 2022 rate for a typical residential customer will be \$5.96/ERU and effective 2023 the rate will be \$7.95/ERU.

C. Stormwater (Program)

In this proceeding, PWSA submitted a proposed stormwater tariff and proposed to implement a new stormwater fee.¹³⁹ PWSA currently uses the revenues generated from customer charges for wastewater conveyance to fund stormwater management. A wastewater conveyance charge – which is based on a PWSA customer’s water usage – is not an equitable way to charge customers for stormwater management. This is because the volume of stormwater that a property generates is a function of hard surface (impervious area) on that property, not water usage. PWSA’s stormwater fee will create a more equitable way to charge for stormwater management services in order to meet water quality and regulatory requirements and address stormwater issues in Pittsburgh.¹⁴⁰

As background, the Commission’s Final Implementation Order (“FIO”) directed PWSA to file a stormwater tariff and a compliance plan no later than the next wastewater base rate filing after its July 2018 base rate filing.¹⁴¹ In order to satisfy the FIO’s requirement, PWSA submitted a stormwater tariff as part of its 2020 base rate proceeding but did not propose a stormwater fee at that time. The settlement in the 2020 rate case provided that development of the stormwater tariff would be deferred to PWSA’s next combined water, wastewater and stormwater base rate case.¹⁴² In compliance with these requirements, PWSA filed a pro forma stormwater tariff and proposed a stormwater fee as part of this current proceeding.

¹³⁹ PWSA Exh. TI-4.

¹⁴⁰ PWSA St. No. 7 at 3-4.

¹⁴¹ *Final Implementation Order* at 31.

¹⁴² *See Pa. P.U.C. v. Pittsburgh Water and Sewer Authority*, Docket Nos. R-2020-3017951 and R-2020-3017970, Recommended Decision (dated Oct. 29, 2020) at 24-26 addressing Joint Petition for Settlement Section III.B included with the Appendix of the decision (approved without modification in the Order entered Dec. 3, 2020), (“*PWSA 2020 Rate Case Recommended Decision*”)

As described in the Joint Petition, the parties agreed to various terms regarding the implementation of PWSA's stormwater fee and overall program.¹⁴³ For the reasons discussed below, these stormwater terms are in the public interest and should be adopted without modification.

1. Stormwater Credit Program

a. *PWSA's Initial Proposal*

PWSA's proposed stormwater tariff includes a system of credits to incentivize customers to reduce stormwater runoff from their properties by reducing impervious area or by improving the capture or absorption of precipitation, which would lessen their monthly stormwater fees.¹⁴⁴

For non-residential customers, PWSA proposed a credit program consisting of credits for customers who capture and detain runoff on-site, meeting or exceeding recent development standards in place in Pittsburgh. The non-residential credit provides a percentage discount of up to 60% for meeting the 2019 City of Pittsburgh stormwater standards, and up to 45% for meeting the 2016 City of Pittsburgh stormwater standards. In both situations, only the portion of the property that meets the requirement would be used to compute the credit.¹⁴⁵

For residential customers, a 50% residential credit for downspout disconnection or drainage rerouting to street planters was proposed. A minimum of 50% of roof area must be disconnected in order for the property to be eligible for credit. The disconnection must be verified to be functioning properly, including not causing new drainage or flooding issues. For rerouting drainage to street planters, this practice would only be allowed in targeted areas where

¹⁴³ See Joint Petition at 10-13, ¶ III.C.

¹⁴⁴ PWSA St. No. 7 at 29, 33-35; PWSA St. No. 8 at 16-19; PWSA Exh. TI-4: PWSA Tariff Storm Water – Pa. P.U.C. No. 1 at 9-11.

¹⁴⁵ PWSA St. No. 7 at 33; PWSA St. No. 8 at 16-17.

planters are available, but the targeted areas may change over time and would be selected based on the infrastructure capacity and need for improvement. Single family residential properties can also get a 50% credit by capturing and slowly releasing the runoff from 3/4-inch of rain from the impervious surfaces on the property. Additionally, though not technically a credit, PWSA also proposed that residential customers could also reduce their stormwater fees by removing impervious area from their property. Residents in Tiers 2 and 3 could drop to the next lower tier if they sufficiently reduce their impervious area to qualify for a lower tier.¹⁴⁶

For its initial stormwater credit offerings, PWSA's credit program was designed to keep administrative burdens low while building on existing standards in the City of Pittsburgh Code, and to create a program that would be both accessible to customers and make a meaningful reduction in stormwater runoff.¹⁴⁷ The Authority anticipated that the credit program will evolve over time, and that it would examine other types of credits and potentially expand the program at a later date.¹⁴⁸

b. ***Positions of Other Parties and PWSA's Response***

Overall, the parties did not oppose PWSA's proposed stormwater credit program. Pittsburgh United provided testimony about the level of incentives offered by the program, and I&E and OSBA questioned the claimed cost of the program.

Pittsburgh United witness Adams expressed her concern that the economic incentives of the credit program are too low to encourage customer participation and investment in stormwater improvements.¹⁴⁹ She recommended that, over the next two years, PWSA should collect a

¹⁴⁶ PWSA St. No. 7 at 33-34; PWSA St. No. 8 at 17-18.

¹⁴⁷ PWSA St. No. 7 at 34-35; PWSA St. No. 8 at 18.

¹⁴⁸ PWSA St. No. 8 at 18.

¹⁴⁹ Pittsburgh United St. 2 at 30-31.

variety of information about customers who apply for the stormwater credit. The Authority should then use this information to consider revisions to the program if necessary.¹⁵⁰

Additionally, Ms. Adams testified that the credit program did not provide adequate incentives to encourage landlords to participate and thus neighborhoods with more tenants would not experience the same benefits from the stormwater program.¹⁵¹ She recommended various ways that PWSA should consider expanding the credit program to incentivize participation by landlords, such as reimbursements for certain stormwater abatement measures or prioritizing installation of street planters or other green infrastructure in low income communities.¹⁵²

I&E witness Ethan Cline and OSBA witness Brian Kalcic each testified that, in their opinion, PWSA did not justify the claimed cost of the credit program and therefore the costs should be denied (although PWSA should, nonetheless, offer the credits).¹⁵³

In response to Pittsburgh United, PWSA witness Keith Readling explained that Ms. Adams' concern that the stormwater credits were too low to incentivize participation was primarily a function of the fact that the proposed initial stormwater rates were themselves relatively low. The proposed rates only reflected the current level of stormwater service and did not reflect the ramp up of stormwater projects that PWSA anticipates will be necessary in future years. As stormwater rates increase, the incentives offered by the credit program would become more effective at encouraging participation.¹⁵⁴ Additionally, Mr. Readling explained that PWSA

¹⁵⁰ Pittsburgh United St. 2 at 31.

¹⁵¹ Pittsburgh United St. 2 at 32.

¹⁵² Pittsburgh United St. 2 at 32-33.

¹⁵³ I&E St. No. 3 at 28-32; OSBA St. No. 1 at 41-42.

¹⁵⁴ PWSA St. No. 8-R at 11.

is already planning to track data on the credit program and participation to be used in future rate cases to determine whether any modifications to the credit program are necessary.¹⁵⁵

Mr. Readling also explained why Ms. Adams' concerns about landlord participation are unfounded. Because PWSA, as a municipal authority, has the ability to lien properties for unpaid utility charges, the responsibility for PWSA charges stays with the property and the property owner is ultimately responsible for any charges. For rental properties, the landlord is ultimately responsible for the PWSA bill, including stormwater charges, and therefore landlords have the same incentives as any other property owner to take steps to receive a stormwater credit.¹⁵⁶

Regarding costs of the credit program, Mr. Readling explained that PWSA's proposal was based on an estimate of 5% revenue loss from the non-residential rate base. This estimate reflected the nature of PWSA's program, which has low barriers to entry, as well as Mr. Readling's extensive experience with similar programs in other cities. Additionally, the information requested by I&E and OSBA to satisfy them of the accuracy of the revenue effect of providing the proposed credits does not exist at this time, particularly given that this program is new to PWSA and the first of its kind for a regulated utility in Pennsylvania.¹⁵⁷

c. Proposed Settlement

The parties agreed to settlement terms regarding the stormwater credit program that focus on collecting data to be used in the Authority's next rate case. Under the Settlement, PWSA will track enrollment and actual costs of the stormwater credit program and provide this information

¹⁵⁵ PWSA St. No. 8-R at 11.

¹⁵⁶ PWSA St. No. 8-R at 11-12.

¹⁵⁷ PWSA St. No. 8-R at 8-10.

in its next stormwater rate filing.¹⁵⁸ As part of this effort, PWSA will convene a meeting with interested parties to identify the data points to be tracked going forward, and agreed to consider tracking a number of data points requested in the parties' testimony.¹⁵⁹ The Authority will also include data on the credit program in quarterly reports filed at this docket, including status updates on the collaborative process used to identify data points to be tracked, as well as updates on enrollment in the credit program.¹⁶⁰

These settlement terms will allow PWSA to implement the stormwater credit program and gain experience that will be useful in future proceedings. In PWSA's next stormwater rate case, the cost and enrollment information gathered pursuant to the Settlement will be used to identify any necessary modifications to the credit program, as well as provide information on the actual cost of the credit program. This is in the public interest, and therefore the Settlement should be approved without modification.

2. Stormwater Master Plan

a. *PWSA's Initial Proposal*

PWSA is developing a Stormwater Master Plan that will provide a comprehensive approach for PWSA and the City of Pittsburgh in managing stormwater. PWSA has selected a consultant team that will assist in developing a strategic plan for stormwater management that provides the logic for a level of service that is achievable. The plan will also take into consideration climate change issues that affect stormwater and provide a strategic approach to developing a resilient stormwater management program.¹⁶¹

¹⁵⁸ Joint Petition at 10, ¶ III.C.1.a.

¹⁵⁹ Joint Petition at 10-11, ¶ III.C.1.a.i and ii.

¹⁶⁰ Joint Petition at 7, ¶ III.A.6.e.

¹⁶¹ PWSA St. No. 7 at 28.

b. *Positions of Other Parties and PWSA's Response*

In her Direct Testimony, Pittsburgh United witness Adams expressed concern about the timing of the Stormwater Master Plan development. She stated that it is “out of sequence” for PWSA to propose stormwater rates before the Stormwater Master Plan is completed. She testified that, given then connection between the Stormwater Master Plan, stormwater revenue requirements, and the level of stormwater rates, it would be preferable for the Stormwater Master Plan to be available to inform the investigation into whether the proposed stormwater rates are just and reasonable. Ms. Adams also testified that the Stormwater Master Plan should be reviewed as part of any future stormwater rate cases and Compliance Plan proceedings.¹⁶²

Further, Ms. Adams recommended that PWSA should gather input from a wide variety of stakeholders in developing the Stormwater Master Plan and that a Stakeholder Engagement Plan be developed and publicized as soon as possible.¹⁶³

In response, PWSA witness Igwe explained that the Authority proposed a stormwater fee as part of this rate case in compliance with the Commission’s Final Implementation Order¹⁶⁴ and the settlement in PWSA’s 2020 base rate case.¹⁶⁵ While it may have been ideal for the Stormwater Master Plan to be completed before the stormwater fee was proposed, PWSA was obligated to propose and implement the stormwater tariff and fee as part of this rate case in order to comply with these prior Commission orders. Additionally, Mr. Igwe explained that the level of stormwater fee proposed in this rate case only reflects current stormwater projects and level of service, and does not reflect any future projects that would be developed through the Stormwater

¹⁶² Pittsburgh United St. 2 at 7-8.

¹⁶³ Pittsburgh United St. 2 at 8.

¹⁶⁴ *Final Implementation Order* at 31.

¹⁶⁵ *See PWSA 2020 Rate Case Recommended Decision* at 24-26 addressing Joint Petition for Settlement Section III.B included with the Appendix of the decision.

Master Plan. While the Stormwater Master Plan will have revenue requirement impacts in the future, that impact will be taken into consideration in future stormwater rate cases and does not affect the level of stormwater fee in this initial stormwater rate case. Therefore, it is not necessary for the Stormwater Master Plan to be in place before the initial stormwater fee is implemented.¹⁶⁶

Regarding public outreach, Mr. Igwe explained that a Stakeholder Engagement Plan is currently being developed as part of the master planning process. Once completed, PWSA does intend to make this plan publicly available and begin conducting outreach to inform the development of the Stormwater Master Plan.¹⁶⁷

In her Surrebuttal Testimony, Ms. Adams agreed that PWSA should move forward with the stormwater fee and development of the Stormwater Master Plan on their original timelines.¹⁶⁸

c. Proposed Settlement

The parties agreed to terms addressing the scope and level of public engagement associated with development of the Stormwater Master Plan. The Settlement provides that PWSA will create and publicize a Stakeholder Engagement Plan for the Stormwater Master Plan development process within 60 days of the final Commission Order in this proceeding.¹⁶⁹ As part of this term, the parties recognized that community outreach and engagement is a critical component of the master planning process. This public engagement and outreach will begin in the fall of 2021, and community members will have opportunities to provide input as the Stormwater Master Plan is being developed.¹⁷⁰ As to the scope of the plan, the parties agreed

¹⁶⁶ PWSA St. No. 7-R at 4-5.

¹⁶⁷ PWSA St. No. 7-R at 5-6.

¹⁶⁸ Pittsburgh United St. 2-SR at 8-9.

¹⁶⁹ Joint Petition at 11, ¶ III.C.2.a.

¹⁷⁰ Joint Petition at 11, ¶ III.C.2.a.i and ii.

that the Stormwater Master Plan will comprehensively state PWSA's criteria for selecting and prioritizing stormwater projects.¹⁷¹ The parties also reserved their rights to address the plan in the context of other proceedings.¹⁷²

These settlement terms are in the public interest as they memorialize PWSA's commitment to engaging with the public and receiving input throughout the Stormwater Master Plan development process, as well as the overarching goal to develop a comprehensive plan that guides PWSA's selection and prioritization of stormwater projects going forward. Therefore, these terms should be adopted without modification.

3. Commitment to Low Income and Other Impacted Communities

a. *Positions of PWSA and Other Parties*

In this proceeding, parties recommended that PWSA ensure that low income communities benefit from the stormwater program. PWSA is committed to providing high quality stormwater service to all customers, including those low income communities, and this commitment is reflected in the Settlement.

In her testimony, Pittsburgh United witness Adams stated that stormwater projects should provide benefits to low income communities.¹⁷³ She testified that the Stormwater Master Plan should create processes and metrics to ensure that low income communities share equitably in the benefits provided by PWSA's stormwater projects.¹⁷⁴ Ms. Adams also recommended that stormwater projects should not only be prioritized based on their capacity to meet regulatory

¹⁷¹ Joint Petition at 11, ¶ III.C.2.b.

¹⁷² Joint Petition at 11, ¶ III.C.2.c.

¹⁷³ Pittsburgh United St. 2 at 7.

¹⁷⁴ Pittsburgh United St. 2 at 9.

requirements, but also include projects that will provide triple bottom line benefits to low income and environmental justice communities.¹⁷⁵

In response, PWSA witness Igwe explained that the Authority intends to consider a variety of factors in selecting and prioritizing stormwater projects, including benefits to low income and environmental justice communities. In fact, PWSA anticipates that compliance with other regulatory requirements – including consent decrees currently being negotiated with the U.S. Environmental Protection Agency and the Department of Justice – will include consideration of impacts on environmental justice areas when prioritizing projects. PWSA has also participated in initiatives aimed at identifying ways to create a sustainable and inclusive water future in Pittsburgh. As such, PWSA is committed to selecting and prioritizing stormwater projects in an equitable manner.¹⁷⁶

b. ***Proposed Settlement***

The Settlement addresses the parties' positions and memorializes PWSA's intention that low income customers share in the benefits of stormwater projects. Under the Settlement, the Stormwater Master Plan will provide for consideration of service and projects in low income communities and other communities disproportionately affected by localized flooding, basement backups, and other stormwater impacts as part of its planning process.¹⁷⁷ PWSA will identify and track projects based on census block data to track deployment of stormwater infrastructure in low income and other disproportionately impacted communities.¹⁷⁸ Additionally, beginning with the development of its 2023 Capital Improvement Plan, PWSA will factor into its planning

¹⁷⁵ Pittsburgh United St. 2 at 12.

¹⁷⁶ PWSA St. No. 7-R at 6-7.

¹⁷⁷ Joint Petition at 11, ¶ III.C.3.a.i.

¹⁷⁸ Joint Petition at 12, ¶ III.C.3.a.ii.

projects that are targeted to areas with higher concentration of low income populations to the extent permitted by law or other regulatory requirements.¹⁷⁹

These settlement terms reflect PWSA's commitment to ensuring fair, equitable service for low income and environmental justice communities. Therefore, these terms are in the public interest and should be approved without modification.

4. Education and Outreach to Customers

a. *PWSA's Initial Proposal*

In its filing, PWSA described in detail its plans for conducting outreach and education to customers to inform them about the proposed stormwater tariff and fee. Prior to proposing the stormwater fee, PWSA had already been engaging with customer and community groups about stormwater issues and a potential fee, including numerous community presentations and convening a Stormwater Advisory Group.¹⁸⁰ After filing this base rate case, PWSA has continued to meet with a variety of community groups and stakeholders as well as the Stormwater Advisory Group.¹⁸¹ Through these meetings, PWSA has met with customers in a variety of neighborhoods to discuss the proposed stormwater fee and efforts to develop a comprehensive plan to manage stormwater, as well as to discuss projects taking place in specific neighborhoods and to answer questions about local stormwater challenges.¹⁸²

PWSA's testimony also described its plan to launch a stormwater website and develop other informational materials about the stormwater fee to ensure that customers have easy access to information about the fee. Social media and ongoing media relations are also an ongoing part

¹⁷⁹ Joint Petition at 12, ¶ III.C.3.a.iii.

¹⁸⁰ PWSA St. No. 7 at 36-37.

¹⁸¹ PWSA St. No. 7 at 36-37; PWSA St. No. 7-R at 8-14.

¹⁸² PWSA St. No. 7 at 36-37; PWSA St. No. 7-R at 8-14.

of the Authority's larger stormwater communications campaign.¹⁸³ Additionally, for new stormwater-only customers, PWSA will send a total of three letters to these customers prior to fee implementation to explain that they will be PWSA stormwater customers and educating them about the stormwater fee.¹⁸⁴

b. *Positions of Other Parties*

Pittsburgh United witness Adams made a number of recommendations regarding stormwater customer education and outreach. Ms. Adams stated that, before the stormwater fee goes into effect, PWSA should display on customer bills the portion of the wastewater charge attributable to stormwater; that future educational materials should include graphics explaining why the stormwater fee is a more equitable rate structure; that PWSA should continue to conduct outreach, specifically to churches and low income communities, and track and publicly report its outreach efforts using objective metrics; and should include representatives of low income communities in the Stormwater Advisory Group.¹⁸⁵

Ms. Adams also recommended that, before the tariff goes into effect, PWSA should provide customers an explanation of how each ERU determination was made, and provide a way for customer to see an aerial image of their property, the area determined to be impervious, and total calculated impervious area. She also testified that PWSA should establish a process for challenging ERU determinations, and should provide a credit, refund or adjustment if the customer has overpaid.¹⁸⁶

¹⁸³ PWSA St. No. 7 at 36-37.

¹⁸⁴ PWSA St. No. 7 at 37.

¹⁸⁵ Pittsburgh United St. 2 at 27-29.

¹⁸⁶ Pittsburgh United St. 2 at 16-18.

Specifically regarding the stormwater credit program, Ms. Adams also provided a number of recommendations for how PWSA should educate customers about the program, including providing written materials like bill inserts and door hangers explaining the program; an interactive website with photos and videos as well as information on how to apply for credit; attending community meetings and engaging with churches and nonprofits; educating local contractors about the program; and placing signage on completed projects. Ms. Adams requested that this outreach program be implemented before the fee goes into effect.¹⁸⁷

OCA witness Alexander also testified that significant outreach and education to customers will be necessary to implement the stormwater fee.¹⁸⁸

In response, PWSA witness Igwe noted that the Authority is already undertaking many of the education and outreach items recommended by the parties, such as developing a searchable website where customers can view an aerial image of their property and the impervious area calculation and ERU determination; developing a manual that will assist customers with the credits and appeal process; and developing a detailed stormwater website, in addition to the other outreach efforts discussed above. PWSA intended to make many of these materials available after receiving final Commission approval of the stormwater tariff and fee.¹⁸⁹

c. *Proposed Settlement*

The Settlement reflects the extensive education and outreach efforts that PWSA continues to undertake as it moves toward implementing the stormwater fee, as well as the

¹⁸⁷ Pittsburgh United St. 2 at 33-34.

¹⁸⁸ See OCA St. 5 at 31.

¹⁸⁹ PWSA St. No. 7-R at 8-14.

parties' recommendations. First, by the effective date of stormwater rates, PWSA will create a publicly available stormwater website that includes a variety of information,¹⁹⁰ such as:

- A portal allowing customer to view an aerial image of their property, the area determined to be impervious, and the total calculated impervious area (including ERUs or residential tier);¹⁹¹
- A credit manual explaining how customers can apply for and receive a stormwater credit;¹⁹²
- A description of the appeal process for questioning ERU determinations;¹⁹³ and
- Other educational materials regarding the stormwater program and stormwater fee.¹⁹⁴

The Settlement also provides that PWSA's educational outreach to customers about the stormwater fee, both before and after implementation, will focus on the following areas:¹⁹⁵

- Informing customers about the stormwater fee, including its purpose and how it is calculated;¹⁹⁶
- Providing sample stormwater bills as bill inserts with fields mapped to current PWSA customer bills and explanations of new fields related to the stormwater fee;¹⁹⁷
- Social media and website content with sample stormwater bills and explanations of the new bill fields related to the stormwater fee;¹⁹⁸
- Providing advance notice, via bill insert and bill messaging, to customers in the month prior to implementation of the stormwater fee that the next month's bill will include the fee;¹⁹⁹ and
- Engagement at community meetings.²⁰⁰

¹⁹⁰ Joint Petition at 12, ¶ III.C.4.a.

¹⁹¹ Joint Petition at 12, ¶ III.C.4.a.i.

¹⁹² Joint Petition at 12, ¶ III.C.4.a.ii.

¹⁹³ Joint Petition at 12, ¶ III.C.4.a.iii.

¹⁹⁴ Joint Petition at 12, ¶ III.C.4.a.iv.

¹⁹⁵ Joint Petition at 12, ¶ III.C.4.b.

¹⁹⁶ Joint Petition at 12, ¶ III.C.4.b.i.

¹⁹⁷ Joint Petition at 12, ¶ III.C.4.b.ii.

¹⁹⁸ Joint Petition at 12, ¶ III.C.4.b.iii.

¹⁹⁹ Joint Petition at 12, ¶ III.C.4.b.iv.

²⁰⁰ Joint Petition at 12, ¶ III.C.4.b.v.

Additionally, for the educational materials described above (in Section III.C.4.b of the Settlement), PWSA will provide drafts of these materials to the parties in this proceeding in the fall of 2021 prior to implementation of the stormwater fee. PWSA and the parties have agreed to engage in good faith discussions regarding any feedback or suggestions offered by the parties.²⁰¹

These settlement terms reflect PWSA's ongoing commitment to educating customers about the stormwater fee and conducting outreach to ensure customers understand the need for the stormwater fee and how it will affect them. As such, these settlement terms are in the public interest and should be approved without modification.

5. Stormwater Customer Service Issues

a. *PWSA's Initial Proposal*

PWSA's proposed stormwater tariff addressed the typical billing and collection issues associated with tariffed service generally in alignment with PWSA's existing water and wastewater tariffs.²⁰² PWSA witness Quigley described PWSA's proposals to address some of the customer facing issues that would be managed through Customer Service including: (1) appeal of PWSA's initial determination regarding impervious area calculation or residential tier assignment; (2) collection activities regarding unpaid stormwater charges; (3) public education regarding upcoming stormwater fee.²⁰³

b. *Positions of Other Parties and PWSA's Response*

OCA witness Barbara Alexander testified that the new stormwater program may cause customer confusion and lead to inquiries and disputes that could threaten PWSA's customer

²⁰¹ Joint Petition at 13, ¶ III.C.4.c.

²⁰² PWSA St. No. 7 at 29.

²⁰³ PWSA St. No. 6 at 21-23, 27-33. See also PWSA St. No. 7 at 36.

service performance.²⁰⁴ In addition to providing detailed customer education materials, as discussed above, Ms. Alexander recommended that PWSA provide information such as an internal plan for call center training and collections activities regarding the stormwater charge, as well as quarterly reporting on customer disputes, contacts with the call center, arrearages, and collection activities specifically related to the stormwater fee.²⁰⁵

In rebuttal testimony, PWSA witness Quigley explained that PWSA is developing training materials for its customer service employees and related staff, and will train personnel to use the Stormwater Billing Information System in late 2021 and early 2022, prior to stormwater rates going into effect.²⁰⁶ PWSA also has detailed plans to conduct outreach and education to inform customers about the stormwater fee,²⁰⁷ and for collections activities related to stormwater.²⁰⁸

c. Proposed Settlement

Under the Settlement, the parties agreed that PWSA will track certain customer service information specifically related to stormwater service, and will provide this information as part of its next rate case filing.²⁰⁹ The information to be tracked includes customer call statistics concerning stormwater charges and bill impacts; the number of disputes concerning the stormwater fee and length of time to resolve; the number of customer in arrears for stormwater service by customer class; and collection activities by type undertaken for customers with overdue stormwater charges.²¹⁰ Having this information available in PWSA's next rate case will

²⁰⁴ OCA St. 5 at 31-32.

²⁰⁵ OCA St. 5 at 33-34.

²⁰⁶ PWSA St. No. 6-R at 58.

²⁰⁷ See PWSA St. No. 6 at 21-22; PWSA St. No. 7 at 36-37; PWSA St. No. 6-R at 58.

²⁰⁸ PWSA St. No. 6 at 29-33.

²⁰⁹ Joint Petition at 13, ¶ III.C.5.a.

²¹⁰ Joint Petition at 13, ¶ III.C.5.a.i through iv.

allow the parties to consider the Authority’s customer service performance specifically related to stormwater service, as well as how customers have responded to the new stormwater fee. As such, these settlement terms are in the public interest and should be approved without modification.

D. COVID-19 Expenses, Funding and Pandemic Measures

1. COVID-19 Expenses

a. *PWSA’s Initial Proposal*

As explained by PWSA witness Mr. Barca, consistent with the Settlement of its 2020 base rate case, PWSA has been tracking and recording as a regulatory asset all COVID-19 Pandemic Costs to claim for ratemaking purposes in PWSA’s “next general rate proceeding.”²¹¹ Mr. Barca testified that PWSA has incurred \$1.3 million in COVID-19 related costs since the start of the pandemic, which have and will continue to put pressure on PWSA’s financial health. Nonetheless, the Authority elected not to include any of these costs as part of this rate filing due to the ongoing nature of the pandemic and its decision to request the bare minimum amount of rate increase needed to support PWSA’s operations. PWSA, however, reserved the right to seek recovery of these costs in a future base rate case as it may deem necessary.²¹²

b. *Positions of Other Parties*

Testifying for OCA, Mr. Mugrace opined that by not seeking recovery of COVID-19 costs in this proceeding, the Authority was foregoing recovery of these costs and could not claim them in another future rate case or request to defer them to a future rate case.²¹³ He subsequently

²¹¹ PWSA 2020 Rate Case Recommended Decision at 33-36 addressing Joint Petition for Settlement Section III.E included with the Appendix of the decision.

²¹² PWSA St. No. 2 at 9.

²¹³ OCA St. No. 1 at 9.

explained that nothing in the Commission’s Secretarial Letter issued on May 13, 2020 at Docket No. M-2020-3019775 permits a utility to defer costs indefinitely.²¹⁴

c. *PWSA’s Response*

In response, Mr. Barca noted that it is not PWSA’s intention to defer COVID-19 costs indefinitely. He also discussed the Commission’s July 15, 2021 Order confirming that utilities should continue tracking and maintaining detailed accounting records of COVID-19 related expenses. Mr. Barca indicated that PWSA will seek recovery of these costs in the next general rate proceeding commenced after July 15, 2021 or in a future proceeding as directed by the Commission.²¹⁵

d. *Proposed Settlement*

Under the terms of the Settlement, PWSA agrees to continue to track extraordinary, nonrecurring incremental COVID-19 related expenses and to maintain detailed accounting records of such expenses, consistent with the July 15, 2021 Order referenced above. The Settlement also includes a definition for such expenses, as being those that are reasonably and prudently incurred labor-related costs; costs incurred to maintain employee and contractor availability; incremental health care related costs; incremental worker’s compensation costs; incremental occupational safety equipment, contractor, personnel costs, and annual uncollectible accounts expense.²¹⁶

The Settlement gives PWSA the opportunity to claim all COVID-19 expenses, including already incurred expenses, in its next general base rate proceeding. Within that claim, PWSA will include costs at least through the end of the FPFTY in this base rate case. PWSA further

²¹⁴ OCA St. No. 1-SR at 20-21.

²¹⁵ PWSA St. No. 2-RJ at 11.

²¹⁶ Joint Petition at 13, ¶ D(1)(a)-(b).

agrees under the Settlement to identify and reflect any cost savings as credits to the corresponding categories of deferred costs. Under the Settlement, all parties reserve the right to review the prudence and reasonableness of any claimed COVID-19 expenses in the next base rate proceeding.²¹⁷

These provisions of the Settlement represent a fair compromise of the parties' litigation positions. While PWSA has the opportunity to seek recovery in its next base rate case of COVID-19 costs that it has already incurred and continues to incur, parties will have the right to review the prudence and reasonableness of any claimed expenses. The Settlement also ensures that any cost savings will be tracked and reflected as credits so that ratepayers realize the benefits. Further, by committing PWSA to include all costs in the next rate case that were incurred through the end of the FPFTY, the Settlement avoids a situation in which PWSA indefinitely postpones the recovery of COVID-19 costs. In addition, the parties' agreement as to a definition of COVID-19 costs should reduce litigation in future proceedings about the types of costs that may be deferred for later recovery. As such, these settlement terms are in the public interest and should be approved without modification.

2. Future COVID-19 Funding

a. *Initial Positions of PWSA and I&E*

In PWSA's initial filing, Mr. Barca testified that PWSA has been tracking any government benefits that may be applied to minimize the costs to be deferred to a future base rate proceeding.²¹⁸ On behalf of I&E, Mr. Cline discussed relief funding that may be available to PWSA through the American Rescue Plan Act and referenced PWSA's request to the City of

²¹⁷ Joint Petition at 13, ¶ D(1)(c).

²¹⁸ PWSA St. No. 2 at 9.

Pittsburgh in an attempt to obtain \$143,835,000 over the next three to six years from the Coronavirus Local Fiscal Recovery Funds (“CLFRF”). He also noted that PWSA intends to submit a request to the Commonwealth of Pennsylvania for \$100,000,000 over five years from the Coronavirus State Fiscal Recovery Funds (“CSFRF”).²¹⁹

As PWSA has not received any guarantee of funds from the City or the Commonwealth, Mr. Cline testified that it would not be reasonable to reflect these funds in the current base rate proceeding. However, because PWSA may begin receiving these funds prior to filing its next base rate case, Mr. Cline recommended that PWSA track the funding, report the funding details to the Commission and implement a credit on the customers’ bill equal to the amount of the funding as soon as practically possible.²²⁰

b. *PWSA’s Response*

In response, Mr. Barca explained that the City awarded PWSA a CLFRF grant of approximately \$17,500,000, which will be used to expand the Authority’s lead line replacement program beyond what PWSA had budgeted for 2022. However, he noted that it is uncertain when PWSA will be able to utilize these funds since the legal agreement is still being negotiated with the City. He further indicated that these grant funds can be reallocated by the City at its discretion. As to the CSFRF request submitted to the Commonwealth, Mr. Barca indicated that PWSA has received no feedback and it does not look promising that PWSA will receive any funds from this source.²²¹

With respect to Mr. Cline’s recommendation for PWSA to provide a credit to ratepayers equal to the amount of any funding that is received, Mr. Barca described it as ignoring well

²¹⁹ I&E St. No. 3 at 4.

²²⁰ I&E St. No. 3 at 5-8.

²²¹ PWSA St. No. 2-R at 58.

established ratemaking principles. As Mr. Barca explained, PWSA must first determine whether any grants that come to fruition will fund existing revenues or are for new projects. He further noted that even if a grant funds an existing expense or capital item that is in PWSA’s revenue requirement claim, a credit would not be appropriate unless the award resulted in PWSA exceeding reasonable levels for its key financial metrics. Mr. Barca emphasized that since PWSA is regulated on a cash flow basis, every dollar PWSA receives “between rate cases” will benefit ratepayers.²²² In addition, Mr. Barca described Mr. Cline’s proposal as violating the prohibition against single-issue ratemaking.²²³

c. Proposed Settlement

Under the Settlement, PWSA is committed to exercising prudent efforts to maximize its utilization of and track any government benefits, whether direct grant or other, to minimize costs to be deferred under this section. Further, PWSA agrees to provide a report detailing its efforts, any amounts obtained as part of these efforts and their intended use, and, if denied, the reason for such denial as part of its next base rate case.²²⁴

The Settlement also imposes obligations on PWSA if it receives COVID-19 related funding between rate cases. Specifically, within 30 days, if possible, after closing on COVID-19 funding, PWSA will file a report with the Commission at this docket with various information about the award. To the extent funds received by PWSA related to COVID-19 are directly connected to projects and/or other budgets contemplated within the context of this rate case,

²²² PWSA St. No. 2-R at 59-60.

²²³ PWSA St. No. 2-RJ at 14-16.

²²⁴ Joint Petition at 14, ¶ D(2)(a)-(b).

PWSA agrees to file a petition with the Commission regarding how to address the impact of the receipt of such funding on PWSA's ratepayers.²²⁵

Through these commitments and obligations, PWSA is taking significant measures to optimize its opportunities to obtain government funding that will minimize the costs that are deferred for later recovery and to be transparent about its efforts, as well as the outcome, with the parties and the Commission. Importantly, through PWSA's agreement to file a petition with the Commission regarding how to address the impact of funds that are directly connected to projects and/or other budgets contemplated within the context of this rate case, the Settlement is responsive to I&E's concerns about ensuring the timeliness of credits. This approach also addresses PWSA's concerns about the appropriateness of credits in some situations and single issue ratemaking. As such, these settlement terms are in the public interest and should be approved without modification.

3. Customer Protections

a. *PWSA's Initial Proposal*

As explained by PWSA witness William J. Pickering, while PWSA's financial needs are compelling, the Authority is also cognizant of the financial challenges that many of its customers have faced and are continuing to face, particularly as a result of the COVID-19 pandemic. For that reason, PWSA proposed to phase-in the requested rate increase over two years. Mr. Pickering further identified other rate mitigation measures proposed by PWSA including maintaining the current rate structure, structuring the newly proposed stormwater fee to apply gradualism to the rates and implementing a new pilot program to encourage customers to enroll

²²⁵ Joint Petition at 14, ¶ D(2)(c).

in paperless billing and establish auto-pay.²²⁶ The testimony of PWSA witness Julie Quigley also addressed these proposals and provided additional details.²²⁷ Additionally, while PWSA proposed a new stormwater fee for customers, Mr. Pickering noted that the introduction of the fee benefits residential customers by providing for a more equitable rate structure since residential customers would no longer be carrying the full burden of stormwater costs that are driven by non-customers, like surface parking lots and other commercial entities, with large impervious surfaces.²²⁸

Mr. Pickering also identified enhancements proposed by PWSA in this proceeding to its customer assistance programs. As he explained, the proposed modifications to the Winter Moratorium, Bill Discount and Hardship Grant are all designed to assist customers who may be facing their own financial challenges. Specific changes include: (i) a proposed expansion of the Winter Moratorium to include senior citizens, regardless of income level; (ii) proposals to revise the Bill Discount so that the customers at or below 50% of the FPL qualify for a volumetric rate discount of 50% (as compared to the current discount of 20%) and to offer a 75% discount on the stormwater fee for customers who meet the general eligibility guidelines for this program; and (iii) a proposed increase in eligibility income for Hardship Grants from 150% to 300% of the FPL. PWSA also proposed to continue the pilot arrearage forgiveness program agreed to in the most recent rate case settlement, which was approved by the Commission.²²⁹

In addition, Mr. Pickering testified that since the start of the pandemic, PWSA has implemented various outreach efforts designed to reach the Authority's most vulnerable

²²⁶ PWSA St. No. 1 at 6, 36-37.

²²⁷ PWSA St. No. 6 at 16-20.

²²⁸ PWSA St. No. 1 at 6; PWSA St. No. 6 at 27-29.

²²⁹ PWSA St. No. 1 at 6-7; PWSA St. No. 6 at 23-24, 26-27.

customers. Through one of these measures, PWSA provides assistance program flyers to organizations in the community that are delivering food to residents in need. PWSA also engaged its employees and customers in campaigns to fund the Hardship Grant Program.²³⁰ Further, Mr. Pickering highlighted various PWSA initiatives that are focused on improving customer service, including the creation of a Quality Control Manager and other positions, the launch of the PGH2O Cares Team, and the implementation of after call surveys. The primary responsibility of the PGH2O Cares Team is to increase enrollment in PWSA’s customer assistance programs. The team tracks enrollment and works with Dollar Energy Fund to enable direct enrollment in the programs and to develop productive relationships with community based organizations to engage low-income customers who have yet to enroll.²³¹

As Mr. Pickering testified, “[i]n summary, while the Authority needs to make this request due to increases in operating expenses and to fund the numerous essential projects in the [Capital Improvement Plan] that are key to enhancing the quality of utility services that PWSA provides, we have sought through these other proposals to balance our financial needs against the challenges faced by customers in paying higher rates.”²³²

b. *Other Parties’ Positions*

Testifying for OCA, Roger D. Colton offered his views on the ongoing impacts of the COVID-19 pandemic and recommended a continuation of the responsive actions agreed to by PWSA in its settlement of the 2020 rate case on a year-by-year basis until January 1, 2023 unless extended by the Commission.²³³ The specific COVID-19 relief that Mr. Colton proposed to

²³⁰ PWSA St. No. 1 at 36; PWSA St. No. 6 at 24-25.

²³¹ PWSA St. No. 1 at 36-37; PWSA St. No. 6 at 7-10.

²³² PWSA St. No. 1 at 7.

²³³ OCA St. No. 4 at 20.

extend included the waiver of reconnection fees; targeted outreach to customers with existing debt to enter into payment arrangements and or assist with enrollment in customer assistance programs; implementation of a payment arrangement process that makes longer plans available to low-income customers and victims of domestic violence; expansion of outreach efforts with community partners; waiver of the sincere effort of payment requirements for the Hardship Grant Program.²³⁴

Mr. Colton offered several data points in support of his views.²³⁵ Also on behalf of OCA, Morgan N. DeAngelo testified as to the overall impacts that the COVID-19 pandemic has had, and continues to have, on Pennsylvania residents. She suggested that it is important for the Commission to consider these impacts in deciding on a rate increase.²³⁶ Her testimony addressed unemployment rate in Pennsylvania and in Allegheny County, comparing them to pre-pandemic rates and the national unemployment rate.²³⁷ Ms. DeAngelo further discussed an increase in at-risk accounts, referring to PWSA customers who are at risk for disconnections and shut offs due to nonpayment.²³⁸

Testifying for Pittsburgh United, Harry Geller focused specifically on the impacts of the pandemic on low-income customers.²³⁹ He cited data from the Household Pulse Survey suggesting that unprecedented levels of evictions, foreclosures and utility terminations await low income families in the coming months.²⁴⁰ Mr. Geller also specifically discussed the effect of PWSA's proposed rate increase on low-income households.²⁴¹ As for specific pandemic relief

²³⁴ OCA St. No. 4 at 20-21.

²³⁵ OCA St. No. 4 at 21-33.

²³⁶ OCA St. No. 7 at 1-2.

²³⁷ OCA St. No. 7 at 2-3.

²³⁸ OCA St. No. 7 at 3-5.

²³⁹ Pittsburgh United St. No. 1 at 9-13.

²⁴⁰ Pittsburgh United St. No. 1 at 13.

²⁴¹ Pittsburgh United St. No. 1 at 14-17.

measures, Mr. Geller recommended that PWSA: (i) extend its moratorium on residential terminations until at least April 1, 2022; (ii) continue to waive reconnection fees for one year; (iii) continue to waive its good faith payment requirement for its Hardship Fund for one year; and (iv) continue to simplify the income documentation requirements for the Hardship Program for one year to allow customers to self-certify their incomes.²⁴²

c. Response by PWSA

Mr. Pickering emphasized the assistance that PWSA has already provided and continues to provide to customers who may be facing financial difficulties due to the overall effects of the pandemic.²⁴³ Referring to the numerous measures collectively addressed by PWSA’s witnesses, Mr. Pickering observed that the other parties did not acknowledge the extensive efforts PWSA has already undertaken to moderate the impact of higher rates on its customers.²⁴⁴ He also explained that many of the proposed measures for addressing these effects are costly and would require additional funds and staff, specifically noting the extension of pandemic relief measures and the extension of the termination moratorium.²⁴⁵ Mr. Pickering further highlighted the PWSA’s Board decision to suspend water shutoffs during 2020 and PWSA’s waiver of many requirements to enroll in customer assistance programs, emphasizing that regardless of ability to pay “customers were protected with access to necessary water services.”²⁴⁶

In responding to the testimony of the OCA and United witnesses, Ms. Quigley similarly cited to the many measures PWSA has already taken, and noted that the pandemic has also had an impact on PWSA’s operations. As she testified, “[a]ll of these impacts need to be fairly

²⁴² Pittsburgh United St. No. 1 at 26-28.

²⁴³ PWSA St. No. 1-R at 1.

²⁴⁴ PWSA St. No. 1-R at 8-10.

²⁴⁵ PWSA St. No. 1-R at 4-5.

²⁴⁶ PWSA St. No. 1-R at 11-12.

considered to strike the appropriate balance of ensuring that PWSA continues to operate with the needed financial resources while also offering reasonable assistance to consumers.”²⁴⁷ Ms. Quigley specifically addressed the significant costs associated with extending the pandemic relief measures and expressed concern about other customers needing to subsidize these initiatives.²⁴⁸

d. ***Proposed Settlement***

Under the Settlement, PWSA agrees to continue the following current customer protections for at least one year following the entry date of a final order in this proceeding (though they will not be extended without further Commission approval): (i) waiver of reconnection fees; (ii) perform targeted outreach to customers with existing debt to assist them with enrollment in PWSA’s customer assistance programs, when eligible, and/or to negotiate appropriate payment arrangements; and, (iii) continue to rely on self-certification of income for eligibility in the low income customer assistance programs, where currently permissible.²⁴⁹ PWSA further agrees, subject to Commission approval, to a number of modifications to the payment arrangement process, which expand the availability of longer payment plans to low-income customers and victims of domestic violence. Specifically, customers who are at or below 250% of the Federal Poverty Level will be offered a payment arrangement of no less than 60 months, customers between 250% and 300% will be offered a payment plan of no less than 24 months, and customers over 300% will be offered an arrangement of no less than 12 months, if warranted based on the facts and circumstances, including an ability to pay. Victims of domestic

²⁴⁷ PWSA St. No. 6-R at 60.

²⁴⁸ PWSA St. No. 6-R at 60-65.

²⁴⁹ Joint Petition at 14, ¶ D(3)(a).

violence will be offered a payment arrangement that exceeds the lengths identified in 66 Pa. C.S. § 1405, if warranted based on the facts and circumstances, including an ability to pay.²⁵⁰

These PWSA commitments are a reasonable compromise of the parties' litigation positions and are directly responsive to the other parties' testimony about the ongoing effects of the pandemic on the ability of customers to pay their bills. While PWSA continues to be concerned about the costs associated with these measures, the Authority is satisfied that the relief it has agreed to in the Settlement is manageable, particularly given the parties' movement on revenue requirements and that these measures are designed to encourage customers to pay their bills so that others do have to shoulder that burden. Coupled with PWSA's original and ongoing proposals to protect its most vulnerable customers, these enhancements will provide significant additional relief to those who may have difficulty paying their bills. As such, these settlement terms are in the public interest and should be approved without modification.

E. Customer Service/Quality of Service

1. Valves

a. *Record Keeping, Ownership, and Exercising*

i. **PWSA's Initial Proposal**

PWSA witness Barry King addressed the status of PWSA's commitment in the prior settlement approved by the Commission on December 3, 2020 to annually exercise approximately 5,000 isolation valves.²⁵¹ Noting that PWSA made an internal commitment to exercise one-fifth of the valves on its system, or approximately 5,200 each year, Mr. King testified that the Authority had implemented valve maintenance program and that as of April 13,

²⁵⁰ Joint Petition at 15, ¶ D(3)(b).

²⁵¹ *PWSA 2020 Rate Case Recommended Decision* at 48-50 addressing Joint Petition for Settlement Section III.H included with the Appendix of the decision.

2021 had inspected 1,779 valves in calendar year 2021. Therefore, he concluded that PWSA was on track to meet the 2021 annual goal.²⁵²

ii. Other Parties' Positions

On behalf of OCA, Terry L. Fought testified that PWSA's 5,000-5,200 minimum is acceptable unless the Authority determines that too many of the valves cannot be exercised and must be repaired or replaced. In that event, he recommended that PWSA be required to increase the annual amount of valves that are exercised.²⁵³

Testifying for I&E, Israel E. Gray recommended that PWSA develop a thorough record keeping procedure, including information such as valve location (GPS coordinates), age, size of the valve, the valve manufacturer, valve serial number, the number of rotations to fully open and fully close the valve, and the overall condition of the valve. He explained that such records would provide insight when it comes to scheduling future valve maintenance and replacement and would highlight any reliability issues with specific valve manufacturers and/or models.²⁵⁴

iii. PWSA's Response

In response to Mr. Fought's recommendation to increase the pace of exercising valves if PWSA finds a high percentage of valves not working, Mr. King testified that it would not be feasible for PWSA to accelerate its current schedule due to challenges with funding and resource availability.²⁵⁵ As to the record keeping recommended by Mr. Gray, Mr. King agreed that it should be done but indicated that PWSA could feasibly only do this on a going-forward basis. He explained that for existing valves, PWSA would typically not have a serial number and would

²⁵² PWSA St. No. 5 at 17.

²⁵³ OCA St. No. 6 at 13.

²⁵⁴ I&E St. No. 4 at 5.

²⁵⁵ PWSA St. No. 5-R at 4.

not always have a manufacturer name. In addition, Mr. King testified that it would take time to implement this process and that PWSA could not commit to implementation prior to 2022. He observed that maintaining records about new installations would be beneficial in the event that a manufacturer later identifies a flaw in a particular valve and noted that over time, PWSA would have the records recommended by Mr. Gray.²⁵⁶

Further, Mr. King testified that since his earlier testimony, he had learned that although PWSA has about 26,000 valves on its system, over 6,000 of them are privately-owned. As a result, PWSA has just over 19,000 valves that it is obligated to inspect and the Authority is reducing its internal target to exercising 4,000 valves per year. He further noted that PWSA does not intend to stop exercising valves when it reaches the internal annual target of 4,000 and will continue to conduct inspections to the extent that funding and staffing is available.²⁵⁷ Although the information about 6,000 privately-owned valves was always known to PWSA and properly recorded in its system, Mr. King's earlier reference to 26,000 valves was the result of a misunderstanding in communications between two PWSA departments.²⁵⁸ Nonetheless, this statistical error in gathering and reporting data caused OCA and I&E to further question PWSA's record keeping procedures.²⁵⁹

iv. **Proposed Settlement**

Under the Settlement, PWSA made a series of commitments related to record keeping, ownership and exercising valves. PWSA will create a plan to implement a record-keeping procedure for valve maintenance, including valve location (GPS coordinates), age, size

²⁵⁶ PWSA St. No. 5-R at 7.

²⁵⁷ PWSA St. No. 5-R at 3-4.

²⁵⁸ PWSA St. No. 5-RJ at 7-8.

²⁵⁹ I&E St. No. 4-SR at 10-11; OCA St. No. 6-SR at 5.

manufacturer, serial number (when available from the manufacturer), number of rotations to fully open and fully close the valves, and overall condition of valves for all new valve installations beginning in 2022. In developing this plan, PWSA will endeavor to incorporate information about existing valves to the extent such information is attainable as part of the Authority's normal operating processes.²⁶⁰

PWSA further agreed to continue its current valve exercising program, under which it attempts to exercise 5,000 isolation valves per calendar year, pending the discussion and outcome of a meeting that will be held with I&E's Safety Division and other interested parties within 30 days of the filing of the Settlement. The purpose of the meeting, which has been scheduled for September 29, 2021 at 11:00 a.m., is to discuss PWSA's plan to implement a record-keeping procedure for valve maintenance. PWSA will also provide more detail about its recent determination that 6,000 valves in the PWSA system are privately owned, including the identity of the private owner and how the determination of ownership was made. In addition, PWSA will provide information relative to whether and how PWSA's system is impacted by such private ownership, including but not limited the following: (i) identification of who has the right to operate the privately owned valves; (ii) confirmation of whether PWSA has investigated if it needs additional valves to ensure safety; and (iii) an explanation of how PWSA is able to isolate valves as may be required if it is reliant upon on others to operate valves on its system. Finally, PWSA will file a report for calendar year 2021 identifying each valve that it attempted to exercise, noting whether it was broken or operable.²⁶¹

²⁶⁰ Joint Petition at 15-16, ¶ E(1)(a)(i)-(ii).

²⁶¹ Joint Petition at 16, ¶ E(1)(a)(iii).

Together, these provisions of the Settlement adequately address the concerns raised by the parties about PWSA's record keeping, ownership of valves and its valve maintenance program. PWSA's agreement to continue exercising 5,000 valves per year means that all valves would be inspected in approximately 4 years, rather than 5 years, due to the 6,000 privately owned valves. The agreement to promptly meet with I&E and other interested parties, months before the adoption of a final order in this proceeding, to further discuss record keeping, ownership and the valve maintenance program demonstrates PWSA's commitment to proper maintenance of valves and willingness to be responsive to the parties' concerns. The records that PWSA has agreed to keep will provide valuable insight when it comes to scheduling future valve maintenance and replacement and would highlight any reliability issues with specific valve manufacturers and/or models. As such, these provisions of the Settlement are in the public interest and should be approved without modification.

b. *Prioritization Plan*

i. PWSA's Initial Proposal and Other Parties' Positions

PWSA's initial filing did not contain a proposal for prioritizing the inspection of its valves. On behalf of I&E, Mr. Gray testified that PWSA should develop a valve maintenance program that prioritizes valves most critical to system performance. He recommended that the valve maintenance schedules be based on criteria such as size, location, age and operational history of the valves and should prioritize valves most critical to system performance.²⁶²

ii. PWSA's Response

Mr. King testified that PWSA does not currently have the information that it would need to prioritize the valves affecting hospitals, schools and other critical locations with valves on

²⁶² I&E St. No. 4 at 4-5.

water mains of diameter 16-inches or greater and then identify which valves would be needed to isolate those areas. While the hospital, school and critical locations are identified in PWSA's data management system (GIS), the Authority does not have immediate access to all of the information that would be required. Noting that Pittsburgh is a city of schools and hospitals, most of which are situated on very large campuses and supplied from multi-pressure districts, Mr. King indicated that each facility most likely has a primary service line, a back-up line and a fire line often connected to different mains.²⁶³

To conduct the research to determine the connection(s) that should be prioritized for the respective facilities would involve a very resource-intensive process. Further, he noted that compiling that information into a usable format and then developing a plan to inspect valves more frequently would be both time-consuming and costly. He explained that this process would require PWSA to either contract this work to a consultant or assign it to an in-house team of engineers and GIS staff. Given that PWSA's rotation schedule falls within the three to five year schedule mentioned by Mr. Gray, coupled with PWSA's practice of repairing or replacing inoperable valves, Mr. King opined that this aspect of PWSA's valve maintenance program is appropriate and requires no adjustment.²⁶⁴

iii. **Proposed Settlement**

Under the Settlement, PWSA commits to working with a third party expert for assistance with any necessary modeling, GIS layers, Standard Operating Procedures and planning efforts to develop a prioritization plan to be implemented in 2022. Further, PWSA will file a progress report once a timeline has been established. With at least 30 days' advance notice, PWSA will

²⁶³ PWSA St. No. 5-R at 7; PWSA St. No. 5-RJ at 3-4.

²⁶⁴ PWSA St. No. 5-R at 7; PWSA St. No. 5-RJ at 3-4.

schedule a meeting with interested parties to discuss the final plan. I&E and interested parties reserve the right to conduct a further investigation into this matter as deemed warranted.²⁶⁵

This provision of the Settlement reasonably addresses the issues raised by I&E concerning the prioritization of exercising valves by achieving the goal of PWSA developing and implementing a plan in the near-term to prioritize the inspection of valves affecting schools, hospitals and other critical locations. The timeframe is workable from PWSA's standpoint, and the process established by the Settlement provides transparency to the parties, as well as an opportunity to offer feedback. To the extent the parties continue to have concerns about PWSA's prioritization plan, they have reserved their rights to further investigate this matter. As such, this term of the Settlement is in the public interest and should be approved without modification.

2. **Isolation Valves**

a. *PWSA's Initial Proposal and Other Parties' Positions*

In its initial filing, PWSA noted its commitment in the prior settlement to repair isolation valves that are found to be inoperable.²⁶⁶ Testifying for OCA, Mr. Fought recommended that isolation valves should be repaired or replaced at the time they are found to be inoperable. Further, he proposed that if the valves are not repaired at the time they are identified as inoperable, PWSA should annually submit a schedule to OCA and the Commission for replacement or repair of those isolation valves.²⁶⁷

²⁶⁵ Joint Petition at 16, ¶ E(1)(a)(iii).

²⁶⁶ PWSA St. No. 5 at 17; PWSA St. No. 5-R at 4-5.

²⁶⁷ OCA St. No. 6 at 13.

b. *PWSA's Response*

In response, Mr. King testified that PWSA's normal practice is to repair or replace inoperable valves when it is feasible to do so. As he explained, on occasion, the valve could already be scheduled for near-term replacement and the better business practice is to wait until that time to remedy the issue. In other instances, Mr. King noted that additional resources may be needed that are not readily available, causing repairs or replacements to be somewhat delayed. Given that PWSA does normally repair or replace valves that are found to be operable, Mr. King saw no need for further reporting about valves that could not be properly exercised.²⁶⁸

c. *Proposed Settlement*

Under the Settlement, PWSA agrees to continue its current practice of repairing or replacing isolation valves at the time they are found to be inoperable, recognizing that valves 16-inch or greater may require additional time to repair or replace, and to document the planned date for repair and replacement.²⁶⁹ This approach represents a reasonable compromise of the views expressed by PWSA and OCA regarding the repair or replacement of valves that are identified as being inoperable. The Settlement commits PWSA to immediately repair or replace inoperable isolation valves, while affording PWSA some flexibility for valves 16-inch or greater. Further, PWSA's agreement to document the planned date for repair and replacement recognizes the importance of having a specific schedule and avoids the need for additional reporting. As such, the provision of the Settlement is in the public interest and should be approved without modification.

²⁶⁸ PWSA St. No. 5-R at 4-5.

²⁶⁹ Joint Petition at 17, ¶ E(2).

3. Meter Testing and Replacement

a. *PWSA's Initial Proposal*

In its initial filing, PWSA noted its commitment in the prior settlement to replace 10,000 water meters in 2021, subject to customers being more willing to permit PWSA to access their meters as concerns about social distancing associated with the pandemic subsided. Given the ongoing difficulties that PWSA has experienced in 2021 in gaining access to meters, Mr. King explained that the Authority has set a more realistic goal of 8,000 meter replacements this calendar year.²⁷⁰

b. *Other Parties' Proposals*

On behalf of OCA, Mr. Fought testified that the average age of PWSA's existing meters, as of 2020, is 19 years. Although PWSA replaced 10,290 meters in 2019, Mr. Fought recognized that because of issues with the pandemic, only 5,550 meters were replaced in 2020. He recommended that PWSA should resume the replacement of 10,000 meters per calendar year after 2021 until all undocumented meters are either tested or replaced.²⁷¹

c. *PWSA's Response*

In response, Mr. King explained that as of July 28, 2021, PWSA had not yet reached 4,000 replacements this year due to difficulties related to the pandemic and gaining access to customers' homes. Given that the majority of meters are inside customers' homes, the reality is that some customers are simply not willing to allow PWSA access to the meter. Mr. King further testified that PWSA has recently hired a new administrator to lead a program designed to increase the Authority's access to customers' homes in an effort to achieve this year's goal of replacing 8,000 meters. However, given the ongoing difficulties with access, PWSA was not

²⁷⁰ PWSA St. No. 5 at 17-18.

²⁷¹ OCA St. No. 6 at 15.

willing to commit to replacing 10,000 meters in 2022 but was willing to make an effort to do so. Therefore, PWSA intends to replace 8,000 meters in 2022 and beyond but will not stop at the annual replacement of 8,000 meters if access issues are resolved.²⁷²

d. ***Proposed Settlement***

Under the Settlement, subject to the willingness of customers to permit PWSA access to their meters given concerns about social distancing associated with the current pandemic, PWSA will strive to test or replace 8,000 meters per calendar year beginning in 2022 until all undocumented meters are either tested or replaced.²⁷³ Given PWSA's legitimate concerns about gaining access to replace 10,000 meters per year, and the ongoing difficulties PWSA has had this year, the commitment to replace 8,000 meters is significant. While PWSA is optimistic that this goal can be achieved, particularly given the Authority's focus on educating customers about the need for access to their homes to replace meters, the Settlement's recognition of the need for cooperation by customers is important given PWSA's inability to control that factor. As such, this provision of the Settlement is in the public interest and should be approved without modification.

4. **Flushing Distribution System**

a. ***PWSA's Initial Proposal and Other Parties' Positions***

Mr. King testified that PWSA is on track to inspect hydrants and flush one-third of the distribution system in calendar year 2021, consistent with the prior settlement.²⁷⁴ Testifying for OCA, Mr. Fought did not offer any recommendations and indicated that he would await the results of the Authority annually flushing one-third of its distribution system.²⁷⁵

²⁷² PWSA St. No. 5-R at 11.

²⁷³ Joint Petition at 17, ¶ E(3).

²⁷⁴ PWSA St. No. 5 at 18; PWSA St. No. 5-R at 11.

²⁷⁵ OCA St. No. 6 at 16.

b. ***Proposed Settlement***

Under the Settlement, PWSA will continue to flush one-third of its distribution system each year.²⁷⁶ By memorializing PWSA's current practice in the Settlement, which is acceptable to OCA, the Authority is accountable for continuing this practice. Through flushing one-third of its distribution system each year, the results of this practice will be known and allow other parties to offer any additional recommendations. As such, this provision of the Settlement is in the public interest and should be approved without modification.

5. **Party Service Lines**

a. ***PWSA's Initial and Other Parties' Proposals***

PWSA's initial filing did not propose any changes to its current tariff language addressing Party Water Service Lines which makes the Authority responsible for the cost of installation of the Meter and the Water Service Line from the Water Main to and including the Curb Stop. On behalf of OCA, Mr. Fought expressed concern about the responsibility for the costs of new service lines in connection with meter installation for non-municipal properties with party line service lines. Under his interpretation of PWSA's tariff, party line water customers would be responsible for the portion of the Water Service Line between the Curb Stop and the Authority's Water Main. Therefore, Mr. Fought recommended that party line customers be treated in the same manner as other residential customers who are not responsible for this portion of the service line. Mr. Fought further testified that PWSA's new Residential Permit Fee should not apply to party line separations based upon his view that these customers should not be required to pay a new fee to keep their service because they are on a party line.²⁷⁷

²⁷⁶ Joint Petition at 17, ¶ E(4).

²⁷⁷ OCA St. No. 6 at 36-37.

b. *PWSA's Response*

Ms. Quigley testified that Mr. Fought did not accurately interpret PWSA's existing tariff language because he was only reviewing the definition of a Party Water Service Line. As she explained, under Part III, Section A.13, Third Revised Page No. 36 of the Water Tariff, the Authority does have responsibility for the cost of the Meter and the Water Service Line between the Curb Stop and the Water Main for all residential customers, including those on party lines. Further, Ms. Quigley noted PWSA's willingness to revise the proposed Residential Permit Fee so that it does not apply to conversions of party lines.²⁷⁸

c. *Proposed Settlement*

Under the Settlement, PWSA will revise its definition of Party Water Service Line to clarify that the installation and cost of installation of the Meter and the Water Service Line from the Water Main to and including the Curb Stop is the responsibility of the Authority consistent with Part III, Section A.13, Third Revised Page No. 36 of the Water Tariff. In addition, PWSA's proposed new Residential Permit Fee set forth in Part I, Section H.5.b for reconnecting to existing water and/or sewer service will not apply to party line separations.²⁷⁹

Through clarifying the definition of Party Water Service Line in its tariff, PWSA will be ensuring consistency with existing tariff language that makes the Authority responsible for the cost of the Water Service Line from the Water Main to and including the Curb Stop. In addition, PWSA's agreement to exclude party line separations from the proposed new Residential Permit Fee addresses the concern raised by OCA regarding customers being required to pay this new fee

²⁷⁸ PWSA St. No. 6-R at 95.

²⁷⁹ Joint Petition at 17, ¶ E(5).

because they are on a party line. As such, this Settlement provision is in the public interest and should be approved without modification.

6. Responsibility for Damaged Sewer Lateral Repair and Replacement

a. *PWSA's Initial and Other Parties' Proposals*

In its initial filing, PWSA proposed no changes to Rule III.B.7.a of its Wastewater Tariff, under which customers own and are responsible for operation, inspection, maintenance, repair, replacement, and abandonment, of sewer laterals within public rights-of-ways (“ROWS”) and easements all the way to the sewer main. Testifying for OCA, Mr. Fought raised concerns about wastewater customers having this responsibility when water customers do not and asserted that Authority ownership would be more cost effective for all parties.²⁸⁰

b. *PWSA's Response*

In response, Mr. King testified that upon final direction from the Commission at Docket No. L-2020-3019521, PWSA will establish a plan for repair and replacement of privately owned damaged sewer laterals at PWSA’s expense for inclusion in an Act 120 plan to be filed with the Commission for approval. In his testimony, Mr. King questioned the Commission’s statutory authority to require PWSA to assume responsibility for damages to private property or to take over private property.²⁸¹

c. *Proposed Settlement*

Under the Settlement, PWSA will prepare and submit for Commission approval a plan for repair and replacement of privately owned damaged sewer laterals (“DSL Plan”) (which includes those located within the public right of way) at PWSA’s expense. The DSL Plan will be consistent with PWSA’s comments in the Commission’s Act 120 Rulemaking at Docket No. L-

²⁸⁰ OCA St. No. 6 at 21-27.

²⁸¹ PWSA St. No. 5-R at 12-13.

2020-3019521 and will contain the following elements: (i) a cap of \$500,000 on the annual amount that PWSA will expend on replacement of damaged sewer laterals each year, subject to the right of PWSA and interested parties to request the Commission to revise the cap upward if additional funding sources or other factors justify a revision; and (ii) PWSA will request that the DSL Plan be grandfathered and not require revision upon final promulgation of the Commission's Act 120 Rulemaking. Further, to formulate the DSL Plan, PWSA shall convene a collaborative with interested Parties within 60 days of the final filing of the Settlement Agreement and Statements in Support and file for approval of the DSL Plan with the Commission 90 days after entry of the Commission's Final Order in this proceeding.²⁸²

These Settlement terms represent a reasonable compromise of the parties' litigation positions. OCA is receiving assurance through this provision that progress will be made on the issue of repairing damaged sewer laterals between rate cases and perhaps prior to promulgation of the Commission's Act 120 rulemaking. As PWSA had planned to move forward in this way once the Commission promulgates Act 120 regulations, the Authority is willing to develop a DSL Plan in the short-term following this proceeding. The Commission will have discretion to approve, modify or reject PWSA's DSL Plan depending upon the status of the final rulemaking and whether it agrees with the elements contained therein. As such, this Settlement provision is in the public interest and should be approved without modification.

7. Customer Service Performance Metrics

a. *PWSA's Initial Proposals*

On behalf of PWSA, Ms. Quigley discussed PWSA's commitment to improving customer service and ensuring that the processes and procedures necessary to support such

²⁸² Joint Petition at 17, ¶ E(6).

improvement are in place. She explained that even during the difficulties presented by the pandemic, PWSA has been able to expand its operations in this area and focus on developing the staffing, engagement of low income customers, and customers' satisfaction with the Authority's service and product.²⁸³ Ms. Quigley provided details about these efforts including the creation of a Quality Control Manager position, the expansion of its PUC Compliance team and the launch of the PGH2O Cares Team. The primary responsibility of the PGH2O Cares Team is to increase enrollment in PWSA's customer assistance programs.²⁸⁴

By way of metrics, Ms. Quigley presented data showing PWSA's customer service accomplishments for the year 2020 in the areas of Advanced Metering Infrastructure, Billing Collections, Contact Center, Emergency Dispatch, Permits and PUC Compliance.²⁸⁵ She also provided a detailed description of after call customer satisfaction surveys that PWSA implemented since the last rate case and explained the Customer Service management team's review and follow up actions of these surveys. Data for the first quarter of 2021 showed that PWSA's quality and overall performance scores are high on the scale of 1 to 5, with 5 being extremely satisfied.²⁸⁶

b. *Other Parties' Proposals*

Testifying for OCA, Ms. Alexander recognized significant improvements since January 2019 in PWSA's call center's performance in terms of its ability to answer calls in a timely manner and avoid a significant abandonment rate. However, she opined that the 2019 results were still below best practices and that the superior level of performance experienced during

²⁸³ PWSA St. No. 6 at 7-8.

²⁸⁴ PWSA St. No. 6 at 8-10.

²⁸⁵ PWSA St. No. 6 at 13-14.

²⁸⁶ PWSA St. No. 5 at 14-16; PWSA Exh. JAQ-1.

2020 and 2021 may be skewed by the halt in termination activities. Therefore, Ms. Alexander recommended that PWSA commit to an average speed of answer of one minute and an abandonment rate of 3%.²⁸⁷

In addition, Ms. Alexander discussed PWSA's internal objective to minimize service disruption setting a target for average length of service disruptions and measuring the number of outages greater than 6 hours that impact more than 2,000 accounts. She testified that the target for the length of service disruptions was routinely met at 3-4 hours for each month of 2018 and much of 2019. However, starting in November 2019, she claimed that the length of service outages increased to 4-5 hours and the average for such outages exceeded 6 hours in 2021. She recommended that the Commission require PWSA to meet its target.²⁸⁸

c. *PWSA's Response*

In response to Ms. Alexander's testimony about the average speed of answer and the abandonment rate, Ms. Quigley noted the continued significant improvements made by PWSA in the area of customer service performance. She further expressed confidence that PWSA would be able to continue meeting these targets upon the resumption of service terminations.²⁸⁹

As to the length of outages, Mr. King explained that only unplanned disruptions are included in the PWSA metric referenced by Ms. Alexander and that in presenting this information, PWSA considers the number of disruptions per 1,000 accounts and the average length of disruptions. Mr. King testified that Ms. Alexander's claim appeared to be overlooking the portion of PWSA's internal target that relates to service disruptions affecting more than 2,000 customers. While service disruptions for customers sometimes exceed 6 hours, Mr. King

²⁸⁷ OCA St. No. 5 at 11-13.

²⁸⁸ OCA St. No. 5 at 13-14.

²⁸⁹ PWSA St. No. 6-R at 36.

noted that PWSA has not encountered any situation during 2021 in which more than 2,000 customers have been affected for longer than 6 hours. Mr. King further explained that within 4 hours, PWSA is able to provide a water buffalo (portable water supply) as needed to meet customers' demands and gives public notice of the availability and location.²⁹⁰

d. ***Proposed Settlement***

Under the Settlement, PWSA commits to meeting its internal goals of an average speed of answer at or below one minute and an abandonment rate of at or below 3%. On outage restoration, PWSA agrees to meeting its internal goal of restoring service for outages that impact more than 2,000 customers within 6 hours.²⁹¹ These Settlement provisions memorialize PWSA's internal targets, which complement the many other successful measures that the Authority already has in place to enhance overall customer satisfaction. By this term, PWSA commits to continuing its current standards in these areas and continuing to make good faith efforts to meet them. As such, they are in the public interest and should be approved without modification.

8. Customer Complaint Handling

a. ***PWSA's Initial Proposal and Other Parties' Positions***

In PWSA's initial filing, Ms. Quigley described steps that the Authority has taken, including expansion of the PUC Compliance team, to facilitate the handling of customer complaints.²⁹² On behalf of OCA, Mr. Fought expressed concerns about PWSA's 2020 customer complaint log because no complaints are included regarding pressure, no water, high bills, and catch-up bills. He further testified that the category called "investigate lid" appears to have many calls concerning the wastewater and stormwater systems that were incorrectly entered as being

²⁹⁰ PWSA St. No. 5-R at 16.

²⁹¹ Joint Petition at 18, ¶ E(7).

²⁹² PWSA St. No. 6-R at 9.

related to the water system. Mr. Fought testified that the Authority should provide a complete and accurate customer complaint log in future cases and take steps to ensure that all complaints are recorded and properly classified.²⁹³

Also testifying for OCA, Ms. Alexander recommended that PWSA undertake a root cause analysis of customer complaints and adopt reforms to reduce their volume.²⁹⁴ She based this recommendation on her description of some trends indicating a recent increase in the number of complaints. Additionally, given the pattern of complaints regarding non-registering meters, and estimated bills, Ms. Alexander testified that this analysis should evaluate PWSA's collection policies about the issuance of make-up bills. Ms. Alexander further suggested that PWSA does not have an internal goal to limit the volume of complaints that are filed.²⁹⁵

b. *PWSA's Response*

With respect to Mr. Fought's concerns, Ms. Quigley explained that PWSA currently records complaints regarding pressure, no water, high consumption and previously unbilled consumption in customer account notes, which are not easily accessible for reporting purposes. She noted that PWSA will work with its vendor as part of the SAP implementation to capture these types of complaints in a manner where they are reportable. However, Ms. Quigley testified that it would be difficult to classify complaints as alleging "high bills" given the various or even multiple reasons that a customer might be making that claim. As to identifying and correctly classifying investigate lid complaints as being related to the water, sewer or stormwater system, PWSA will make every effort to do so, understanding that human error can occur.²⁹⁶

²⁹³ OCA St. No. 6 at 17-18.

²⁹⁴ OCA St. No. 5 at 18.

²⁹⁵ OCA St. No. 5 at 16-18.

²⁹⁶ PWSA St. No. 6-R at 38-39.

As to the volume of complaints that are filed, Ms. Quigley extensively addressed the data presented by Ms. Alexander, noting that trends are likely skewed given the onset of the pandemic in 2020 and are affected by a number of factors that do not reflect a lack of compliance by PWSA.²⁹⁷ Ms. Quigley disagreed with Ms. Alexander's claim that PWSA does not have an internal goal to limit complaint volume and described the many measures that the Authority take to reduce the volume of complaints.²⁹⁸ Ms. Quigley further testified that she did not believe it is necessary to undertake a root cause analysis of complaints. She explained that based on the review that PWSA currently does, and the feedback it receives from the Bureau of Consumer Services, the Authority is already aware of the major triggers that cause consumers to complain. Nonetheless, Ms. Quigley noted that PWSA is receptive to making improvements to its notifications and processes based on feedback it receives during the Stage 2 Compliance Plan proceeding addressing customer service issues.²⁹⁹

c. *Proposed Settlement*

Under the Settlement, PWSA will ensure that complaints received about pressure, no water, faulty meters, non-registering meters, high consumption and previously unbilled consumption are recorded and included in its internal log. PWSA will use best efforts to record and log complaints about high bills as well. In addition, PWSA agrees to identify complaints under the category of investigate lid and correctly classify them as being related to water, wastewater or stormwater. Further, PWSA will undertake a root cause analysis of informal and formal complaints and adopt reforms to reduce formal complaints, verified complaints and justified complaints. In addition, PWSA will evaluate its collections policies about seeking

²⁹⁷ PWSA St. No. 6-R at 39-43.

²⁹⁸ PWSA St. No. 6-R at 47.

²⁹⁹ PWSA St. No. 6-R at 46-47.

payment of back bills for meters that were not working properly or regularly read for an actual reading. Based on the results of such analysis, PWSA will identify and adopt reforms in an effort to reduce complaints regarding these issues and provide the results of its analysis, detail the reforms adopted and the results of such changes as part of its next base rate filing.³⁰⁰

PWSA has made significant commitments under the Settlement to take steps designed to attempt to reduce the volume of complaints that are filed by consumers. In agreeing to these terms, the Authority continues to oppose the notion that that any trends in the number of complaints that are filed reflects a lack of compliance on the part of PWSA. For example, the issuance of make-up bills to charge customers for four years of previously unbilled service can be due to a number of reasons, including a non-registering meter, and is permitted by the Commission's regulations. Due to the Authority's aggressive meter replacement plan, PWSA is identifying situations in which that has occurred and sending make-up bills to customers so they are paying for water they consumed and other customers are not shouldering that burden. Naturally, these bills for previously unbilled services often generate the filing of complaints by consumers even though PWSA is fully within its rights to send these bills.³⁰¹ Nonetheless, the Authority understands the importance of trying to reduce complaint volume so that it has more resources available to focus on overall operations and to achieve higher levels of customer satisfaction. As such, these provisions of the Settlement are in the public interest and should be approved without modification.

³⁰⁰ Joint Petition at 18, ¶ E(8).

³⁰¹ PWSA St. No. 6-R at 42, 46-47.

9. Liens and Third Party Debt Collector

a. *PWSA's Initial Proposals*

In PWSA's initial filing, Ms. Quigley discussed the imposition of liens as a tool that is available to PWSA for collection. She explained that because PWSA is a municipal authority, it may pursue liens pursuant to the Municipal Claims and Tax Liens Law.³⁰² Also, in her direct testimony, Ms. Quigley explained that although all of PWSA's collections activities are currently handled in-house, the Authority is planning to evaluate the need for an external collection agency partnership following the implementation of the ERP set to go-live in August 2022.³⁰³

b. *Other Parties' Positions*

Testifying for OCA, Ms. Alexander stated that she could find no information about the lien process on PWSA's website or in customer communications. Therefore, she recommended that the Commission require PWSA to communicate how and when its lien authority will be exercised and that customers can still dispute the balance.³⁰⁴ As to PWSA's plans to evaluate hiring a third-party debt collection agency, Ms. Alexander recommended that if PWSA moves to implement this proposal that it do so only after notice and opportunity to comment by stakeholders, as well as Commission review of any potential impacts on already approved consumer protection policies and practices.³⁰⁵

c. *PWSA's Response*

In response, Ms. Quigley testified that while PWSA appreciates the input of OCA and other advocates regarding its customer notices and would be willing to work with them off-line on their recommendations, the Authority does not believe this recommendation should be

³⁰² 53 P.S. § 7107; PWSA St. No. 6 at 31.

³⁰³ PWSA St. No. 6 at 12-13.

³⁰⁴ OCA St. No. 5 at 25.

³⁰⁵ OCA St. No. 5 at 28.

considered in this proceeding. Ms. Quigley explained that she was advised by counsel that the Commission does not have jurisdiction over issues related to municipal liens themselves, such as the imposition of the lien, the validity of the lien and the enforcement of the lien. She also pointed out that Ms. Alexander stated that this issue may be under consideration in the Stage 2 Compliance Plan Proceeding.³⁰⁶ Notwithstanding the view that these issues are not properly addressed in this proceeding, Ms. Quigley described the extensive information that is available to property owners in Allegheny County about the lien process and noted that PWSA's website does contain information about liens. In addition, Ms. Quigley referred to letters that PWSA sends to customers to educate them about this process.³⁰⁷

Ms. Quigley also disagreed with Ms. Alexander's recommendation concerning debt collection activities. She explained that PWSA has an obligation to ensure that its consumer protection policies and practices are consistent with Commission requirements and that does not change whether or not the Authority handles debt collection activities with its staff or enters into a third party contract for the services. Ms. Quigley further noted that PWSA has an obligation to all its ratepayers to continue to evaluate its operations and the effectiveness of its collections activities. If, in the future, costs can be streamlined and collections improved by seeking assistance from expert debt collectors (who are required to comply with Commission requirements), then PWSA must have the flexibility to proceed without burdensome requirements to communicate intentions with the parties and/or seek Commission review.

³⁰⁶ PWSA St. No. 6-R at 34.

³⁰⁷ PWSA St. No. 6-R at 32.

d. ***Proposed Settlement***

Under the Settlement, PWSA will expand its customer education to include additional language about its use of liens in customer notices, on PWSA’s website and in PWSA’s tariff. Further, if PWSA elects to issue a Request for Proposal to engage with a third-party debt collection agency, PWSA agrees to provide notice to the parties in this proceeding and to consider comments and feedback regarding the proposal. PWSA will also provide notice and an opportunity for comment to LIAAC members.³⁰⁸

The Settlement fairly balances the parties’ litigation positions by expanding consumer education about the lien process without affecting PWSA’s ability to utilize this important collection tool. It also represents a reasonable compromise of the issues concerning a third-party debt collection agency since this approach involves the stakeholders without burdening the process with unnecessary Commission review. As such, these provisions are in the public interest and should be approved without modification.

10. Compliance Plan Stage 2 Customer Service Issues

a. ***PWSA’s Initial Proposal***

In PWSA’s initial filing, Ms. Quigley identified the specific customer service issues that are to be addressed as part of the Compliance Plan Stage 2 as including:

- The language, format and method of providing suspension and termination notice pursuant to Chapter 14 of the Public Utility Code and Chapter 56 of the Commission’s regulations;
- PWSA’s compliance with the Discontinuance of Service to Leased Premises Act (“DSLPA”), 66 Pa.C.S. §§ 1521-1533; and

³⁰⁸ Joint Petition at 19, ¶ E(9).

- PWSA’s plan for collections (to include strategies to reduce overall uncollectible charges to ensure collections practices for residential customers are consistent with legal requirements).³⁰⁹

b. *Other Parties’ Proposals*

Ms. Alexander, testifying for OCA, recognized that the issues identified by Ms. Quigley are to be addressed in the Compliance Plan Stage 2 proceeding and that she would refrain from opining on those issues here.³¹⁰ However, she did not refrain from opining on those issues and made specific recommendations related to barring PWSA from terminating service for non-payment, redesigning PWSA’s bills, the allocation of partial payments, and the issuance of estimated bills.³¹¹ Mr. Geller, on behalf of United, testified that although he identified a range of issues related to billing, collections and termination, he did not address them since they have been explicitly reserved for the Compliance Plan Stage 2 proceeding.³¹²

c. *PWSA’s Response*

In response, Ms. Quigley described the significant amount of work that has been undertaken by PWSA, the Commission staff and the parties as part of the Stage 2 process. She referred to BCS-sponsored workshops and the preparation of responses to questions from staff and stakeholders about PWSA’s customer service and collections process. Ms. Quigley further discussed the numerous discovery questions to which PWSA has responded during three rate cases and during the Compliance Plan Stage 1 proceeding. As explained by Ms. Quigley, PWSA was still awaiting official feedback from the Commission on its Compliance Plan addressing customer service issues. Based on these and other factors, including the near-term commencement of the litigation phase of the Stage 2 proceeding, Ms. Quigley opposed any

³⁰⁹ PWSA St. No. 6 at 3-4.

³¹⁰ OCA St. No. 5 at 5-6.

³¹¹ OCA St. No. 5 at 6-9, 18-23, 25-28, 34-38.

³¹² Pittsburgh United St. No. 1 at 6.

discussion in this rate case of further changes to PWSA's processes on any issue covered by Chapter 14, Chapter 56, DSPLA or collections. She expressed significant concern about the time and costs of expending resources on these issues in this proceeding because conflicting direction may be given by the Commission in the Stage 2 proceeding.³¹³

d. ***Proposed Settlement***

Under the Settlement, the parties recognize that PWSA's compliance with the Public Utility Code at Chapter 14, the Commission's Regulations at Chapter 56, the DSLPA, 66 Pa.C.S. §§ 1521-1533, and, PWSA's plan for collections are being addressed as part of the on-going Compliance Plan Stage 2 proceeding regarding customer service issues at Docket No. M-2018-2640802. Further, the parties acknowledge that any commitments made as part of this Settlement regarding the above referenced issues may be revised or superseded by directives and/or agreements reached as part of the Compliance Plan Stage 2 proceeding.³¹⁴

It is appropriate for the Settlement to exclude from consideration in this proceeding the issues that have been expressly reserved for adjudication in the Compliance Plan Stage 2 proceeding. This is particularly true given the status of the Compliance Plan Stage 2 proceeding, in which a prehearing conference was held on September 9, 2021, and the extensive background of that proceeding in the form of workshops and the exchange of information among the parties. It is also important for the Settlement to acknowledge that issues resolved in this proceeding could be superseded by directives or agreements reached during the Compliance Plan Stage 2 proceeding. Having these issues excluded from consideration in this base rate case conserves

³¹³ PWSA St. No. 6-R at 12.

³¹⁴ Joint Petition at 19, ¶ E(10).

valuable resources of the Commission and the parties. As such, this provision is in the public interest and should be approved without modification.

F. Low Income Customer Assistance Issues

1. PWSA's Initial Proposal

Through the testimony of PWSA witness Julie Quigley, PWSA provided an overview of its low income customer assistance programs. As Ms. Quigley explained, PWSA offers the following programs to provide financial assistance to qualifying, low-income, residential customers: 1) Bill Discount Program (“BDP”); 2) Hardship Fund Program; 3) Winter Shut Off Moratorium; and 4) Replacement of Private-Side Lead Service Lines.³¹⁵ Ms. Quigley testified that, based on suggestions from PWSA’s Low Income Assistance Advisory Committee (“LIAAC”), PWSA employed innovative ways to reach its most vulnerable customers during the Pandemic, including providing assistance program flyers to various community groups and organizations.³¹⁶

Ms. Quigley explained that, in PWSA’s last rate case, PWSA proposed a number of enhancements to its customer assistance programs, and through settlement negotiations, agreed to even further enhancements to these programs. These enhancements included, among others, a pilot Arrearage Forgiveness Program (“AFP”) for eligible Bill Discount Customers. In addition to proposing the continuation of these programs, PWSA proposed a number of additional enhancements to its customer assistance programs in this proceeding, including: (i) a proposed expansion of the Winter Moratorium to include senior citizens, regardless of income level; (ii) proposals to revise the Bill Discount so that the customers at or below 50% of the Federal

³¹⁵ PWSA St. No. 6 at 23.

³¹⁶ PWSA St. No. 6 at 24.

Poverty Level (“FPL”) qualify for a volumetric rate discount of 50% (as compared to the current discount of 20%) and to offer a 75% discount on the stormwater fee for customers who meet the general eligibility guidelines for this program; and (iii) a proposed increase in eligibility income for Hardship Grants from 150% to 300% of the Federal Poverty Level (“FPL”).³¹⁷

2. Positions of Other Parties and PWSA Response

OCA and Pittsburgh United, generally, took the position that PWSA’s proposals to address low income customer assistance issues were inadequate. The OCA and Pittsburgh United offered recommendations to enhance PWSA’s handling of these issues.³¹⁸

More specifically, while OCA witness Roger Colton recommended approval of PWSA’s BDP proposal as an interim step,³¹⁹ Mr. Colton made a number of recommendations related to BDP outreach efforts, including recommending that PWSA submit a detailed outreach plan and a responsive action plan, in the event that PWSA fails to fulfill its enrollment goals.³²⁰ Pittsburgh United witness Harry Geller recommended that PWSA should transition the BDP to a percentage of income program (“PIP”), which targets affordability based on an individual’s income level.³²¹ Moreover, Pittsburgh United witness Michelle C.W. Adams recommended that for customers in PWSA’s BDP, PWSA should apply a 100% discount to the stormwater fee.³²²

Specific to PWSA’s AFP, Mr. Colton expressed concern that customers entering PWSA’s BDP with substantial arrears are not being directed to the arrearage forgiveness program. Mr. Colton made a number of specific recommendations related to the AFP, including

³¹⁷ PWSA St. No. 1 at 7 and PWSA St. No. 6 at 26-27.

³¹⁸ See OCA St. No. 4 at 6-19 and 36-49; Pittsburgh United St. No. 1 at 29-47. While I&E, generally, did not oppose PWSA’s proposal, I&E witness Patel opposed extending the Winter Moratorium Program to seniors without regard to income. I&E St. No. 2 at 53-57.

³¹⁹ OCA St. No. 4 at 4-12.

³²⁰ OCA St. No. 4 at 5, 40-41 and 48-49.

³²¹ Pittsburgh United St. No. 1 at 34-35.

³²² Pittsburgh United St. No. 2 at 27.

recommending that: (1) Low-income customers newly enrolled in PWSA’s BDP should be automatically enrolled in the Pilot AFP; (2) A community-based organization should contact existing BDP participants by both mail and telephone to offer enrollment in the Pilot AFP; (3) any pre-existing arrearage exceeding \$180 at the time of enrollment in the BDP should be reduced to zero by the third year of participation; (4) PWSA should grant Arrearage Forgiveness Credits on a monthly basis for each complete payment that has been successfully made by an AFP participant, regardless of the “timeliness” of the payment; (5) Arrearage Forgiveness Credits should be portable between service addresses, so long as a service address change for a program participant is within the PWSA service territory; and (6) The AFP, along with enrollment and outreach, should be adopted without being deemed a pilot.³²³ Mr. Geller, similarly, recommended that customers who enroll in PWSA’s BDP should automatically be enrolled in, and receive the benefit of, arrearage forgiveness. Mr. Geller also suggested that, upon entry into the BDP – and thus the arrearage forgiveness program – BDP customers’ pre-program arrears should be frozen and that customers should not be required to enter into a payment arrangement in order to earn forgiveness on these past due arrears. Additionally, Mr. Geller took the position that PWSA should revise the discount structure under the AFP and implement a percent of forgiveness amount and that BDP participants should be able to earn forgiveness on catch-up payments.³²⁴

Mr. Geller also made recommendations specific to PWSA’s Hardship Fund Program. While he supported PWSA’s proposal to expand eligibility to its Hardship Fund Program, he claimed that there needs to be increased funding and recommended that PWSA work with

³²³ OCA St. No. 4 at 4-5 and 15-16.

³²⁴ Pittsburgh United St. No. 1 at 40-41.

stakeholders and its LIAAC to develop a fundraising plan. Mr. Geller also recommended that PWSA eliminate its sincere effort payment requirement.³²⁵

Mr. Geller also expressed concern that the number of customers receiving protection from PWSA's Winter Shut-Off Moratorium Program remains low and recommended that PWSA develop a process by which all confirmed low income customers will automatically be protected from service terminations during the winter.³²⁶

Finally, Mr. Geller raised some general concerns regarding PWSA's low income customer assistance programs. Mr. Geller indicated that he was concerned with Dollar Energy Fund's ("DEF's") administration of these programs, PWSA's plan for handling DEF enrollment issues through ongoing audits by the Cares Team, and PWSA's compensation to DEF. Mr. Geller also recommended that PWSA begin reporting on low income program participation levels at each LIAAC meeting.³²⁷

PWSA responded to all the criticisms of the OCA and Pittsburgh United. Generally, Ms. Quigley noted that PWSA's customer assistance programs were first introduced less than four years ago and prior to the Commission's jurisdiction over PWSA. Ms. Quigley explained that, while PWSA has sought to continually improve the programs, they are still relatively new and significant changes and/or overhauls of the programs should be cautiously approached and supported by a careful cost-benefit analysis. Ms. Quigley also noted the lack of well-established guiding principles and program design requirements for water and wastewater utilities related to these programs. Ms. Quigley suggested that wholesale revisions to PWSA's existing programs are better evaluated by the Commission on a statewide basis. Ms. Quigley also testified that

³²⁵ Pittsburgh United St. No. 1 at 42-45

³²⁶ Pittsburgh United St. No. 1 at 46-47.

³²⁷ Pittsburgh United St. No. 1 at 30-35.

many other investor-owned utilities with customer assistance programs have access to financial resources that are not available to PWSA. This is important to take into consideration when evaluating programmatic changes that may align with programs of other investor owned utilities because implementing them for PWSA will place further cost pressures on other ratepayers who will necessarily shoulder the burden.³²⁸

Ms. Quigley asserted that PWSA's proposed enhancements to these programs have been offered only after careful evaluation of the existing programs, the needs of PWSA customers, the likely benefits, and the overall impact on PWSA's ability to continue to receive revenue for services rendered. While Ms. Quigley expressed appreciation for the recommendations made by Mr. Colton and Mr. Geller, she also expressed concern that many of the recommendations are not feasible at this time, either from a technical perspective, or because they are too costly, may lead to confusion and/or will not significantly improve program design.³²⁹

3. Proposed Settlement

After careful negotiations with the parties to this proceeding, the parties agreed to a number of terms related to PWSA's customer assistance programs. PWSA submits that these settlement terms are a compromise of the various recommendations advanced by the parties. Further, these terms are consistent with PWSA's goal to evolve these programs in a manner intended to best assist its customers and, therefore, these settlement terms should be adopted.

Specifically, under the terms of the Settlement, BDP participants with a household income between 0-50% of the FPL will receive a 50% discount regarding volumetric charges.

³²⁸ PWSA St. No. 6-R at 65-67.

³²⁹ PWSA St. No. 6-R at 67-68.

Further, the Settlement provides that BDP participants will receive an 85% discount on the stormwater charge.³³⁰

The Settlement also contains a number of terms related to PWSA's AFP, including: (1) customers who enroll in BDP with a pre-existing arrearage and negotiate a payment arrangement will be automatically enrolled in the AFP; (2) PWSA will attempt to contact all current BDP enrollees with outstanding arrearages who are enrolled in AFP to establish a payment arrangement and enroll in AFP; (3) PWSA will offer 60 month payment arrangements to all BDP enrollees and participants; and (4) PWSA will coordinate with DEF to assist BDP enrollees in obtaining a payment arrangement and enrolling in AFP and to ensure that DEF is providing accurate information to customers.³³¹

The Settlement also provides that, as part of its implementation of a new customer information and billing system ("SAP"), PWSA will undertake a cost-benefit analysis of restructuring the AFP to provide pre-program arrearage forgiveness over a period of three years. PWSA will discuss this analysis and its restructuring plan with interested stakeholders and its LIAAC. In the interim, PWSA will increase the current credit on pre-program arrearages to a flat \$30 and extend the credit to existing BDP participants, as well as future enrollees. The Settlement provides that PWSA shall track and record the credits provided and may claim the credits for ratemaking purposes in a future rate case.³³² The Settlement also provides for the continuation of the AFP on a non-pilot basis. Finally, the Settlement contains a commitment for the PWSA Cares Team to solicit input from BDP participants.³³³

³³⁰ Joint Petition at 19, ¶¶ F(1)(a)(i)-(ii).

³³¹ Joint Petition at 19, ¶¶ F(1)(b)(i)-(iv).

³³² Joint Petition at 20, ¶¶ F(1)(b)(v)-(vi).

³³³ Joint Petition at 21, ¶¶ F(1)(b)(vii) and (c).

As to PWSA's Hardship Fund Program, the Settlement requires PWSA to eliminate its sincere effort of payment requirement, extend the Program to wastewater conveyance only customers, explore any and all possibilities for funding the Program, and continue to solicit and evaluate ideas from PWSA's LIAAC members.³³⁴

Pursuant to the Settlement, PWSA will also automatically extend the Winter Shut Off Moratorium protections to all confirmed low-income customers and withdraw its proposal to expand the Winter Shut Off Moratorium to customers who are 65 years or older. PWSA reserves the right to file a separate petition with the Commission seeking approval of this (or a similar) proposal.³³⁵

The Settlement also requires PWSA to continue to evaluate the administration of its low income programs and consider cost-effective methods for program administration.³³⁶ Finally, the Settlement contains a number of provisions related to outreach efforts, including establishing a target enrollment goal in the BDP for customers with income at or below 150% of the FPL, establishing quantitative goals related to unsolicited customer contacts, and tracking and monitoring the success of its enrollment attempts.³³⁷

As discussed, these provisions are consistent with PWSA's goal of improving these programs to better assist low income customers and will help to make customers more aware of these options. Moreover, PWSA has considered the cost impact of these additional measures and submits that the Settlement proposed rate increase is a necessary component of PWSA's ability

³³⁴ Joint Petition at 21, ¶¶ F(2)(a)-(c).

³³⁵ Joint Petition at 21, ¶¶ F(3)(a)-(b).

³³⁶ Joint Petition at 21, ¶¶ F(4)(a)-(b).

³³⁷ Joint Petition at 22, ¶¶ F(5)(a)-(e).

to implement these measures. As such, PWSA submits that these provisions are in the public interest and should be adopted.

G. Miscellaneous Fees

1. PWSA's Initial Proposal

Prior to the filing of this rate case, PWSA undertook a comprehensive evaluation of the services requested of PWSA to determine whether or not PWSA was assessing an appropriate amount for the services requested consistent with the expenses involved and current operations.³³⁸ As part of the comprehensive review, a Rate Study Costing Calculator was developed to enable PWSA to more easily assess whether the level of charges for the fees remains current with associated costs in the future.³³⁹ The specific fee changes proposed are most easily displayed on the red-line versions of PWSA's initially proposed water and wastewater tariffs.³⁴⁰ Also worth noting is that PWSA's fee proposals included reductions to currently existing fees such as the service termination fee (from \$75.12 to \$50.00) and administrative charges for proceeding backflow device tests (from \$25.38 to \$10.00).³⁴¹

2. Positions of Other Parties and PWSA's Response

OCA witness Rubin challenged PWSA's proposal to increase its existing Returned Check Charge from \$30.45 to \$40.00 advocating that the amount should be lowered to \$14 and PWSA should be required to provide detailed cost support for the fee in the next rate case.³⁴² OCA witness Alexander questioned whether the new fees were based on costs, whether they should be

³³⁸ PWSA St. No. 6 at 35-37.

³³⁹ PWSA St. No. 6 at 35; PWSA St. No. 6-R at 97-98 and PWSA Exh. JAQ-11 (PWSA Cost of Service/Rate Study Costing Calculator).

³⁴⁰ See PWSA Exh. JAQ-4 at Water Tariff Pages 12, 14-15F; and, PWSA Exh. JAQ-6 at Wastewater Tariff Pages 12-14B.

³⁴¹ PWSA St. No. 6-R at 98.

³⁴² OCA St. No. 3 at 30-32.

included in the stormwater tariff and whether PWSA assessed fees to customers needing their information for purposes of a customer dispute and/or complaint.³⁴³ Also, though PWSA did not propose a change to currently existing Commission approved tariff language permitting it to adjust fees annually for increases in the annual Consumer Price Index for the Pittsburgh area, OCA witness Alexander and OSBA witness Kalcic both recommended that this pre-existing tariff language be removed.³⁴⁴

In response, PWSA opposed Mr. Rubin's recommendation that the Returned Check Charge be reduced because: (1) it is intended to discourage the illegal use of bad checks; (2) it is consistent with similar fees charged by other utilities; (3) PWSA is not required to factor in other costs that may be related to the action (i.e. fees imposed by the bank); and, (4) processing returned checks creates additional costs and burdens for PWSA intended to be addressed with its modest fee increase.³⁴⁵ However, in Ms. Quigley's Rejoinder Testimony she stated that upon further consideration PWSA would withdraw its original proposal but remained unwilling to reduce the current Commission-approved tariff fee of \$30.45.³⁴⁶

PWSA witness Quigley also strongly disputed the characterization that PWSA's overall fee proposal was not based on costs; she also explained that the current tariff language regarding the Customer Price Index adjustment was important to ensure that the fees remain cost based and should be maintained. Ms. Quigley explained that some of the fees were properly included in the stormwater tariff as they relate to stormwater activities and were previously included in the wastewater tariff. Finally, Ms. Quigley confirmed that none of the activities covered by the fees

³⁴³ OCA St. No. 5 at 29, 37.

³⁴⁴ OCA St. No. 5 at 37; OSBA St. No. 1 at 47-48.

³⁴⁵ PWSA St. No. 6-R at 96, PWSA St. No. 6-RJ at 13-14.

³⁴⁶ PWSA St. No. 6-RJ at 14.

relate to customer information that would be needed as part of a consumer complaint but, to the extent that were the case, PWSA would not assess the fee in that context.³⁴⁷

3. Proposed Settlement

The Settlement reasonably proposes to resolve all issues related to PWSA's miscellaneous fee proposals. First, PWSA agrees to reduce its current Returned Check Charge from the existing tariff rate of \$30.45 to \$20.00.³⁴⁸ Consistent with Ms. Quigley's Rejoinder Testimony, this moderate reduction is more aligned with PWSA's desire to recognize the impact of the pandemic on customers balanced with its critical need to impose additional rate increases.³⁴⁹ Second, PWSA agrees to remove its current existing tariff language permitting adjustments for increases in the annual Consumer Price Index and, in the next base rate filing, to provide specific information in support of the cost-basis for its proposed fees and charges.³⁵⁰ Finally, PWSA agrees to more affirmatively state its policy of not charging customers for access to data in its position that would be required for PWSA to respond to a customer dispute or complaint.³⁵¹

The proposed Settlement regarding the miscellaneous fees is a reasonable resolution of the issues and should be approved as modified. First, by reconsidering the Returned Check Fee proposal and agreeing to remove the fee adjustments related to the Consumer Price Index, the Settlement addresses the specific concerns raised by OCA while also considering current circumstances for PWSA's customers and PWSA's critical need for additional rate relief. Second, PWSA's agreement to include specific information in support of the cost basis for any

³⁴⁷ PWSA St. No. 6-R at 97-99.

³⁴⁸ Joint Petition at 22, ¶ III.G.1.

³⁴⁹ PWSA St. No. 6-RJ at 14.

³⁵⁰ Joint Petition at 22, ¶ III.G.2 and G.3.

³⁵¹ Joint Petition at 22, ¶ III.G.3.

proposed fees in the future, ensures that parties will be provided with the information they desire in order to evaluate future proposals. Finally, the Settlement and proposed revised tariff language, make more clear that PWSA will not charge customers for access to their data for customer disputes or complaints. The outcome proposed by the Settlement strikes a reasonable balance recognizing the importance of the significant project undertaken by PWSA to identify the appropriate and cost based fees to charge for services requested by customers while addressing the concern raised by the parties regarding some of these fees and future adjustments.

H. Future Notice of Proposed Rate Changes

As required by 52 Pa. Code § 53.45, PWSA prepared and distributed a Notice of Proposed Rate Changes (“Customer Notice”) to inform its customers (including future new stormwater customers) about its rate filing.³⁵² The Customer Notice needs to include a significant amount of information because it covers three separate utility services and a rate structure with a minimum charge and a volumetric charge.³⁵³ PWSA did not propose any changes to future Customer Notices.

OCA (and some consumers during the public input hearings) expressed concern about the lack of inclusion of ALCOSAN charges in the Customer Notice and/or PWSA customer educational materials about the future impact of its rate proposals.³⁵⁴ Although, as explained more fully by PWSA witness Quigley, PWSA bills and collects for the wastewater treatment services provided by ALCOSAN via a contract that predates Commission regulation of PWSA, PWSA does not have any control or authority over the rates that ALCOSAN charges.³⁵⁵ In

³⁵² A copy of the Notice was included in Volume I, Tab 2 of PWSA’s Initial Rate Filing Package.

³⁵³ PWSA St. No. 6-R at 55.

³⁵⁴ OCA St. No. 5 at 3-4; Tr. at 236-237 and 249-251.

³⁵⁵ PWSA St. No. 6-R at 17-18.

addition to recommendations from OCA witness Alexander about how to address the relationship in the text of PWSA's bills, Ms. Alexander also recommended that PWSA's future Customer Notices of rate case filing add language clarifying that ALCOSAN charges are not included in the display of future rate increase impacts.³⁵⁶

As part of the Settlement, OCA and PWSA identified specific language that they support adding to future Customer Notices to more clearly explain that PWSA's rate proposals are separate from ALCOSAN's wastewater treatment charges which will also be billed and collected by PWSA.³⁵⁷ The proposed language also refers to PWSA's wastewater charges as "Wastewater Conveyance" charges to further separate them from ALCOSAN's wastewater treatment charges.

The proposed Settlement is a reasonable way to address the concerns raised by OCA (and consumers) about better educating the public regarding ALCOSAN's role and the charges that appear on PWSA's bills which are collected by PWSA. As explained by PWSA witness Quigley, changes to PWSA's existing bills to address ALCOSAN issues are not necessary because PWSA does work with customers regarding ALCOSAN concerns and PWSA's collections processes and billing are the subject of the pending Stage 2 Compliance Plan proceeding.³⁵⁸ In light of this, reaching agreement about specific language to include in future Customer Notices regarding ALCOSAN is a good step forward for assisting consumers with better understanding the impact of PWSA's rate proposals and the role of the ALCOSAN wastewater treatment charges.

³⁵⁶ OCA St. No. 5 at 3-4.

³⁵⁷ Joint Petition at 22, ¶ III.H. A proposed form of future Customer Notice is contained in Appendix L to the Joint Petition.

³⁵⁸ PWSA St. No. 6-R at 17-21.

I. Additional Terms and Conditions

1. Waiver of Exceptions if Settlement Approved Without Modification

The Settlement provides that if the ALJ, in her Recommended Decision, recommends that the Commission adopt the Settlement without modification, the Joint Petitioners will waive the filing of Exceptions.³⁵⁹ The waiving of exceptions if the Settlement is approved without modification is an important component of the Settlement because it will permit the case to be reviewed sooner by the Commission without needing to await the exception time period. Ensuring that the Commission is in a position to adjudicate this proceeding at its December 16, 2021 public meeting is incredibly important for a number of reasons.

First, the December 16, 2021 public meeting date provides approximately a one month window of time between approval and rate effective date (January 12, 2022). This will provide PWSA with the opportunity to notify its customers of the specific rate increase and service changes that will be implemented. This is especially important in this case because PWSA is introducing a brand new stormwater fee that will impact consumers who are not currently customers of PWSA. Second, this window of time gives PWSA an opportunity to finalize the compliance requirements following the final order (and reflect them in its compliance tariffs filed with the Commission) as well as to ensure that its billing systems and operations are in place to effectuate the rates on January 12, 2022. Finally, it is important that PWSA be able to implement the new rates on their effective date otherwise PWSA may be denied the full amount of the revenue proposed by the Settlement.

For all these reasons, PWSA submits that any actions that can be taken (such as the waiver of exceptions if appropriate) to ensure that this case is adjudicated at the December 16,

³⁵⁹ Joint Petition at 24, ¶ IV.15.

2021 public meeting would be in the best interest of the public and PWSA's ratepayers by making available the fullest value of the approved rates and providing appropriate time for customer education about the new stormwater fee.

2. Public Input Testimony and Filed Consumer Comments

PWSA submits that the Settlement addresses many of the concerns raised by consumers during the course of the six public input hearings and in the written consumer comments filed with the Commission.

Concerns about the level of the proposed rate increase are addressed in several ways by the Settlement. First, the Settlement proposed total increase of \$21 million in base rate revenue is approximately 34.8% less than the originally filed request.³⁶⁰ Second, the Settlement proposes to phase-in the total increase over a two year period which has the impact of further mitigating customer impacts. Third, PWSA has agreed to not file a general rate increase any sooner than March 2023 for implementation in January 2024 which provides a measure of rate stability for customers for the next two years (2022 and 2023).³⁶¹ Finally, PWSA has agreed to a number of customer education, customer service and quality of service measures all of which will provide consumers with greater benefits whether in terms of financial assistance and/or improved infrastructure and service. One example is the agreed-to language on PWSA's future Customer Notice of Rate Increase intended to better explain the role of ALCOSAN's charges when customers are considering the bills they receive from PWSA and how rate changes will impact the bills.³⁶²

³⁶⁰ A comparison of the Customer Bill Impacts of PWSA's initial request with the settlement proposal are set forth in Appendix F. *See also*, Joint Petition, Appendix A at 17, ¶ 74.

³⁶¹ Joint Petition at 6, III.A.3.

³⁶² PWSA witness Quigley more fully explains this issue in PWSA St. No. 6-R at 55-56. Joint Petition at III.H.1.

Concerns raised by consumers about PWSA's proposed stormwater fee are also reasonably addressed as part of the proposed Settlement.³⁶³ These provisions include further detail about PWSA's Stormwater Credit Program, opportunity for community engagement regarding stormwater project development, specifically identified customer outreach and education that PWSA will undertake in advance and after implementation of the Stormwater fee, tracking of stormwater customer issues, and agreement to extend an 85% discount on the stormwater fee for participants in PWSA's Bill Discount Program.³⁶⁴

Finally, PWSA addressed customer service issues raised at the Public Input Hearings in its rebuttal testimony³⁶⁵ and by contacting the individual customers after the hearings in order to resolve their specific concerns.³⁶⁶

For all these reasons, the proposed Settlement reasonably addresses the concerns expressed by customers whether through testimony offered at the public input hearings or as set forth in written comments filed with the Commission and should be adopted.

³⁶³ PWSA witness Igwe more fully responds to the concerns raised by consumers related to the stormwater fee in PWSA St. No. 7-R at 14-18.

³⁶⁴ Joint Petition at 10, ¶ C and 19, ¶ III.F.a.ii.

³⁶⁵ PWSA St. No. 6-R at 47-54.

³⁶⁶ PWSA St. No. 6-R at 56-57.

III. CONCLUSION

For all the reasons set forth herein and the Joint Petition for Settlement, PWSA respectfully requests that the ALJ recommend that the Commission adopt the Settlement as proposed without modification.

Respectfully submitted,



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