

COMMONWEALTH OF PENNSYLVANIA



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September 17, 2021

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

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

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Revised Statement in Support of the Joint Petition for Settlement in the above-referenced proceedings. Page 7 of the Statement has been revised to correct the amount of the proposed stormwater gradualism adjustment and related citation. No other changes have been made.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully submitted,

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Enclosures:

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

*317471

CERTIFICATE OF SERVICE

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

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

Dated this 17th day of September 2021.

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Dated: September 17, 2021
*317474

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

OFFICE OF CONSUMER ADVOCATE
STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT

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Dated: September 14, 2021
Revised: September 17, 2021

TABLE OF CONTENTS

I. INTRODUCTION 1

II. OVERALL REASONS IN SUPPORT OF SETTLEMENT..... 1

III. REASONS FOR SUPPORT OF SPECIFIC ISSUES 3

 A. Revenue Requirements and Quarterly Reporting (Settlement ¶ III.9.A)..... 3

 B. Cost Allocation and Rate Design (Settlement ¶ III.9.B)..... 5

 C. Stormwater (Settlement ¶ III.9.C)..... 10

 D. COVID-19 Expenses, Funding and Pandemic Measures (Settlement ¶ III.9.D)..... 11

 E. Customer Service/Quality of Service (Settlement ¶ III.9.E) 14

 Isolation Valves 14

 Meter Testing 15

 Flushing..... 15

 Party Service Lines 16

 Responsibility for Damaged Sewer Lateral Repair and Replacement..... 16

 Customer Service Performance Metrics 17

 Customer Complaint Handling 18

 Liens and Third Party Debt Collector 19

 F. Low Income Customer Assistance Programs (Settlement ¶ III.9.F) 19

 Bill Discount Program 19

 Arrearage Forgiveness Program 20

 Plan to Solicit Input from BDP Participants 21

 Hardship Grant..... 22

 Administration and Outreach 22

 G. Miscellaneous Fees (Settlement ¶ III.9.G)..... 23

 H. Future Notice of Proposed Rate Changes (Settlement ¶ III.9.H)..... 24

IV. CONCLUSION..... 25

I. INTRODUCTION

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the reasons set forth below. A complete background and procedural history is provided in Appendix A to the proposed Settlement.

II. OVERALL REASONS IN SUPPORT OF SETTLEMENT

The terms and conditions of the Settlement satisfactorily address issues raised in the OCA's analysis of PWSA's water, wastewater and stormwater rate filings. The OCA presented the testimony of seven expert witnesses.¹ See OCA Hearing Exhibit 1. The OCA submits that this

¹ Mr. Dante Mugrace is a Senior Consultant with the Economic and Management Consulting Firm of PCMG and Associates, LLC. Mr. Mugrace has been a consultant since 2013. Prior to that he was employed by the New Jersey Board of Public Utilities from 1983 to 2011. Mr. Mugrace provides expert testimony on the regulation of electric, gas, water and wastewater utilities. A more complete description of Mr. Mugrace's education and experience is provided in OCA Statement 1 at 1-2.

Dr. David S. Habr is the owner of Habr Economics, a consulting firm he founded in January 2009. The firm focuses on cost of capital and mergers and acquisitions. Dr. Habr began a career in utility regulation in 1981 with the Iowa State Commerce Commission (n/k/a Iowa Utilities Board) before joining the Iowa Office of Consumer Advocate where he remained until 2008. A more complete description of Dr. Habr's education and experience is provided in OCA Statement 2, Exhibit DSH-1.

Mr. Rubin is an independent attorney and public utility industry consultant who has testified as an expert witness before utility commissions and courts in twenty states and the District of Columbia and province of Nova Scotia. Since 1984, Mr. Rubin has provided legal and consulting services to a variety of parties interested in public utility regulatory proceedings. A complete description of Mr. Rubin's qualifications is provided in OCA Statement 3, Appendix A.

Mr. Colton is a Principal of Fisher Sheehan & Colton, Public Finance and General Economics in Belmont, Massachusetts. He provides technical assistance to public utilities and primarily works on low income utility issues. Mr. Colton has devoted his professional career to helping public utilities, community-based organizations and state and local governments design, implement and evaluate energy assistance programs to help low income households better afford their home energy bills. He has been involved with the development of the vast majority of ratepayer-funded affordability programs in the nation. A more complete description of Mr. Colton's education and experience is provided in OCA Statement 4, Appendix A.

Ms. Barbara R. Alexander is a Consumer Affairs Consultant who runs her own consulting practice, Barbara Alexander Consulting LLC. She received her Bachelor of Arts degree from the University of Michigan and her J.D. from the University Of Maine School Of Law. Ms. Alexander's professional experiences and qualifications are provided in OCA Statement 5, Exhibit BA-1.

Settlement, taken as a whole, is a reasonable compromise in consideration of likely litigation outcomes before the Public Utility Commission (PUC or Commission). While the Settlement does not reach all the recommendations proposed by the OCA, the OCA recognizes that the Settlement is a product of compromise. Additionally, the OCA recognizes that the ongoing Compliance Plan proceeding (Stage 2) will provide further steps in the process of bringing PWSA into full compliance with Commission regulations. See Settlement, Appendix A at 1-4. The balance of compromises struck by the settling parties is critical to achieving settlement. Accordingly, the OCA urges the Commission to consider the Settlement as a whole.

In this Statement in Support, the OCA addresses those areas of the Settlement that specifically relate to important issues that the OCA raised in this case. The OCA expects that other parties will discuss how the Settlement's terms and conditions address their respective issues and how those parts of the Settlement support the public interest standard required for Commission approval.

For these reasons and those that are discussed in greater detail below, the OCA submits that the Settlement is in the public interest and the best interest of the Authority's ratepayers, and should be approved by the Commission without modification.

Mr. Fought is a consulting engineer with more than forty years' experience as a civil engineer. Mr. Fought is a registered Professional Engineer in Pennsylvania, New Jersey and Virginia and is a Professional Land Surveyor in Pennsylvania. Mr. Fought has prepared studies related to, and designed, water supply, treatment, transmission, distribution and storage for private and municipal wastewater agencies. He has also served as a consultant to the OCA for numerous water and sewer matters since 1984. Mr. Fought's background and qualifications are attached to OCA Statement 6 as Appendix A.

Ms. DeAngelo is a Regulatory Analyst for the Pennsylvania Office of Consumer Advocate and has held that position since June 2020. She received her Bachelors of Business Administration in Finance and Master of Business Administration degrees from Wilkes University. Ms. DeAngelo's educational background and qualifications are described in OCA Statement 7, Appendix A.

III. REASONS FOR SUPPORT OF SPECIFIC ISSUES

A. Revenue Requirements and Quarterly Reporting (Settlement ¶ III.9.A)

In its filing, PWSA requested a total increase to base rates for 2022 in the amount of \$32.20 million (17.1%), phased-in over a two-year period with \$22.0 million to be recovered in 2022 and the additional \$10.20 million to be recovered in 2023. PWSA St. No. 2 at 4. The proposed base rate changes also included separating stormwater service from wastewater conveyance service resulting in the introduction of new stormwater fees and reductions to wastewater conveyance rates. Overall, PWSA proposed to increase its revenue for water operations by \$23.2 million, decrease its revenue for wastewater operations by \$14.8 million and collect \$23.7 million from new stormwater fees. OCA St. 1 at 7. PWSA stated that the main reasons for its requested revenue increase were to increase operations to a level sufficient to maintain its system (hire more employees), pay for increases in the costs of washout disconnection (which is a consent order requirement) and combined sewer overflow flow monitoring, and fund its capital improvement plan. PWSA St. 2 at 7-9. While PWSA noted that COVID-19 related costs have and continue to put pressure on its financial health, the Authority did not include any of those costs in its filing but stated it may seek recovery in a future base rate case. Id. at 9.

As shown by OCA witness Morgan N. DeAngelo in her testimony submitted on behalf of the OCA, Pennsylvania and Allegheny County specifically continue to experience unemployment rates which are higher than those prior to the pandemic. OCA St. 8 at 2-3. The data analyzed by Ms. DeAngelo shows that residents in the PWSA Service Territory already having trouble paying their bills because of COVID-19. Id. at 2-9. The OCA recommended that the Commission should consider the ongoing economic impacts of the pandemic in reaching its decision on PWSA's rate increase. The OCA also presented numerous adjustments to PWSA's proposed budgeted expenses. OCA St. 1 at 5-6. The adjustments were largely based on utilizing historic costs in

reviewing the reasonableness of the Authority's projections. In sum, the testimony presented by the OCA demonstrated that PWSA's proposed fully projected future test year (FPFTY) revenue requirement should be adjusted downward by over \$21 million. OCA St. 1 at 6. In lieu of litigation, the parties reached a Settlement on all issues.

Under the Settlement, PWSA agreed to a total system revenue increase of \$21 million in base rate revenue, which is approximately 35% or \$12 million less than PWSA's original request. Settlement ¶ III.9.A.1. The Settlement proposes to phase-in the total increase over a two-year period with rates designed to recover an additional \$17 million per year effective January 12, 2022 and an additional \$4 million per year effective January 1, 2023. Id. These rates are allocated to water, wastewater and the new stormwater fee. On a total bill basis, a typical residential water, wastewater conveyance and stormwater customer using 3,000 gallons of water per month will see the total bill (inclusive of the new stormwater fee) increase from \$79.34 to \$86.43 after the second step of the increase or by \$7.09 or 8.9%. Settlement, Appendix G. This is less than the Authority's original proposal, which would have resulted in a total bill increase from \$79.34 to \$91.05 after the second step of the increase, or by \$11.71 or 14.8%. Settlement, Appendix F.

In addition, PWSA agrees to use any excess actual 2022 revenues net of expenses (compared to its FPFTY projections) for the benefit of ratepayers and will not file a general rate increase request before March 2023. Settlement ¶¶ III.9.A.3-4. PWSA also agrees to certain quarterly reporting requirements, which are discussed in more detail below. Settlement ¶ III.9.A.6.a through f. These measures will help to protect customers if PWSA's expenditures are less than FPFTY projections, afford some rate stability, and allow the Commission and parties to monitor PWSA's fulfillment of settlement commitments during the period the rates are in effect, rather than waiting for information to be provided its next base rate filing.

In general, the Settlement represents a “black box” approach to all individual revenue requirement issues. Black box settlements avoid the need for protracted disputes over the merits of individual revenue adjustments and avoid the need for a diverse group of stakeholders to attempt to reach a consensus on a variety of financial numbers. The OCA submits that it is unlikely that the parties would have been able to reach a consensus on each of the disputed accounting and ratemaking issues raised in this matter, as policy and legal positions can differ widely. As such, the parties have not specified a dollar amount for each issue or adjustment raised in this case. Attempting to reach an agreement regarding each adjustment in this proceeding would likely have prevented any settlement from being reached.

Based on an analysis of the Authority’s filing, discovery responses received, and testimony by all parties, the revenue increase under the Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of this case. The increase is reasonable, particularly when it is recognized that it is accompanied by the important conditions contained in the Settlement and the additional commitments to providing relief to customers during the ongoing COVID-19 pandemic. The increase agreed to in the Settlement provides sufficient funding to allow the Authority to provide safe and adequate service and to make important service quality improvements in targeted areas, as discussed in greater detail below. As such, the OCA submits that the increase agreed to in this Settlement is in the public interest and in the interest of the Authority’s ratepayers, and should be approved by the Commission.

B. Cost Allocation and Rate Design (Settlement ¶ III.9.B)

As part of the Settlement, PWSA has agreed to collect the water, wastewater conveyance and stormwater revenue by customer class as shown on Appendix C of the Joint Petition for Settlement. Settlement ¶ III.9.B.1.a. Under the Settlement, the combined residential water and

wastewater conveyance revenue will decrease by approximately 2.6%. Broken out, the residential percentage changes will be approximately 9.6% (water) and -22.0% (wastewater), which account for 29.7% and -36.2% of the total Settlement changes respectively. The wastewater decrease is due to the new stormwater fee.

Currently, 100% of stormwater-related costs are recovered through the rates charged to wastewater customers but, as proposed by PWSA and modified under the Settlement, a portion of those costs will be recovered through separate fees charged to stormwater customers. OCA St. 3 at 20. It is fairer to separate stormwater-related costs and to charge them based on a measure of a property's contributions to stormwater flows. Id.; PWSA St. 7 at 3. Current PWSA customers who will also be stormwater customers, i.e. those who own property within the City of Pittsburgh, will also benefit from the fact that PWSA will have approximately 6,000 new customer accounts that will only receive stormwater service from the Authority.² OCA St. 3 at 21. So the stormwater revenue requirement will be recovered from a larger group of customers, which results in a lower fee for existing wastewater conveyance customers than would otherwise be the case.

As stated above, currently, wastewater customers pay all of the costs for PWSA to provide stormwater service. In its filing, PWSA proposed that wastewater customers provide a transitional subsidy of \$12.4 million to stormwater customers. OCA St. 3 at 23. The OCA agreed that some subsidy is reasonable to transition customers to paying a separate rate for stormwater service. Id. Setting the stormwater rate lower than it would be if it recovered the full cost of service should also increase the likelihood that customers will pay the new fee. As OCA witness Rubin explained, stormwater-only service is unique:

² These stormwater-only customers may be businesses that do not need water and sanitary sewer service (such as parking lots) or they could be properties where common areas have different owners than the portions of the building that use water and sanitary sewer service (such as condominiums). There also may be portions of the stormwater service area that do not have public water and/or sewer service (or where an entity other than PWSA provides the service). OCA St. 3 at 20.

Unlike other utility services, it is not possible to physically start and stop stormwater service. Thus, if a customer fails to apply for service, stormwater still would flow from the property onto streets or into culverts or other portions of the stormwater collection system. Similarly, if a stormwater-only customer fails to pay its bill, it is not possible to terminate service as a collection mechanism. The result is that some stormwater utilities report relatively low percentages of revenue collections from stormwater-only customers.

OCA St. 3 at 21. The OCA challenged two aspects of PWSA's "gradualism adjustment", however, which are addressed by the Settlement. First, under the Settlement, the amount of the subsidy is reduced from the \$12.4 million proposed by PWSA to approximately \$10.6 million, which represents a reasonable compromise between the subsidies recommended by PWSA (\$12.4 million) and the OCA (\$7.3 million). Settlement, Appendix A ¶ 75.c; see OCA St. 3 at 23-25. Second, PWSA has committed in its next base rate case to further reduce or eliminate entirely the amount of stormwater costs recovered through wastewater rates. Settlement ¶ III.9.B.6. This is consistent with the OCA's recommendation that the transition period have a limited duration in order to reasonably balance the interests of stormwater customers paying a new rate (gradualism and uncollectibles) with the interests of wastewater customers not paying for stormwater costs in their wastewater rates (fairness and cost-based rates). OCA St. 3 at 21-26.

The proposed Settlement also addresses a third matter related to stormwater revenues: the stormwater-only uncollectible rate. OCA witness Rubin recommended that PWSA's assumed 40% uncollectible rate should be set at 25% of billed revenues based on data from other entities' stormwater-only collection data. OCA St. 3 at 22-23. Section III.B.1.b provides that the uncollectible rate will be set at 30% which, as stated therein, is a compromise of the parties' positions in recognition that the stormwater fee is a new charge and historical data about uncollectible expense is unavailable. Also, assuming a lesser amount of uncollected revenue has the benefit of slightly reducing the stormwater revenue requirement.

The new rates to collect the settlement level of water, wastewater and stormwater revenues from each class in both steps of the phase-in are shown on Appendix E of the Joint Petition for Settlement.

With regard to rate design, the OCA raised two concerns with PWSA's proposed residential customer charges for water service. First, PWSA included an arbitrary 5% increase in the residential customer charge that was over and above fully allocated customer-related costs in the Authority's cost of service study (COSS). OCA St. 3 at 10. OCA witness Rubin pointed out that, under present rates, PWSA collects almost half of its Residential revenues through fixed charges. Id. at 11. This is unusual for a water utility (whether publicly or investor-owned) and inconsistent with how PWSA collects revenues from its non-residential customers. Id. at 11-12. The Settlement provides relief in three ways. PWSA will improve its cost of service analysis to more accurately determine the costs that are properly recovered in fixed charges. Settlement ¶ III.9.B.2. The fixed charges for residential customers with 5/8-inch meters (both water and wastewater service) will be slightly reduced in each phase of new rates. Settlement, Appendix E. Also, PWSA will provide a plan for eliminating the minimum usage allowance included in its customer charge with the first stage occurring in the next base rate case. Settlement ¶ III.9.B.3.a. The benefit of these changes is that reducing fixed charges gives customers greater ability to control their bills, which advances the interests of conservation and affordability. OCA St. 3 at 10; I&E St. 3 at 16-17. It is also consistent with Commission precedent for reducing and eliminating minimum allowances. I&E St. 3 at 16. The Settlement recognizes, however, that an immediate removal of minimum allowances in this proceeding could cause excessive increases for customers taking part in the Bill Discount Program. PWSA St. 4 at 26-28. So, as part of its plan to transition from minimum allowances, PWSA will consider and propose changes to its low income customer assistance program to ensure, among other things, that participants retain benefits

comparable to those provided under the existing rate design. Settlement ¶ III.9.B.3.c.i. Importantly, because PWSA is in the process of implementing a new billing system, the Authority will ensure that the new system will have the functionality to accommodate potential design changes. Settlement ¶ III.9.B.3.c.vi.

The OCA's second concern with PWSA's proposed residential customer charges for water service was that PWSA charges much higher customer charges (including larger minimum usage allowances) to residential customers with 3/4-inch and 1-inch meters than it charges customers with 5/8-inch meters. OCA St. 3 at 12. The OCA has received complaints from residential customers with 1-inch meters who have such large meters solely because they have City-required fire-suppression (sprinkler) systems and one of those customers testified at a Public Input Hearing in this case. Id.; Tr. 146-49. Section 1326 of the Public Utility Code, as interpreted by a Commission policy statement at 52 Pa. Code § 69.169, prohibits a water utility from charging a standby fee for residential sprinkler systems. 66 Pa. C.S. § 1326; OCA St. 3 at 12-13. Under the Settlement, if customers have a meter larger than 5/8-inch for fire protection and due to City ordinance requirements for newly constructed townhomes, upon request, PWSA will bill the customers as if they had a 5/8-inch meter. Settlement ¶ III.9.B.3.d. To help ensure that customers are aware of this option, PWSA will include language in its tariff, attempt to identify eligible customers, advertise the reduction on its website and bill, maintain information on its website, and direct PWSA representatives to inform potentially eligible customers that they can submit a request. Settlement ¶ III.9.B.3.d.

C. Stormwater (Settlement ¶ III.9.C)

As discussed above, for the first time in this proceeding, PWSA proposed to separately recover the costs for providing stormwater service through a new fee charged to owners of property in the City of Pittsburgh. PWSA St. 7 at 3-4; PWSA St. 8. For residential customers, PWSA proposed a three-tiered rate structure. The OCA agreed with that structure, and with having the middle tier represent most customers, with a few customer qualifying for lower or higher rates based on property characteristics. OCA St. 3 at 27-28. The OCA raised a concern whether the specific breakpoints proposed by PWSA were appropriate. *Id.* at 26-29. The OCA raised concerns about how customers will be educated about their ability to challenge their impervious area designation (used to determine their “tier” and stormwater rate) and, more generally, about how and when customers will be educated about the new stormwater fee and how stormwater-specific complaints will be handled. OCA St. 5 at 32-34. Particularly, OCA witness Alexander explained the importance of stakeholder review of stormwater materials including bill format, web portal and call center training materials prior to the effective date of the new stormwater fee. OCA St. 5SR at 11-12. She also questioned how the new stormwater fee could impact customer call center activities and disputes related to stormwater charges and collection actions. OCA St. 5 at 34-35.

Under the Settlement, the breakpoints proposed by PWSA are maintained, but the Settlement addresses the OCA’s concerns by providing the parties an opportunity to review, provide feedback and discuss drafts of outreach materials in fall of 2021, prior to the stormwater fee going into effect. Settlement ¶ III.9.C.4.c. PWSA also commits to provide outreach both before and after the rate is implemented, including:

- i. Informing customers about the stormwater fee including its calculation and purpose;
- ii. Providing sample stormwater bills as bill inserts with fields mapped to current PWSA customers’ bills and explanations of new fields related to the stormwater fee;

- iii. Social media and pgh2o.com website content with sample stormwater bills and explanations of the new bill fields related to the stormwater fee;
- iv. 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; and
- v. Engagement at community meetings.

Settlement ¶ III.9.C.4.b. With specific regard to the OCA's concerns about the tier designations, Section III.9.C.4.a of the Settlement reflects PWSA's commitment to create a publicly-available stormwater website that will provide information about the calculation of impervious area for their specific property and a description of the appeal process for questioning residential tier determinations. The Settlement further addresses the OCA's concerns through PWSA's agreement to track and provide data in its next base rate case filing on stormwater-specific customer call statistics, disputes and time for resolution, arrearages and collection activities. Settlement ¶ III.9.C.5. This will assist the OCA and other stakeholders in evaluating and recommending improvements to the stormwater program and related customer service.

D. COVID-19 Expenses, Funding and Pandemic Measures (Settlement ¶ III.9.D)

According to PWSA, the Authority has incurred \$1.3 million in COVID-19 related costs since the start of the pandemic but elected not to include any of these costs as part of its 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 its operations. PWSA St. No. 3 at 9. In recognition of the extraordinary, not reasonably foreseeable, and non-recurring circumstances posed by the COVID-19 pandemic on PWSA's operations, the Settlement provides that PWSA shall be permitted to continue to track and record as a regulatory asset costs incurred by PWSA as a result of the COVID-19 pandemic.³ Settlement ¶ III.9.D.1.a.

³ These costs are defined in the Settlement to include reasonably and prudently incurred incremental labor-related costs; costs incurred to maintain employee and contractor availability; incremental health care related costs;

The OCA raised a concern, however, that deferral and recovery should not be indefinite. OCA St. 1SR at 20-21. Thus, while the Settlement provides that PWSA will be permitted to claim COVID-19 Pandemic Costs for ratemaking purposes in its next general rate proceeding, it also adopts the OCA's recommendation that such claim will include, at a minimum, costs through at least the end of the FPFTY in the instant proceeding. Settlement ¶ III.9.D.1.c. In order to prevent double-recovery, only expenses that exceed amounts already included in rates will be eligible for recovery. Settlement ¶ III.9.D.1.a-c. Importantly, and in response to the OCA's recommendation (OCA St. 5SR at 21), PWSA has agreed to track any operating costs that are reduced as a result of pandemic operating limitations and use those amounts to offset areas of increased cost in the corresponding regulatory asset account. Settlement ¶ III.9.D.1.c. All Parties reserve the right to review the prudence and reasonableness of the costs that PWSA attempts to recover under these provisions. Id.

Through the Settlement, PWSA has agreed to exercise prudent efforts to maximize the utilization of any government benefits, with detailed reporting requirements for any amounts obtained. Settlement ¶ III.9.D.2.a-c. PWSA will also provide a report detailing their intended use, and if denied, the reason for such denial, as part of its next base rate case. Settlement ¶ III.9.D.2.b.

These provisions are consistent with the Commission's May 13, 2020 Secretarial Letter authorizing deferral accounting treatment for COVID-19 related costs and with the treatment authorized through the Commission's approval of the Settlement of PWSA's 2020 base rate case. COVID-19 Cost Tracking and Creation of Regulatory Asset, Docket No. M-2020-3019775; Pa. P.U.C. v Pittsburgh Water and Sewer Authority, Docket No. R-2020-3017951, et al., Order (Dec. 3, 2020) (PWSA 2020). Accordingly, deferred accounting treatment is appropriate in this instance.

incremental worker's compensation costs; incremental occupational safety equipment, contractor, personnel costs, and annual uncollectible accounts expense. Settlement ¶ III.9.D.1.b.

The COVID-19 pandemic is likely to continue to impose extraordinary, non-recurring costs on utilities and the Settlement provides important protections to ensure that any recovery is limited to dollars in excess of costs that are already included in rates and are directly related to COVID-19 impacts.

Further, given the unprecedented pandemic situation affecting the financial well-being of PWSA customers, along with the rest of the Commonwealth, nation and world, this Settlement provides for COVID-19 relief measures to operate as an additional source of relief for the many vulnerable PWSA customers during this time. Settlement ¶ III.9.D.3. OCA witness Morgan N. DeAngelo testified about the financial hardships faced by many consumers in PWSA's service territory due to unemployment and wage loss as a result of the pandemic. OCA St. 7. Rapid increase of water and wastewater rates during this time would further impede PWSA customers' abilities to afford service. The OCA submits that the reduction in the proposed revenue requirement, as discussed above, and the additional relief provided through the Settlement is in the public interest as it represents an opportunity to assist many consumers impacted by COVID-19 and relieve some of the burden on PWSA customers of unaffordable water and wastewater bills.

In the prior rate case and this one, the OCA had sought a number of relief measures during the COVID-19 emergency. OCA St. 4 at 20-21. The Settlement adopts the OCA's recommendations to continue (1) waiver of reconnection fees, (2) reliance on self-certification of income for eligibility in the Authority's low-income customer assistance programs and (3) targeted outreach to customers with existing debt to negotiate appropriate payment arrangements and/or assist them with enrollment in PWSA's customer assistance programs, if eligible, for at least one year following the entry date of a final order in this proceeding. Settlement ¶ III.9.D.3.a.

The Settlement also adopts the OCA's recommendation to continue a payment arrangement process in response to the COVID-19 pandemic, OCA St. 4 at 20-21, and improves on the current

process for customers $\leq 250\%$ of the Federal Poverty Level. Settlement ¶ D.3.b. Specifically, for one year from the date of the final order in this proceeding, customers will be offered at least one payment arrangement consistent with the term lengths identified in 66 Pa. C.S. § 1405, except that:

- (a) Customers $< 250\%$ of the Federal Poverty Level will be offered a payment arrangement of no less than 60 months;
- (b) Customers between 250-300% of the Federal Poverty Level will be offered a payment arrangement of no less than 24 months; and,
- (c) Customers over 300% of the Federal Poverty Level will be offered a payment arrangement of no less than twelve months in length, if warranted based on the customers' facts and circumstances, including their ability to pay.

The OCA submits that extending collections efforts and the waiver of reconnection fees for the PWSA customers eligible through the Settlement is in the public interest as it adds a further layer of protection for customers who likely will not have the funds during this time to pay the bills and fees associated with late payments and disconnection of service due to nonpayment.

E. Customer Service/Quality of Service (Settlement ¶ III.9.E)

PWSA has agreed to several customer service and quality of service improvements recommended by the OCA that will either directly improve PWSA's operations and service or facilitate the evaluation of its practices.

Isolation Valves

OCA witness Fought explained that exercising isolation valves is important to ensure the valves maintain full range of movement. An isolation valve that cannot be fully closed will increase the water loss during a water main break and increase the number of customers affected. OCA St. 6 at 11. Thus, it is important to repair or replace valves at the time they are found to be inoperable. *Id.* at 13. The OCA recommended that PWSA continue to attempt to exercise 5,000 of its valves per year until all of the valves have been exercised or repaired/replaced, annually

submit a schedule for repairing or replacing valves that could not be exercised and, for 2021, submit a report identifying each valve that it attempted to exercise and whether it was broken or operable. OCA St. 6SR at 5-6. This oversight is warranted because the Authority just started to exercise its isolation valves in 2021 and only exercised a total of 5,048 of its isolation valves during the five years preceding its 2018 rate case and to ensure that the Authority's present recordkeeping is adequate. Id. at 4-5; OCA St. 6 at 6. The Settlement adopts each of these recommendations. Settlement ¶ III.9.E.1.a.iv, 2.a. Going forward, PWSA has agreed to develop more detailed record keeping, planning and prioritization for valve maintenance in concert with I&E's Safety Division and interested parties. Settlement ¶ III.9.E.1.a.iii., b, c. This responds to the OCA's concerns.

Meter Testing

The OCA recommended that PWSA continue to attempt to test or replace 10,000 meters per year, such that the Authority could complete replacement of its small meters within 5-7 years. This was based on the Authority's estimate that approximately 50,000 of its small meters exceeded 20 years without being tested or replaced, which is the limit in the PUC's regulations. OCA St. 6SR at 9-10; 52 Pa. Code § 65.8(b). PWSA identified that in 2021 to date, it had only made 4,000 replacements due to continued difficulties gaining access to customers' homes due to the pandemic. PWSA St. 5R at 10-11. The Settlement strikes a reasonable compromise by establishing a goal to replace 8,000 meters per year, which would still allow the Authority to replace its small meters within 5-7 years. Settlement ¶ III.9.E.3.

Flushing

OCA witness Fought explained that it is good practice to flush the distribution system to help prevent sediment from building up in the pipes, which could result in discolored water and can also affect the taste, clarity and color of water. OCA St. 6 at 16. The OCA recommended that,

until the results of the Authority annually flushing 1/3 of its distribution system are known that the Authority continue with its flushing plan. The Settlement reflects this recommendation. Settlement ¶ III.9.E.4.

Party Service Lines

A “party-line” service line is a service line (either water or sewer) that serves more than one customer. OCA St. 6 at 35. The OCA raised a concern whether PWSA’s tariff required residential water customers responsible for costs all the way to the Authority’s main when the party-line is replaced, which is not required of other PWSA customers who are only responsible up to the curb stop. OCA St. 6 at 36-37. The OCA also objected to PWSA’s proposal to subject party-line customers to a new fee for reconnecting when the party-line is separated. *Id.* at 37. As part of the Settlement, PWSA agreed to modify the definition of Party Water Service Line in its proposed tariff (1) to clarify that the Authority is responsible for the water service line from the water main to and including the curb stop and (2) to specifically exempt party-line customers from the new Residential Permit Fee. Settlement ¶ III.9.E.5.a., b.

Responsibility for Damaged Sewer Lateral Repair and Replacement

According to PWSA’s wastewater tariff, its customers own and are responsible for operation, inspection, maintenance, repair, replacement, abandonment, and removal of sewer laterals within public rights-of-way all the way to the sewer main. OCA St. 6 at 21. OCA witness Fought stated that the customers should not be held responsible for owning and maintaining that portion of the sewer lateral because they have no control over the use of the right-of-way or the things that may damage the lateral within the right-of-way such as sinkholes, heavy vehicle traffic, or utility maintenance work, etc. *Id.* at 26-27. Also taking into account that PWSA’s water customers are not required to own water service lines within the public right-of-way and that

PWSA is much better positioned to carry out and fund the replacements compared to an individual customer, the OCA recommended that PWSA should repair and replace privately-owned damaged sewer laterals within the public right-of-way at PWSA's expense.⁴ OCA St. 6SR at 11.

The Settlement provides a compromise which reasonably addresses this matter. PWSA agrees to prepare and submit for Commission approval a plan for repair and replacement of privately-owned damaged sewer laterals at its expense, which will be developed in collaboration with interested parties. Settlement ¶ III.9.E.6.a., 6.c. This commitment includes 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. Settlement ¶ III.9.E.6.b.i. Further PWSA commits to convene the collaborative quickly, which will help to expedite relief to customers while also addressing the public health and/or safety hazard that a damaged sewer lateral can cause. Settlement ¶ III.9.E.6.d.

Customer Service Performance Metrics

As OCA witness Alexander explained, PWSA showed significant improvement in answering calls in a timely manner in 2020 and 2021, but the improvement occurred during a period in which call volume was lower due to the halt in termination activities. OCA St. 5 at 12-13. Ms. Alexander recommended that PWSA commit to continue meeting its internal goals of an average speed of answer of less than one (1) minute and abandonment rate of less than 3% with the resumption of more traditional termination policies and resulting higher call volume. *Id.* at 13. The Settlement reflects that commitment in Section ¶ III.9.E.7.a. PWSA also committed to

⁴ Specifically, the OCA recommended that these repairs and replacements be performed (1) as part of PWSA's scheduled collection system main replacement projects and (2) as part of a plan under recently enacted Act 120. Rulemaking to Implement Act 120 of 2018 at 52 Pa. Code Chapters 65 and 66, Docket No. L-2020-3019521.

meeting its internal goal of restoring service for outages that impact more than 2,000 customers within 6 hours. Settlement ¶ III.9.E.7.b. This is consistent with the Authority’s internal objectives to minimize the length of service disruptions due to main breaks, system repairs, low pressure, boil water advisories, and other operational needs and will be an improvement relative to its performance since October 2019. OCA St. 5 at 13-14.

Customer Complaint Handling

OCA witness Fought identified that the complaint log produced by PWSA did not include complaints received about pressure, no water, high consumption and high bills resulting from previously unbilled consumption (due to faulty or nonregistering meters). OCA St. 6 at 18-19. Further, he recommended that complaints recorded as “investigate lid” should be identified and correctly classified as being related to the water, sewer or stormwater system. OCA St. 6 at 18-19. PWSA agreed to address these concerns, as reflected in Settlement ¶ III.9.E.8.a-b. Taken together, these actions will improve reporting and facilitate review of complaints.

Further, the Settlement provides, as recommended by OCA witness Alexander, that PWSA will undertake a root cause analysis of informal and formal complaints and adopt reforms to reduce formal complaints, verified complaints and justified complaints. Settlement ¶ III.9.E.8.c; OCA St. 5 at 17-18; OCA St. 5SR at 10. Also, in response to recurring formal complaints about high “catch-up” bills where meters were not working properly or regularly read for an actual meter reading, PWSA agrees to evaluate its collection policies about seeking payment of back bills, identify and adopt reforms in an effort to reduce complaints related to these issues, and provide the results of the analysis and reforms adopted as part of its next base rate filing. Settlement ¶ III.9.E.8.d.i and ii; see OCA St. 5 at 18.

Liens and Third Party Debt Collector

OCA witness Alexander discussed the lack of customer education and notice regarding PWSA's authority to issue liens on properties as a result of non-payment of bills. OCA St. 5 at 24-25. To address this, the Settlement provides that PWSA will expand its customer education and notice about its lien authority, including by adding language about its use of liens in customer notices, PWSA's website and its tariff. Settlement ¶ III.9.E.9.a (the parties' agreed-upon language for the tariffs is included in the tariffs attached to the Settlement as Appendices I, J and K). Ms. Alexander also identified a concern that if PWSA elects to issue a Request for Proposal to engage with a third-party debt collection agency that it do so only after notice and opportunity to comment from stakeholders. OCA St. 5 at 28. PWSA's agreement to do so, prior to it choosing to use the third party agency, will allow review of any potential impacts on already-approved consumer protection policies and practice. Settlement ¶ III.9.E.9.b.

F. Low Income Customer Assistance Programs (Settlement ¶ III.9.F)

Bill Discount Program

In its filing, PWSA proposed to expand the volumetric rate discount from 20% to 50% for Bill Discount Program participants with income at or below 50% of Poverty Level. PWSA St. 6 at 26. For the new stormwater fee, PWSA proposed a 75% reduction for all customers with income at or below 150% of Poverty Level. Id. In the 2020 base rate case and this one, OCA witness Colton maintained his position that, to adequately address affordability the BDP should be modified to become an income-based fixed payment Percentage of Income Plan (PIP). OCA St. 4 at 11-12; PWSA 2020, OCA St. 6 at 46-70. As a further step in the transition to a full BDP program, however, Mr. Colton accepted PWSA's proposed enhancement to its existing BDP, in conjunction with his proposed modifications to the arrearage management program (discussed

below). Consistent with that, the Settlement reflects the 50% volumetric rate discount and, in response to Pittsburgh United's recommendation, increases the discount on the stormwater fee to 85%. Settlement ¶ III.9.F.a; Pittsburgh United St. 2SR at 5.

Arrearage Forgiveness Program

In this proceeding, PWSA proposed to continue the pilot arrearage forgiveness program (AFP) agreed to in the 2020 Rate Case. PWSA St. 1 at 7. OCA witness Colton raised a concern that PWSA is not adequately serving the BDP population because, during the same period, PWSA enrolled 371 new participants in the BDP with pre-existing arrears but only 8 of them were also enrolled in the AFP. OCA St. 4 at 13. Accordingly, OCA witness Colton recommended modifications to the arrearage forgiveness program to improve BDP enrollment and better serve the needs of PWSA's customers. *Id.* at 15-16. The Settlement implements those recommendations by providing automatic enrollment in the AFP for low-income customers newly enrolling in PWSA's BDP. Settlement ¶ III.9.F.1.b.i. Further, PWSA will coordinate with Dollar Energy Fund, which administers the Authority's customer assistance programs, to develop a seamless process for this automatic enrollment. Settlement ¶ III.9.F.1.b.iv. PWSA will attempt to contact all current BDP participants to offer enrollment in the AFP. Settlement ¶ III.9.F.1.b.ii.

OCA witness Colton also proposed changes to the structure and amount of the credit on pre-program arrearages, which is currently a \$15 credit for each timely customer payment. OCA St. 4 at 15-16. Mr. Colton expressed concern that the \$15 credit does not provide a meaningful amount of arrearage credits given the levels of pre-program arrears that new BDP enrollees are bringing into the program (upwards of \$1,000 in 2020 and 2021). *Id.* He proposed that credits should reduce the pre-existing arrearage (exceeding \$180 at the time of enrollment) to zero by the third year of participation.

In recognition that PWSA is implementing a new customer information and billing system and that its current system has functional limitations, the parties reached a compromise which serves to make certain improvements now and establishes a process for restructuring the program when the new billing system is in place. Specifically, the Settlement will immediately double the current flat arrearage credit from \$15 to \$30 and apply it to existing and future BDP participants. Settlement ¶ III.9.F.1.b.v. While that is in place, PWSA will undertake a cost-benefit analysis of restructuring the AFP to provide arrearage forgiveness over a three-year period and, in collaboration with interested stakeholders and its Low Income Assistance Advisory Committee (LIAAC), will consider that structural change as well as Mr. Colton’s proposals for eliminating the timeliness requirement so that customers who complete payment will still receive the corresponding credit. Settlement ¶ III.9.F.1.b.vi.

Importantly, consistent with Mr. Colton’s recommendation, the Settlement reflects PWSA’s commitment to continue an AFP as one of its low-income programs by removing the designation as a “pilot” program. Settlement ¶ III.9.F.1.b.vii; see OCA St. 4 at 17.

Plan to Solicit Input from BDP Participants

OCA witness Alexander raised a concern with regard to PWSA’s bill format for a customer in the BDP. OCA St. 5 at 19-20; see also OCA St. 4SR at 19. In particular, she noted that it is not clear if the customer’s actual monthly PWSA bill has been discounted prior to its presentment or if the discounts and credits are being applied only to the remaining past due balance and recommended that PWSA revise its bill format to make it clear how the discounts and credits impact the customer’s current charges. Id. As a term of the Settlement, PWSA agrees to solicit input from a focus group of BDP participants and will report the results of the focus group to LIAAC members with any plan to incorporate changes to the existing bill design. Settlement ¶

III.9.F.1.c. The OCA submits that having the benefit of customer input will improve both the process and end result.

Hardship Grant

The Settlement provides that PWSA will eliminate the sincere effort of payment requirement. Settlement ¶ III.9.F.2.a. In the prior rate case and this one, the OCA had sought waiver of the requirement during the COVID-19 emergency. OCA St. 4 at 20-21. Complete elimination of the requirement provides permanent relief, without the need to request continued extensions.

Administration and Outreach

OCA witness Colton discussed the need and importance of incentivizing enrollment in PWSA's low income customer programs. He identified that less than 17% of PWSA's estimated low-income customer base is enrolled in the BDP. OCA St. 4 at 6-7. He further identified that, with regard to enrollment, there is no constant performance by PWSA or showing of an increasingly effective enrollment over time. *Id.* at 36. Moreover, PWSA does not have any target enrollment levels in place. *Id.* at 39. Pursuant to the Settlement, PWSA agrees to establish a target of enrolling 20% of its estimated number of customers with income at or below 150% of Poverty Level in its BDP within 18 months. Settlement ¶ III.9.F.5.a. The Settlement also provides that PWSA will continue to expand its outreach efforts, to include unsolicited telephone contacts, mailings and (eventually) in-person canvassing, and will track and report the success of these attempts to LIAAC members, consider feedback and develop a responsive action plan to redirect efforts if beneficial progress is not occurring. Settlement ¶ III.9.F.5.b-d.

Significantly, PWSA commits to focus its additional outreach efforts in areas with residents with the lowest incomes. Settlement ¶ III.9.F.5.b. This helps to address an important concern

discussed by OCA witness Colton, that PWSA customers in lowest income range (i.e., below 50% of Poverty) are not enrolling in PWSA's BDP in a percentage which reflects their percentage in the total population. OCA St. 4 at 42-43. Because of their low-income, these customers are most likely to have water bills that represent a high percentage of income (i.e., what is known as a "bill burden" or bill as a percentage of income) and are, accordingly, more likely to have payment troubles. These high burdens are the problem addressed by enrollment in BDP. Id.

The enhancements to PWSA's low-income customer assistance programs provided by the Settlement, taken together, are in the public interest as they provide some additional relief to customers in need of financial assistance, particularly during this difficult time. Further, the enhancements are a further step toward addressing affordability for the customers who are or will be enrolled in the BDP and will generate an improvement in the ability to pay, which will benefit PWSA customers at all income levels. Given the remaining uncertainty of the full impact of COVID-19 on PWSA customers, additional support to customers may be necessary in the future. Nevertheless, the OCA submits that this Settlement is in the public interest as it increases protections for vulnerable PWSA customers and should be approved by the Commission, without modification.

G. Miscellaneous Fees (Settlement ¶ III.9.G)

PWSA currently charges a fee of \$30.45 when a customer's check or electronic payment is dishonored and, in its filing, proposed to increase the fee to \$40.00. OCA St. 3 at 30. PWSA did not provide support, based on its actual costs for processing a dishonored payment, and the fee is out of line with the fees charged by other utilities (routinely \$10 or less). Id. OCA witness Rubin recommended reducing the fee to \$14. OCA St. 3 at 32. Paragraph III.G.1 of the Settlement

addresses the OCA's concern by reducing the dishonored payment fee to \$20, or half of the amount originally proposed.

The OCA also raised two broader concerns, first, that PWSA included language in its proposed tariff which would allow it to increase fees based on the annual Consumer Price Index. OCA St. 5 at 29. Utility fees should be cost based and not allowed to be linked to an external index that does not reflect the actual costs incurred by the utility. Second, PWSA did not provide cost-based support for its proposed fees (including the dishonored payment fee). Id. The OCA recommended that PWSA be required to provide detailed cost support in its next base rate case, specifically including support for the number of person-hours or equipment-hours needed to perform each task and justification for any rounding up from the indicated costs. OCA St. 3 at 32; OCA St. 5SR at 13-14. In Settlement, PWSA accepted both of the OCA's recommendations. See Settlement ¶¶ III.9.G.2 and 4.

Finally, the OCA opposed PWSA's tariff language to the extent that it would allow PWSA to charge customers for accessing data in the possession of the Authority that would be necessary for investigating and responding to a customer dispute or complaint. OCA St. 5 at 29. The Authority agreed that no charges would be assessed in that circumstance and added clarifying language to its tariffs. Settlement ¶ III.9.G.3; see, e.g., Settlement, Appendix I, p. 14.

H. Future Notice of Proposed Rate Changes (Settlement ¶ III.9.H)

PWSA's bills include charges for wastewater treatment by Allegheny County Sanitary Authority (ALCOSAN). OCA St. 5 at 3. PWSA's public notices for this rate case identified the Authority's regulated charges and did not include those billed by PWSA on behalf of ALCOSAN. As set forth in Appendix L to the Settlement, in future notices of proposed rate changes, PWSA will make clear that the bill impacts in the notice for wastewater "conveyance" do not include

charges for wastewater “treatment.” Settlement, ¶ III.9.H. This will help to ensure that customers are more accurately informed of the overall impact of the increase.

IV. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of this rate investigation, taken as a whole, represent a fair and reasonable resolution of the issues raised by the OCA in this proceeding. Therefore, the OCA submits that the Settlement should be approved by the Commission without modification as being in the public interest.

Respectfully Submitted,

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