

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2021-3024773
The Office of Consumer Advocate	:	C-2021-3025473
The Office of Small Business Advocate	:	C-2021-3025516

v.

Pittsburgh Water and Sewer Authority - Water

Pennsylvania Public Utility Commission	:	R-2021-3024774
The Office of Consumer Advocate	:	C-2021-3025471
The Office of Small Business Advocate	:	C-2021-3025517

v.

Pittsburgh Water and Sewer Authority - Wastewater

Pennsylvania Public Utility Commission	:	R-2021-3024779
The Office of Consumer Advocate	:	C-2021-3025474
The Office of Small Business Advocate	:	C-2021-3025521

v.

Pittsburgh Water and Sewer Authority - Stormwater

**RECOMMENDED DECISION**

Before  
Eranda Vero  
Administrative Law Judge

**TABLE OF CONTENTS**

I. INTRODUCTION ..... 1

II. HISTORY OF THE PROCEEDING ..... 2

III. PUBLIC INPUT HEARINGS ..... 6

IV. TERMS AND CONDITIONS OF THE JOINT PETITION FOR SETTLEMENT..... 14

V. LEGAL STANDARD..... 32

VI. DISCUSSION OF THE JOINT PETITION ..... 34

    A. Revenue Requirements and Quarterly Reporting (Joint Petition, Section III.A) ..34

        1. Rates..... 35

        2. Quarterly Reporting ..... 41

    B. Cost Allocation and Rate Design ..... 43

        1. Allocation Criteria Water and Wastewater Conveyance ..... 43

        2. “Service “as a Functional Category ..... 47

        3. Minimum Charge ..... 48

        4. Lead Service Line Replacements for Non-Residential Customers ..... 51

        5. Stormwater Gradualism (includes Stormwater Rate and Other Stormwater Adjustments)..... 52

    C. Stormwater (Programs)..... 56

        1. Stormwater Credit Program ..... 56

        2. Stormwater Master Plan..... 58

        3. Commitment to Low Income and Other Impacted Communities ..... 59

        4. Education and Outreach to Customers..... 61

        5. Stormwater Customer Services Issues ..... 63

    D. COVID-19 Expenses, Funding and Pandemic Measures ..... 65

        1. COVID-19 Expenses ..... 65

        2. Future COVID-19 Funding..... 67

        3. Customers Protections ..... 69

    E. Customer Service/Quality of Service..... 72

        1. Valves ..... 72

        2. Isolation Valves ..... 74

        3. Meter Testing and Replacement ..... 75

        4. Flushing Distribution System ..... 76

5.	Party Service Lines .....	76
6.	Responsibility for Damage Sewer Lateral Repair Replacement.....	77
7.	Customer Service Performance Metrics .....	78
8.	Customer Complaint Handling .....	79
9.	Liens and Third-Party Debt Collector.....	80
10.	Compliance Plan Stage 2 Customer Service Issues .....	81
F.	Low Income Customer Assistance Programs .....	82
1.	Bill Discount Program .....	82
2.	Arrearage Forgiveness Program .....	84
3.	Plan to Solicit Input BDP Participants.....	86
4.	Hardship Grant.....	87
5.	Winter Shut Off Moratorium .....	88
6.	Administration and Outreach .....	89
G.	Miscellaneous Fees .....	91
H.	Future Notice of Proposed Rate Changes .....	94
VII	RECOMMENDATION .....	96
VIII.	CONCLUSIONS OF LAW .....	97
IX.	ORDER .....	98

## I. INTRODUCTION

The Pittsburgh Water and Sewer Authority (“PWSA” or “Authority”) filed a request with the Pennsylvania Public Utility Commission (“Commission”) for approval to increase its combined water, wastewater, and stormwater rates by \$32.2 million, to be phased-in in 2022 and 2023 (Rate Filing). The proposed base rate increase also includes the introduction of a new stormwater rate and an adjustment to the wastewater conveyance rates where stormwater related costs are currently recovered.

Because it is in the public interest and supported by substantial evidence, this decision recommends approval of the Joint Petition for Settlement (“Joint Petition” or “Settlement”) signed by PWSA, the Commission’s Bureau of Investigation and Enforcement (“I&E”), the Pennsylvania Office of Consumer Advocate (“OCA”), the Pennsylvania Office of Small Business Advocate (“OSBA”), Pittsburgh United and the City of Pittsburgh (“City”) (collectively, “the Joint Petitioners” or “Parties”). The Settlement permits PWSA to increase its overall revenues by a total of \$21 million in annual water and wastewater revenues and a new stormwater charge, to be phased-in over a two-year period with \$17 million to be recovered in 2022 and the remaining \$4 million to be recovered in 2023. On a total bill basis, under the recommended increase, a typical residential water, wastewater conveyance and stormwater customer using 3,000 gallons of water per month will see the total bill increase from \$79.34 to \$86.43 after the second step of the increase or by \$7.09 (8.9%). 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 (14.8%).

The Settlement of the \$21 million increase in overall revenues was agreed to on a “black box” basis, meaning that the Parties do not specifically identify or resolve individual rate base, revenue, expenses, and rate of return issues. Additionally, the Settlement includes agreement on a number of other specific issues addressed by the Parties. I will discuss the revenue requirement and additional specific issues below. The last reasonable Commission Public Meeting before the end of the suspension period (January 12, 2022) is on December 16, 2021.

## II. HISTORY OF THE PROCEEDINGS

On April 13, 2021, PWSA filed with the Commission: (1) a water base rate case at Docket No. R-2021-3024773; (2) a wastewater base rate case at Docket No. R-2021-3024774; (3) a stormwater base rate case at Docket No. R-2021-3024779; (4) a Petition for Waiver of Statutory Definition of Fully Projected Future Test Year (“FPFTY Waiver Petition”); and (5) a Petition for Consolidation of Water, Wastewater, and Stormwater Rate Proceedings and For Authorization to Use Combined Water, Wastewater, and Stormwater Revenue Requirements (“Base Rate Consolidation Petition”).

Pursuant to the Rate Filing, PWSA asked the Commission for approval to increase its combined water, wastewater, and stormwater rates by \$32.2 million, to be phased-in in 2022 and 2023. In particular, PWSA’s Supplement No. 7 to Tariff Water – Pa. P.U.C. No. 1 proposed a rate increase that would increase PWSA’s total annual operating revenues for water service by approximately \$12.6 million, or 10%, through rates effective January 12, 2022, and by approximately \$12.9 million, or 9.3%, through rates effective January 12, 2023. Next, PWSA’s Supplement No. 6 Tariff Wastewater - Pa. P.U.C. No. 1 proposed a rate decrease that would reduce PWSA’s total annual operating revenues for wastewater service by approximately \$7.8 million, or 10.6%, through rates effective January 12, 2022, and by approximately \$7.5 million, or 11.4%, through rates effective January 12, 2023. Finally, PWSA filed Tariff Storm Water - Pa. P.U.C. No. 1 proposing a rate increase that would raise PWSA’s total annual operating revenues for stormwater service by approximately \$17.8 million through rates effective January 12, 2022, and by approximately \$5.9 million, through rates effective January 12, 2023.

On April 14, 2021, I&E filed a Notice of Appearance in these proceedings.

On April 21, 2021, the Commission issued a Secretarial Letter seeking PWSA’s responses to data requests from the Commission’s Bureau of Technical Utility Services (“TUS”).

On April 23, 2021, the OCA filed a Notice of Appearance, formal Complaint and Public Statement in all three proposed rate cases.<sup>1</sup>

On April 26, 2021, Pittsburgh United filed a Petition to Intervene, and the OSBA filed a Notice of Appearance, formal Complaint and Public Statement in all three proposed rate cases.<sup>2</sup>

On April 30, 2021, by way of a letter issued to Secretary Chiavetta and thereafter served upon then-active participants, Commissioner Ralph V. Yanora issued a letter setting forth issues for the Parties to examine in PWSA's rate cases.

On May 3, 2021, PWSA filed responses to the data requests of TUS. On May 17, 2021, PWSA filed responses to the April 30, 2021, questions from Commissioner Yanora.

By Commission Orders entered May 20, 2021, the proposed Tariffs were suspended by operation of law until January 12, 2022. The Commission ordered an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Tariffs. The Commission also ordered an investigation into the reasonableness of PWSA's existing rates, rules, and regulations.

With respect solely to the stormwater rate case, the Commission's May 20, 2021 Order included an Attachment B, Pennsylvania Public Utility Commission Technical Staff Report and Directed Questions Stage 2 ("Directed Questions"). By issuance of the Directed Questions, the Commission concluded that it would be beneficial for the Parties to have the questions available in these rate case proceedings, as they may be useful for the Parties as they address stormwater issues through the rate case.

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<sup>1</sup> Docket Nos. C-2021-3025473 (Water); C-2021-3025471 (Wastewater); and C-2021-3025474 (Stormwater).

<sup>2</sup> Docket Nos. C-2021-3025516 (Water), C-2021-3025517 (Wastewater), and C-2021-3025521 (Stormwater).

On May 25, 2021, a Telephonic Prehearing Conference Notice was issued scheduling a telephonic prehearing conference for June 1, 2021, at 2:00 p.m. Also on May 25, 2021, a Prehearing Conference Order was issued, advising the Parties of the date and time of the scheduled conference, informing them of the procedures applicable to the proceeding, and directing the submission of prehearing memoranda prior to the conference.

On May 27, 2021, PWSA filed a Motion for Protective Order.

On May 28, 2021, the City of Pittsburgh petitioned to intervene in each of the three rate proceedings.

The prehearing conference was held as scheduled on June 1, 2021. Counsel for PWSA, I&E, OCA, OSBA, Pittsburgh United, and the City of Pittsburgh participated in the prehearing conference.

On June 2, 2021, PWSA filed Tariff Supplements to suspend Supplement No. 7 of the Water Tariff, Supplement No. 6 of the Wastewater Tariff, and the Stormwater Tariff until January 13, 2022. PWSA voluntarily elected to extend the statutory suspension period by one day to accommodate action at the Commission's January 13, 2022, public meeting, instead of the December 16, 2021, public meeting.

On June 2, 2021, PWSA's Motion for Protective Order was granted, and a Protective Order was entered.

The discussion and decisions of the June 1, 2021 prehearing conference were memorialized in the Prehearing Order dated June 8, 2021. Accordingly, (1) the Petitions to Intervene filed by Pittsburgh United and the City of Pittsburgh were granted; (2) the Petitions of PWSA for consolidation, to use combined revenue requirements, for waiver of the statutory definition of Fully Projected Future Test Year were granted; (3) a litigation schedule was adopted; and (4) the dates for public input hearings were set.

On June 14, 2021, PWSA served Supplemental Direct Testimony to respond to both the Directed Questions of Commissioner Yanora dated April 30, 2021 and to the Directed Questions included in the Commission's May 20, 2021, Order as Attachment B.

A revised litigation schedule, which did not require PWSA to voluntarily extend the statutory suspension period, was approved in a Prehearing Order dated June 17, 2021. The Prehearing Order established the following procedural schedule:

Public Input Hearings <i>(1:00 p.m. and 6:00 p.m. each day)</i>	June 28, 29 and 30, 2021
Direct testimony of non-Company Parties	July 8, 2021
Rebuttal testimony	July 29, 2021
Surrebuttal testimony	August 6, 2021
Rejoinder Outline or Testimony	August 10, 2021
Witness Matrix	August 11, 2021
Evidentiary hearing	August 12, 13 and 16, 2021
Main Briefs	September 7, 2021
Reply Briefs	September 16, 2021

On June 24, 2021, PWSA filed revised versions of the Tariff Supplements previously filed on June 2, 2021, to change the suspension date from January 13, 2022, to January 12, 2022, consistent with the revised litigation schedule adopted by the June 17, 2021, Prehearing Order.

Six Public Input Hearings were held as scheduled on June 28, 29 and 30, 2021.

On July 8, 2021, direct testimony from witnesses on behalf of I&E, OCA, OSBA and Pittsburgh United were served.

On July 9, 2021, rebuttal testimony from witnesses on behalf of PWSA, I&E, OCA, OSBA and Pittsburgh United were served.

On August 6, 2021, surrebuttal testimony from witnesses on behalf of PWSA, I&E, OCA, OSBA and Pittsburgh United were served.



On August 10, 2021, rejoinder testimony from witnesses on behalf of PWSA was served.

The evidentiary hearing was held telephonically on August 13, 2021, as scheduled.<sup>3</sup> Counsel for PWSA, I&E, OCA, OSBA, Pittsburgh United, and the City of Pittsburgh appeared. During the hearing, Parties explained that they were close to reaching a full Settlement on all issues. The written testimony and exhibits of the Parties were admitted into the record and cross-examination of witnesses was waived.

On August 17, 2021, a Post-Hearing Order was entered which identified evidence admitted into the hearing record by order of the presiding officer and directed the Parties to electronically file the evidence with the Commission. By Errata dated August 18, 2021, the evidence moved into the record by Pittsburgh United was included in the list of admitted evidence.

An Order Suspending Schedule dated August 25, 2021, suspended the litigation schedule contained in the June 17, 2021 Prehearing Order and directed the Parties to file a joint petition for settlement on or before September 7, 2021, and statements in support by September 14, 2021. The Joint Petition for Settlement as well as Statements in Support from each of the Joint Petitioners were filed as directed.<sup>4</sup> The record closed on September 14, 2021, the date the Statements in Support from the Parties were due.

### III. PUBLIC INPUT HEARINGS

Six public input hearings were held on July 28, 29, and 30, 2021. These hearings were conducted telephonically. Twenty-one witnesses testified, including State Representatives Jessica Behnham, Emily Kincead, Sara Innamorato, and Senator Lindsey Williams. Staff from the Office of Senator Lindsey Williams provided comments. Letters submitted by Senator

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<sup>3</sup> The evidentiary hearings scheduled for August 12 and 16, 2021, were cancelled at the request of the Parties.

<sup>4</sup> PWSA filed corrections to the Joint Petition on September 16, 2021.

Lindsey Williams and Representative Sara Innamorato were admitted into evidence without objection. Water and wastewater customers of PWSA, and community and environmental advocates also testified. Broadly, witnesses expressed concerns regarding the economic impact of the proposed rate increases and support for the new stormwater tariff. Some witnesses also commented on service issues, infrastructure, and PWSA management. Other witnesses commented specifically on the need to expand PWSA's low-income assistance programs, to educate the public about the new stormwater charge, the need for more accountability, transparency, and community outreach.

In her testimony, Representative Jessica Benham strongly urged the Commission to vote against PWSA's residential fee increase for water and wastewater services. She explained that increasing rates at this time will make it more difficult for struggling families to keep service connected. According to Representative Benham, the need to improve stormwater infrastructure is real, as is the inability of Pittsburgh residents to pay these ever-increasing fees. Representative Benham testified in support of the stormwater rates but urged that, moving forward, these rates must be equitable and should not burden residential consumers, especially low-income and moderate-income households. Importantly, she argued that there are better ways to fund PWSA's system upgrades and suggested looking at the government and the largest environmental offenders as the sources of those funds.<sup>5</sup>

Senator Lindsey M. Williams agreed with Representative Benham. Through a statement read by her aid, Rebecca Boyle, Senator Williams urged PWSA to pursue federal and state funding instead of pursuing a rate increase. Representative Williams' statement noted that a substantial state surplus may be available to help<sup>6</sup> PWSA to finance stormwater resilience, lead abatement, and other infrastructure needs. In addition, the Senator commended PWSA's work in lead line replacement as well as the Authority's efforts in addressing stormwater challenges in the region considering the severe storms that are linked to climate change.<sup>7</sup> However, Senator

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<sup>5</sup> Tr. 58-59.

<sup>6</sup> Tr. at 219-220.

<sup>7</sup> Tr. 220.

Williams does not support a rate increase on the backs of families and small businesses as they try to recover from the COVID-19 pandemic.<sup>8</sup>

In her testimony, Representative Emily Kincaid testified that currently, PWSA's assistance programs are not reaching many of the households in need of assistance. She called for improvements in PWSA's outreach programs across the city, especially in areas with the highest concentrations of poverty. Similarly, she urged PWSA to develop a robust plan to educate the public about the new stormwater fee and to partner with community partners to help provide outreach and education.<sup>9</sup>

Additionally, Representative Kincaid requested that PWSA outline an investment strategy for the revenue from the stormwater fee which focuses on stormwater infrastructure projects that are green and benefit all communities, with priority given to environmental justice communities across PWSA's service area.<sup>10</sup>

In her testimony, State Representative Sara Innamorato averred that an increase of 130% in water bills over a five-year period is simply not realistic, especially coming on the heels of the COVID-19 pandemic and recession which disproportionately impacted low wage workers and communities of color across PWSA's service area. In addition, she stated that the current PWSA assistance program is not sufficient in helping families in the hardest hit sectors who are struggling to keep a roof over their heads, food on the table, and utilities running.

Representative Innamorato commended PWSA for adopting a stormwater fee to improve stormwater management in its service area. She agreed with PWSA that a fee based on square footage of impervious area is a more equitable way to share the burden of costs associated with managing stormwater. However, Representative Innamorato encouraged PWSA's leadership to exempt low-income residents from that fee and use the funds collected to build

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<sup>8</sup> Tr. 221.

<sup>9</sup> Tr. 64.

<sup>10</sup> Tr. 63.

community-driven green infrastructure projects, fund additional low-income programs, and build a robust educational outreach initiative to educate households about the increase.<sup>11</sup>

Pamela Collier, project director for the Health Initiative, testified that raising of the utility cost would be an unwanted and unnecessary burden on her community whose finances are already stretched.<sup>12</sup>

Melanie Marie Boyer testified as the executive director of the Pittsburgh Metropolitan Area Hispanic Chamber of Commerce. According to Ms. Boyer, in a time when citizens and businesses are desperately seeking to recover from the economic effects of the COVID-19 pandemic, rate increases seem untimely and frankly inappropriate. The rate increase impact will be especially felt in minority communities who have struggled the hardest during the pandemic, including the Hispanic community. As such, on behalf of the Hispanic Chamber of Commerce Ms. Boyer asked that PWSA not raise the rates at this time.<sup>13</sup>

Monica Malik testified as events committee lead for the Pittsburgh Metropolitan Area Hispanic Chamber of Commerce and current member of the Low-Income Advisory Consumers Council (“LIACC”). She expressed her concern about this rate increase and the timing of it, which will place an undue strain on already struggling households and businesses. According to Ms. Malik, a 17% rate increase is a huge burden for the consumer to take on, in addition to stormwater fees, and therefore, strongly opposes the rate increase. Ms. Malik questioned the ability of PWSA to fund its low-income assistance program as more people will be enrolled in them as a result of the rate increase. She urged PWSA to put more thought and funding behind programs that help the disadvantaged and not add additional burdens to them.<sup>14</sup>

Brenda Smith, the Executive Director of Upstream Pittsburgh, testified that she has been advocating for more than a decade for the creation of a stormwater fee in her region. She urged the Commission to approve the creation of the stormwater fee at the rates submitted.

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<sup>11</sup> Tr. 224-25.

<sup>12</sup> Tr. 68.

<sup>13</sup> Tr. 80.

<sup>14</sup> Tr. 110-12.

As it will immediately allow PWSA to begin collecting funds from the entities that have not been paying their fair share, the fee is a very important new source of funding to be used to solve the increasingly serious stormwater problems in the city of Pittsburgh.<sup>15</sup>

Gavin White testified in his capacity as the Community Projects Manager for Pittsburgh Parks Conservancy. While recognizing that the rate increase could be a significant burden to PWSA's ratepayers, Mr. White emphasized the importance of the stormwater fee as an equitable solution to the stormwater problem. He urged PWSA to implement a strong and broad outreach program to ensure that people understand the current rate structure and the change that would take place. In addition, Mr. White asked that investment of the collected funds be equitable in order to prioritize those who are experiencing the worst flooding, basement backups, etc.<sup>16</sup>

John Stephen testified as the coordinator for the Negley Run Watershed Task Force. He urged PWSA to accelerate its public education around the stormwater issues so that there is an educated and supportive public to benefit from the stormwater fee. He explained that as long as stormwater infrastructure is stuck in a parcel-by-parcel mindset, it tends to gravitate towards big new developments, and leads to underinvestment in many urban communities. Mr. Stephen commended PWSA's investments that led to removing lead pipes as a critical first step for these communities but urged PWSA to make sure that stormwater investments are directed to at-risk areas to address basement flooding and localized flooding. He found PWSA's proposal of an incentive program for homeowners encouraging and hoped that PWSA expand the tariff program to include more incentive programs in the future. According to Mr. Stephen, the stormwater rate is a good start to raising the funds necessary to improve rainwater stewardship, but it must include community involvement and input along the way.<sup>17</sup>

Prudence Shank testified against the rate increase. She stated that after years of mismanagement, non-action, and a bad deal with the City of Pittsburgh, it is unfair and offensive

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<sup>15</sup> Tr. 227-29.

<sup>16</sup> Tr. 243-47.

<sup>17</sup> Tr. 178-79.

for the Authority to expect the residents of Pittsburgh to foot the bill for much needed infrastructure investments and system improvements.<sup>18</sup>

In her testimony, Lisa Blackburn pointed out that we are indeed still within a pandemic, and we will be struck with the hardship of it for years to come. She questioned people's ability to pay their bills when there are many who remain unemployed. Ms. Blackburn argues that any increase in utility bills will create further energy burdens felt most by low-income and black communities. She asked the Commission to consider the public interest and be reasonable and just and not allow the rates to be increased.<sup>19</sup>

In her testimony, Christine Norton complained against PWSA's Minimum Usage Allowance. She testified that she does not understand how PWSA chooses the allowance each month and she questioned her recorded usage as well as PWSA's treatment of her high bill dispute in the past.<sup>20</sup>

Travis Evans testified that although he only uses about 1,200 gallons of water per month (based on PWSA's own estimates), he is billed a minimum usage charge for 5,000 gallons per month based on the size of his water meter. Additionally, Mr. Evans argued that the basis for his charges is unfair, as it exists solely because his townhouse is compliant with building code provisions that require him to have a one-inch meter consistent with fire sprinkler regulations, but his usage is only a fraction of the imputed 5,000 gallons. Furthermore, Mr. Evans does not use water conservation measures, as he noted that conservation would not address his complaint, which is based upon an inaccurate and overstated 5,000 gallons per month usage assumption.<sup>21</sup>

William Towne testified regarding problems with PWSA's new billing system. According to Mr. Towne, the bill payment page where customers must enter their credentials is not a set domain like the Authority's official web site, but instead it consists of a hard to memorize and generally meaningless strain of letters and symbols, making it a lot easier for

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<sup>18</sup> Tr. 69-70.

<sup>19</sup> Tr. 76.

<sup>20</sup> Tr. 86.

<sup>21</sup> Tr. at 146-150.

scammers to set up a phishing operation. He described the bill payment page as counterintuitive with a poor user interface design all around.<sup>22</sup>

Mr. Towne added that PWSA has repeatedly cut off water service to his house for construction projects in the area without advance notice. On the occasion it does provide notice, it sometimes isn't until after the water has actually been shut off, and the message comes in a robotic voice that is hard to understand.<sup>23</sup> Ultimately, Mr. Towne opposed PWSA proposed rate increase and rate design stating that the Authority lacks transparency to its customers and the public and has repeatedly demonstrated incompetence and abuse of authority.<sup>24</sup>

Eric Joseph Buzard opposed the rate increase and testified that it has come almost to the point where rate increases are pushing residents out of the city. He explained that, while he understands the reasoning behind the implementation of the stormwater management fees, he finds them inflexible to account for the customers' mitigation efforts.<sup>25</sup>

Ms. Schroering testified that she is a strong proponent of PWSA making infrastructure improvements and remaining fully public. She stated that PWSA has been making great strides in recent times to provide the community with clean drinking water. However, Ms. Schroering expressed her concern that the rate increase will hit hardest those most unable to afford them. In addition, she pointed out that PWSA's current customer assistance programs are under-enrolled and urged PWSA to do a better job in its community outreach to educate customers on the rate increase and its customer assistance programs.<sup>26</sup>

Tom Hoffman encouraged the Commission to support PWSA's green stormwater plans in Pittsburgh and to resist any attempts by private companies to take over PWSA. According to Mr. Hoffman, investments in stormwater infrastructure must benefit all communities and should be prioritized in environmental justice areas within PWSA's service

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<sup>22</sup> Tr. 94-95.

<sup>23</sup> Tr. 95-96.

<sup>24</sup> Tr. 98-99, 105.

<sup>25</sup> Tr. 116-17.

<sup>26</sup> Tr. 182-84.

territory. Businesses that pay low water usage bills but have large parking lots or other areas that contribute to the problem must pay their fair share for their solution. Mr. Hoffman explained that residential consumers have already been paying a disproportionate cost for stormwater and should not continue to be so burdened. He added that low-income households should be exempt from stormwater fees as these households are least able to pay and least able to adopt stormwater mitigation strategies to reduce their bill. Finally, he suggested that funds be made available to assist low-income and moderate-income households to install stormwater mitigation measures.<sup>27</sup>

Amy Scanlon commended PWSA's efforts to improve drinking water and protect rivers. While recognizing that rate increases of a certain level are necessary and understandable to achieve these goals, she pointed out that PWSA's ratepayers have absorbed numerous rate increases in recent history. Ms. Scanlon questioned PWSA's calculation of the average bill increase in the public notice because it is not reflective of what she knows as the average PWSA bill.<sup>28</sup>

Ms. Scanlon testified about the work PWSA did in her neighborhood to replace lead lines. While she commended the goal, she added that the project was not well managed. According to Ms. Scanlon there was no prior notice to the PWSA's customers, and the work created dangerous traffic patterns in the area.<sup>29</sup>

Teaira Collins testified that she experienced abnormally high bills. She noted that as the single occupant living in her house her bill was \$200-300 per month. The average bill of \$76.00 quoted by PWSA is nowhere near the average bill experienced by Ms. Collins or her acquaintances. Ms. Collins is against the rate increase due to the hardship circumstances created by the pandemic.<sup>30</sup>

Catherine Browsky testified that while she understands PWSA needs to finance infrastructure improvements, she thinks the rate schedule requested by the Authority is too

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<sup>27</sup> Tr. 231-33.

<sup>28</sup> Tr. 236.

<sup>29</sup> Tr. 237-38.

<sup>30</sup> Tr. 250-54.



aggressive. According to Ms. Browsky, an increase greater than 10% every year is out of step with most people's average cost of living wage increase. She also opposes any increase that does not address the lack of accountability that PWSA has shown towards its ratepayers. Ms. Browsky notes that the focus has been on PWSA's need for additional funds due to a lack of oversight in the past without mentioning the steps PWSA has or will be taking regarding cost cutting or efficiency improvements.<sup>31</sup>

#### IV. TERMS AND CONDITIONS OF THE JOINT PETITION FOR SETTLEMENT

The Joint Petition is a 27-page document signed by all the Parties in this proceeding: PWSA, OCA, OSBA, I&E, Pittsburgh United and the City of Pittsburgh. Appendices A and B to the Joint Petition include the procedural history of this proceeding, a stipulation of facts, proposed conclusions of law and ordering paragraphs, as well as a list of commonly used acronyms.

Additionally, Appendix C sets forth the agreed-to allocation of the proposed Settlement rate increase. Appendix D sets forth the revenue allocations comparison of PWSA's existing rates, the Authority's original rate requests and the proposed Settlement rates (full FPFTY, before phase-in). Appendix E provides revenue allocation comparison of existing rates with Year 1 and Year 2 phase-in Settlement proposed rates. Appendix F provides customer bill impact comparisons between PWSA's existing rates and the proposed Settlement rates (full FPFTY, before phase-in). Appendix G provides customer bill impact comparisons between PWSA's existing rates and the proposed Settlement rates (existing to Year 1 phase-in, and Year 1 to Year 2 phase-in). Appendix H lists the revisions to the initially proposed tariff to reflect the Settlement terms. Appendices I, J, and K are the proposed *pro forma* tariffs for water, wastewater, and stormwater as set forth the agreed-to Settlement terms. Finally, Appendix L sets forth the proposed form of customer notice of proposed rate changes for future rate filings.

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<sup>31</sup> Tr. 282-83.

The essential terms of the Joint Petition for Settlement are set forth on pages 6-22, Section III of the Settlement. These terms are stated below verbatim and, for ease of reference, retain the same numbers and headings as they appear in the Settlement.

## **TERMS AND CONDITIONS OF SETTLEMENT**

9. The Settling Parties support approving PWSA’s April 13, 2021 base rate filing as modified by the terms and conditions that follow.

### **A. Revenue Requirements and Quarterly Reporting**

1. Rates (based on Base Rate Rates Billed)
  - a. Effective January 12, 2022:
    - i. Water Rates: \$5,564,970 base rate increase
    - ii. Wastewater Rates: \$6,335,485 base rate decrease
    - iii. Stormwater Rates: \$17,766,816 new rates
    - iv. Total Revenue Increase 2022: \$16,996,300
  - b. Effective January 1, 2023:
    - i. Water Rates: \$9,525,207 base rate increase
    - ii. Wastewater Rates: \$11,456,537 base rate decrease
    - iii. Stormwater Rates: \$5,932,965 base rate increase
    - iv. Total Revenue Increase 2023: \$4,001,634
2. The rates to collect the settlement level of water, wastewater and stormwater revenues from customers are shown on Appendix E.
3. 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. This paragraph does not apply to extraordinary or emergency rate relief pursuant to 66 Pa. C. S. § 1308(e) (or upon a petition for emergency rate increase), tariff changes required by Commission order or industry-wide changes in regulatory policy which affect PWSA’s rates.
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.

5. PWSA agrees 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 about the amount of the excess, the use of the funds and the rationale for the selected use of the funds.

**6. Quarterly Reporting**

- a. On a quarterly basis (beginning on or before April 1, 2022 and ending upon the filing of PWSA's next rate case), PWSA agrees to file a report at the docket number of this proceeding containing the information agreed-to in this settlement.
- b. Regarding PENNVEST grants, the report will include the following:
  - i. Information about any awarded PENNVEST grants which impact the revenue requirements developed as part of this proceeding.
  - ii. The information provided will include:
    - (a) The amount of the award granted; and
    - (b) An analysis of how the awarded grant impacts PWSA's revenue requirement and debt service coverage.
- c. Regarding COVID-19 Funding, the report will provide any available status update about the COVID-19 Funding awards to be reported pursuant to Section III, D.2 below.
- d. Regarding Customer Service issues, the quarterly reporting will include the following:
  - i. Updates regarding the status of its root cause analysis of informal and formal complaints; and,
  - ii. Once completed, details regarding the reforms adopted.
- e. Regarding Stormwater issues, the quarterly reporting will include the following:
  - i. An update of the status of the collaborative process to develop data points to be tracked for the Stormwater Credit Program as detailed in Section III,C.1.a.ii below; and,
  - ii. Updates on enrollment in the stormwater fee credit program.
- f. Regarding valve issues as explained more fully in Section III, E.1 below, the quarterly reporting will include the following:
  - i. Status of the planning to develop a record-keeping procedure for valve maintenance; and,
  - ii. Status regarding the development of a prioritization plan.

## **B. Cost Allocation and Rate Design**

1. The parties agree PWSA will recover the water, wastewater conveyance and stormwater revenue as shown in Appendix C and are based on the following criteria
  - a. Cost allocation for water and wastewater conveyance services will be made for classes such that no class's increase is above 1.5x of the overall annual percentage increase in revenues for each such service.
  - b. The Stormwater only customer uncollectible rate will be set at 30%, which 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.
2. PWSA will include "Services" as a functional category in the cost of service analysis for water service in the next base rate case and:
  - a. Identify relevant costs to the extent PWSA is able to do so based on the records available; and
  - b. Propose the most appropriate allocation of the identified costs.
  - c. The parties reserve their rights to challenge PWSA's proposed allocation of identified costs in the next base rate case.
3. Minimum Charge
  - a. PWSA agrees to provide a plan to transition away from use of minimum usage allowance, with the first stage occurring in the next base rate case.
  - b. In support of its transition plan, PWSA will provide a customer cost analysis as part of its next base rate case which includes:
    - i. Customer costs related to cost of meters and services, customer installations, meter reading, customer records and collection, other customer accounting expense, employee pension and benefits, and maintenance of meters and services;
    - ii. The analysis will also explain how the direct costs of meter reading expenses, supervision, customer records and collection and employee pension and benefits are considered as part of the cost analysis.
  - c. PWSA will also consider and propose changes to its low income customer assistance program as appropriate at the same time it proposes its transition plan. As part of its proposed redesign of its low income customer assistance program, PWSA commits to the following:
    - i. The proposed redesign will ensure that, with respect to this redesign, participants retain, at minimum, the same level of benefits currently offered by the existing design, taking into consideration different usage levels and including any existing minimum usage allowances and any existing volumetric discounts;

- ii. Included with the proposal will be a comparison of the level of benefits pursuant to the current program structure with the level of benefits anticipated with the new proposed structure, taking into consideration different usage levels and including any existing minimum usage allowances and any existing volumetric discounts;
  - iii. Also included with the proposal will be a comparison of the resulting water and wastewater cost in relation to income under the current and proposed Bill Discount structure for a 2-person and 4-person household at 50% of the Federal Poverty Level, 100% of the Federal Poverty Level, and 150% of the Federal Poverty Level;
  - iv. No later than 60 days prior to filing the proposed changes, PWSA will share the proposal and analysis related to its proposed changes to the structure and/or discount offered under the Bill Discount Program with the parties to this proceeding and the LIAAC and will provide the parties and LIAAC members with an opportunity to provide feedback; and,
  - v. PWSA agrees to consider in good faith any feedback and/or suggestions from LIAAC members about its proposed redesign of the current low income customer assistance program and will explain as part of the testimony submitted with the rate case filing the reasons proposals were rejected.
  - vi. PWSA is working with its SAP vendor to ensure that its new system has the functionality necessary to accommodate the current bill discount structure and any lack of functionality related to other potential designs will not be a barrier to a different program design so long as the added costs to implement the design are reasonable.
- d. For residential customers residing in newly constructed townhomes who are required to install a meter larger than 5/8" for fire protection and due to City ordinance requirements, PWSA will:
- i. Establish a process for customers to submit a request to PWSA to reduce their minimum charge allowance and customer charge;
  - ii. Upon receipt and review of request from a residential customer, residing in a newly constructed townhome, PWSA will assess the customer the 5/8" minimum rate set forth in the tariff;
  - iii. Include language in its tariff advising customers of their ability to request assessment of the 5/8" minimum charge and usage allowance in this specific situation;
  - iv. Attempt to identify eligible customers first based on their meter size and usage; and then via a manual search of each property on the County of Allegheny real estate web site, to confirm properties that are townhomes and thereby required to have the larger 1" meter that they may not need;

- v. PWSA will simultaneously advertise the reduction on its website and bill and will maintain information on its website about the process for submitting a request to PWSA to reduce the minimum charge allowance for eligible customers; and
  - vi. PWSA representatives speaking with new residential customers with meters larger than 5/8" will inform them of their ability to request a reduction.
4. Lead Service Line Replacements for Non-Residential Customers
- a. PWSA agrees to replace a customer lead service line (defined to include a service line made of lead, or galvanized iron or galvanized steel that is or formerly was downstream of a 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 Programs.
  - b. The Parties agree that PWSA will include this program expansion in its compliance tariff in this proceeding.
5. All parties reserve their right to address the issue of how to allocate the costs of PWSA's customer assistance programs in the next post-pandemic rate proceeding.
6. Stormwater Gradualism Adjustment
- a. As part of its next base rate case, PWSA will reduce or eliminate the gradualism adjustment through which wastewater rates subsidize stormwater costs by reducing (or reducing to zero) the percentage of stormwater costs recovered through wastewater rates compared to the percentage of stormwater costs recovered through wastewater rates in this settlement.
  - b. If PWSA proposes to retain a stormwater gradualism adjustment in its next base rate case, PWSA will submit testimony and exhibits that present the rate impact on all customer classes from:
    - i. Eliminating the gradualism adjustment; and
    - ii. The gradualism adjustment that PWSA proposes.

**C. Stormwater**

1. Stormwater Credit Program

- a. PWSA will track data on enrollment and actual costs of the stormwater credit program and provide this information in its next stormwater rate filing. To assist with the evaluation of the program, PWSA agrees to the following:
  - i. Within 60 days after entry of a final order in this proceeding, PWSA will convene a meeting with interested parties to identify the appropriate data points necessary to enable an evaluation of the program.

- ii. PWSA agrees to consider as part of the discussion the below data points:
  - (a) The customer class of the participant;
  - (b) Whether the customer is enrolled in the Bill Discount Program or otherwise identified as a confirmed low income customer;
  - (c) The location of the properties receiving a credit, including the 9-digit zip code of the property;
  - (d) The property's stormwater fee tier or number of ERUs;
  - (e) The amount of and basis for the credit for each property; and,
  - (f) Whether the property has residential tenants.

## 2. Stormwater Master Plan

- a. PWSA will create and publicize a Stakeholder Engagement Plan for its Stormwater Master Plan development process within 60 days from date of entry of the final Commission Order in this proceeding.
  - i. Community outreach and engagement is a critical component of the Stormwater Master Plan and is targeted to begin in the fall of 2021 (recognizing pending action from the Commission in December 2021).
  - ii. Community members will have opportunities as part of this outreach to provide needed input as the Stormwater Master Plan is developed.
- b. The Stormwater Master Plan will comprehensively state PWSA's criteria for selecting and prioritizing stormwater projects.
- c. Nothing in this Settlement should be construed so as to preclude any party from challenging the basis for and prudence of the Stormwater Master Plan, or its conformance with the Public Utility Code, Commission regulations, Commission orders, or any other applicable authorities, in any future proceeding.

## 3. Commitment to Low Income and Other Impacted Communities

- a. As part of its commitment to ensuring fair, equitable service for low income and other impacted communities, PWSA agrees to the following:
  - i. PWSA's Stormwater Master Plan will provide for consideration of services and projects in low income communities and other communities disproportionately impacted by localized flooding, basement backups, and other stormwater impacts, as part of its planning process
  - ii. PWSA's Stormwater Master Plan will include identifying and tracking of projects based on census block data to ensure information is available to evaluate deployment of stormwater infrastructure in low income communities and other communities

disproportionately impacted by localized flooding, basement backups, and other stormwater impacts.

- iii. Beginning with the development of its 2023 Capital Improvement Plan, PWSA will factor into its consideration of project timeframes and overall planning projects that are targeted to areas of communities with higher concentrations of low income populations to the extent permitted by law and/or other regulatory directives and requirements.

#### 4. Education and Outreach to Customers

- a. By the effective date of stormwater rates, PWSA will create a publicly-available stormwater website that is identified on the landing page of the PWSA web portal with a link to the stormwater website and includes the following information:
  - i. A portal allowing customers to view an aerial image of their property, the area of the property determined to be impervious, and the total calculated impervious area (including the calculated ERUs or residential tier);
  - ii. A credit manual that explains how customers can apply for and receive a stormwater credit;
  - iii. A description of the appeal process for questioning ERU determinations; and
  - iv. Other educational materials regarding the stormwater program and stormwater fee.
- b. PWSA's educational outreach to consumers about the new stormwater fee will focus on the following both before and after implementation:
  - 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.
- c. In the fall of 2021 prior to the implementation of the new stormwater fee, PWSA agrees to share drafts of the materials identified in preceding



paragraph b with the parties in this proceeding and engage in good faith discussions regarding feedback or suggestions offered by the parties.

5. Stormwater Customer Service Issues

- a. PWSA will track the following and present the information as part of its next rate case filing:
  - i. Customer call statistics concerning stormwater charges and bill impacts via a separate stormwater call queue (number of calls received and handled, average speed of answer, abandonment rate);
  - ii. Number of disputes concerning the stormwater fee and length of time they took to resolve;
  - iii. Number of customers in arrears for stormwater service by customer class; and
  - iv. Collection activities by type (i.e. outreach calls targeting past due accounts, shut-offs, liens) undertaken for customers with overdue stormwater charges.

**D. COVID-19 Expenses, Funding and Pandemic Measures**

1. COVID-19 Expenses

- a. Consistent with the Commission directive in its Order entered July 15, 2021 at Docket Nos. M-2020-3019244 and M-2020-3019775, PWSA agrees to continue to track extraordinary, nonrecurring incremental COVID-19 related expenses (“COVID-19 Expenses”) and to maintain detailed accounting records of such expenses.
- b. COVID-19 Expenses are defined as reasonably and prudently incurred incremental 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.
- c. In its next general base rate proceeding, PWSA shall be permitted to claim all COVID-19 Expenses (including already incurred expenses where they exceed the amounts included in rates) for ratemaking purposes. Such claim will include, at a minimum, costs through at least the end of the FPFTY in the instant proceeding. For the period claimed, PWSA will also identify and reflect any cost savings as credits (i.e. offsets) to the corresponding categories of deferred costs. All parties reserve the right to review the prudence and reasonableness of any claimed COVID-19 Expenses in the next base rate proceeding.

## 2. Future COVID-19 Funding

- a. PWSA shall exercise 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.
- b. PWSA shall 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.
- c. If PWSA is awarded funding related to COVID-19:
  - i. No later than 30 days, if possible, after closing on the COVID-19 funding PWSA agrees to file a report with the Commission at this proceeding's docket number;
  - ii. The filed report will detail the amount awarded, designate the entity that granted the award, the timeline for availability of the funds, and whether or not the award is directly connected to projects and/or other budgets contemplated within the context of this rate case.
  - iii. 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, 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.

## 3. Customer Protections

- a. PWSA agrees to continue the following current customer protections for at least one year following entry date of a final order in this proceeding. While they will not be extended without further Commission approval, all parties reserve the right to propose or challenge such extension in the future:
  - 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. Continued reliance on self-certification of income for eligibility in the low income customer assistance programs, where currently permissible.
- b. Subject specifically to final Commission approval in recognition of the Commission's Order entered July 15, 2021 at Docket Nos. M-2020-3019244 and M-2020-3019775, PWSA agrees to the following payment arrangement process for one year following entry date of a final order in this proceeding:
  - i. Customers will be offered at least one payment arrangement consistent with the term lengths identified in 66 Pa. C.S. § 1405, except that (and without consideration of the number of prior

arrangements or prior broken payment arrangements on their accounts):

- (a) Customers  $\leq 250\%$  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.
- ii. Victims of domestic violence with a Protection from Abuse Order or other court order which contains clear evidence of domestic violence will be offered a payment arrangement that exceeds the term lengths identified in 66 Pa. C.S. § 1405, if warranted based on the customers' facts and circumstances, including their ability to pay.

## **E. Customer Service/Quality of Service**

### **1. Valves**

#### **a. Record Keeping, Ownership, and Exercising**

- i. Subject to the discussion pursuant to Section III.E.1.a.iii below, PWSA will create a plan to implement a record-keeping procedure for valve maintenance, including valve location (GPS coordinates), age, size manufacturer, serial number (when available from the manufacturer), number of rotations to fully open and fully close valve, and overall condition of valves for all new valve installations beginning in 2022.
- ii. PWSA will endeavor to incorporate information about existing valves to the extent such information is attainable as part of PWSA's normal operating processes.
- iii. PWSA will meet with I&E's Safety Division and interested parties within 30 days of the final filing of this Settlement Agreement and Statements in Support for the purposes of:
  - (a) Discussing PWSA's plan to implement a record-keeping procedure for valve maintenance, including valve location (GPS coordinates), age, size, number of rotations to fully open and fully close valve, and overall condition of valves for all existing valves.
  - (b) At the meeting, if any portion of the identified information is not available to PWSA, PWSA will convey that information, including the reason why it is not available, to I&E's Safety Division and interested parties.

- (c) PWSA will 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.
- (d) PWSA will provide information relative to whether and how PWSA's system is impacted by such private ownership, including but not limited to the following:
  - (1) identification of who has the right to operate the privately owned valves;
  - (2) confirmation of whether PWSA has investigated if it needs additional valves to ensure safety;
  - (3) an explanation of how PWSA is able to isolate valves as may be required if it is reliant upon others to operate valves on its system.
- (e) PWSA will 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 this meeting.
- iv. By January 31, 2022, PWSA will file a report for calendar year 2021 identifying each valve that it attempted to exercise and whether it was broken or operable.

b. Prioritization Plan

- i. PWSA will work with a third party expert for assistance with any necessary modeling, GIS layers, Standard Operating Procedures (SOPs) and planning efforts to develop a prioritization plan to be implemented in 2022.
  - (f) PWSA will file a progress report once a formal timeline has been developed.
  - (g) With at least 30 days advance notice, PWSA will coordinate a meeting with interested parties to discuss the final plan and to ensure that members of I&E's Safety Division will be able to attend.
- c. I&E and interested parties reserve the right to conduct a further investigation into this matter as deemed warranted.

2. Isolation Valves

- a. PWSA will continue its current practice of repairing or replacing isolation valves at the time they are found to be inoperable, recognizing that valves 16" or greater may require additional time to repair or replace, and document the planned date for repair and replacement.

3. Meter Testing and Replacement

- a. 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.

4. Flushing Distribution System
  - a. PWSA will continue to flush one-third of its distribution system each year.
5. Party Service Lines
  - a. 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.
  - b. 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.
6. Responsibility for Damaged Sewer Lateral Repair and Replacement
  - a. 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.
  - b. The DSL Plan will be consistent with PWSA's comments in the Commission's Act 120 Rulemaking at Docket No. L-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.
    - ii. PWSA will request that the DSL Plan be grandfathered and not require revision upon final promulgation of the Commission's Act 120 Rulemaking.
  - c. 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.
  - d. 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.
  - e. PWSA will file for approval of the DSL Plan with the Commission 90 days after entry of the Commission's Final Order in this proceeding.

7. Customer Service Performance Metrics

- a. Call Center. PWSA will commit to meeting its internal goals: Average Speed of Answer  $\leq 1$  minute and Abandonment Rate  $\leq 3\%$ .
- b. Outage Restoration. PWSA will commit to meeting its internal goal of restoring service for outages that impact more than 2,000 customers within 6 hours.

8. Customer Complaint Handling

- a. PWSA will ensure that complaints received about pressure, no water, faulty meters, non-registering meters, high consumption and previously unbilled consumption will be recorded and included in its internal log. PWSA will use best efforts to record and log complaints about high bills as well.
- b. PWSA agrees to identify complaints under the category “Investigate lid” and correctly classify them as being related to water, wastewater or stormwater.
- c. PWSA will undertake a root cause analysis of informal and formal complaints and identify and adopt reforms to reduce formal complaints, verified complaints and justified complaints.
- d. PWSA will evaluate its collections policies about seeking payment of back bills for meters that were not working properly or regularly read for an actual reading:
  - i. Based on the results of such analysis, PWSA will identify and adopt reforms in an effort to reduce complaints regarding these issues; and
  - ii. PWSA will provide the results of its analysis, detail the reforms adopted and the results of such changes as part of its next base rate filing.

9. Liens and Third Party Debt Collector

- a. PWSA will expand its customer education and notice about its use of liens to include adding language about its use of liens to customer notices, PWSA’s website and PWSA’s tariff.
- b. If PWSA elects to issue a Request for Proposal (“RFP”) 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.

10. Compliance Plan Stage 2 Customer Service Issues

- a. All parties recognize that PWSA’s compliance with the Public Utility Code at Chapter 14, the Commission’s Regulations at Chapter 56, the Discontinuance of Service to Leased Premises Act (“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; and,

- b. All parties recognize 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.

**F. Low Income Customer Assistance Programs**

1. Bill Discount Program (“BDP”)

a. Discounts available to BDP participants

- i. BDP participants with a household income between 0-50% of the Federal Poverty Level will receive a 50% discount regarding volumetric charges.
- ii. BDP participants will receive an 85% discount on the stormwater charge.
- iii. The discounts set forth in (i) and (ii) above are in addition to the existing BDP discount on the minimum (fixed) charge.

b. Arrearage Forgiveness Program (“AFP”)

- i. Customers who enroll in BDP with a pre-existing arrearage and negotiate a payment arrangement will be automatically enrolled in the AFP.
- ii. PWSA will attempt to contact all current BDP enrollees with outstanding arrearages and not enrolled in AFP to establish a payment arrangement and enroll in AFP.
- iii. PWSA will offer 60 month payment arrangements to all BDP enrollees and participants.
- iv. PWSA will coordinate with Dollar Energy Fund (“DEF”) to:
  - (a) develop a seamless process for assisting BDP enrollees to obtain a payment arrangement and to enroll in the AFP; and
  - (b) ensure that DEF is providing accurate information to customers at the time of BDP enrollment related to the terms, obligations, and customers’ right related to entering into payment arrangements.

- v. Until final Commission approval of changes to the AFP pursuant to Section II, F.1.b.vi below, the current credit on pre-program arrearages will be increased to a flat \$30 credit with no additional program structural changes

- (c) PWSA agrees to extend the expanded credit to existing BDP participants as well as future enrollees.
- (d) In recognition of the expansion of PWSA’s AFP, PWSA shall track and record the credits provided to eligible customers and may claim the credits for ratemaking purposes in a future rate case.

- vi. As part of its implementation of a new customer information and billing system (“SAP”):
  - (e) PWSA agrees to undertake a cost-benefit analysis of restructuring the AFP to provide pre-program arrearage forgiveness over a three year period.
  - (f) Within 60 days of entry of the final order in this proceeding, PWSA agrees to convene interested stakeholders to discuss its cost-benefit analysis and proposed restructuring. PWSA will also discuss the analysis with LIAAC members either at a special session (that includes interested parties) or as part of a previously scheduled LIAAC meeting (to which parties will be invited to attend).
  - (g) The following features will be considered for inclusion with the proposed plan and PWSA will work with vendor to put into place the functional ability to accommodate this structure:
    - (1) An Arrearage Forgiveness Program for Bill Discount Program enrollees (CAP rate), consisting of the customer’s account balance being reduced by 1/36th of the original pre-program balance amount, which essentially eliminates the balance within a three-year period.
    - (2) At the time of enrollment, a customer’s total arrearage is "frozen," or separated from their current and future bills.
    - (3) The frozen arrearage is then forgiven at a fixed rate of 1/36th per month for each month that the customer pays their full and timely monthly bill.
    - (4) Customers receive retroactive arrearage forgiveness for any months of arrearage forgiveness "missed" once the customer pays the billed charges in full.
    - (5) Additionally, customers who miss monthly bill payments may catch-up and retroactively have their arrearage forgiven as if they had paid timely.
- vii. PWSA commits to continuation of an AFP (though the structure may be changed) and, going forward, will no longer refer to it as a “pilot” program.
- c. Plan to Solicit Input from BDP Participants
  - i. The PGH2O Cares Team will develop a plan for identifying customers interest in providing feedback about PWSA’s customer bill presentation;
  - ii. The PGH2O Cares Team will coordinate the identified BDP participants to discuss bill presentation of the BDP program; and



- iii. PWSA will report the results of the focus group to the LIAAC members as well as any plan to incorporate changes to the existing bill design.
2. Hardship Grant
    - a. PWSA will eliminate the sincere effort of payment requirement.
    - b. PWSA will extend the Hardship Grant to Wastewater Conveyance only customers.
    - c. As a condition of approval of PWSA's proposal to fund the Hardship Grant in an amount of \$100,000 as part of its revenue requirements, PWSA will continue to explore any and all possibilities for funding the Hardship Grant and will continue to solicit and evaluate ideas received from LIAAC members.
  3. Winter Shut Off Moratorium
    - a. PWSA will automatically extend the Winter Shut Off Moratorium protections to all confirmed low income customers; and
    - b. PWSA agrees to withdraw, without prejudice, its proposal to expand the Winter Shut Off Moratorium to customers who are 65 years or older but PWSA reserves the right to file a separate petition with the Commission seeking approval of the proposal (or a similar proposal).
  4. Administration
    - a. PWSA will continue to evaluate the administration of its low income customer programs to ensure that the programs are appropriately structured to incentivize enrollment and accuracy.
    - b. PWSA's evaluation will consider cost effective methods for administrating the programs, how to realize synergies with other area utility programs, and ability to access and collect appropriate data for program adoption.
  5. Outreach
    - c. PWSA will establish a target of enrolling 20% of its estimated number of customers with income at or below 150% of Poverty Level in its Bill Discount Program within 18 months of a Final Order in this proceeding.
    - d. PWSA will establish quantitative goals related to unsolicited customer contacts, in addition to regular enrollment efforts, and focus these communications in areas with residents of the lowest incomes.
    - e. Unsolicited contacts would include telephone contacts, mailings, and eventually in-person canvassing.

- f. The PGH2O Cares team will track and monitor the success of these enrollment attempts and report the information on a quarterly basis as part of the LIAAC meetings.
- g. PWSA will continue to monitor the results of its outreach plan, consider the feedback from customers, the community, LIAAC members, and, if beneficial progress is not occurring, PWSA agrees to develop a responsive action plan to redirect efforts.

**G. Miscellaneous Fees**

- 1. PWSA agrees to reduce its Returned Check Charge to \$20.
- 2. PWSA agrees to remove its existing tariff language permitting adjustments to miscellaneous charges and fees on an annual basis for increases in the annual Consumer Price Index.
- 3. PWSA will not charge customers for access to data in the possession of PWSA that would be required for PWSA to respond to a customer dispute or complaint.
- 4. In its next base rate filing, PWSA will provide cost-based support for its proposed fees and charges. The support will include but not be limited to support for the number of person-hours or equipment-hours needed to perform each task and will explain the basis for any rounding up from the indicated costs.

**H. Future Notice of Proposed Rate Changes**

- 1. PWSA agrees that future notices of proposed rate changes will include:
  - a. Specific language that “the bill impacts from this Notice do not include ALCOSAN charges for wastewater treatment;” and,
  - b. Reference to Wastewater “Conveyance” rather than just “Wastewater.”
  - c. A proposed form of notice with the changes is attached as Appendix L.

Settlement at 6-22.

Additionally, Section IV of the Settlement includes the usual procedural agreement of the Parties. Notably, the Parties agree to waive exceptions to the Recommended Decision if the Joint Petition is approved by the Administrative Law Judge without modification. Should the Commission disapprove the Joint Petition or modify the terms, the Joint Petitioners reserve the right to withdraw the Joint Petition.

## V. LEGAL STANDARDS

All rates established by the Commission for public utilities must be “just and reasonable.”<sup>32</sup> As part of the implementation of Chapter 32 of the Public Utility Code, the Commission determined that the rate base/rate of return ratemaking methodology, the most common method employed by large investor-owned utilities for determining just and reasonable rates, was not a good fit for PWSA.<sup>33</sup> Instead, PWSA was directed to utilize the cashflow ratemaking method similar to that used by Philadelphia Gas Works (“PGW”):

The Commission submits that utilization of a method similar to PGW’s cashflow ratemaking method should be considered for PWSA. As a municipal fixed utility transferring under the jurisdiction of Commission, PWSA finds itself in a similar situation as PGW. Further, municipalities often account for investment and depreciation in manners differing than those of regulated investor-owned-utilities, with a primary focus on debt service coverage sufficient to meet bond obligations.<sup>[34]</sup>

After considering comments to the Tentative Implementation Order, the Commission determined that PWSA is to use the cash flow method detailed in Section 69.2703 of the Public Utility Code.<sup>35</sup>

When using the cash flow method for establishing rates, rather than considering whether rates will yield a fair rate of return on property,<sup>36</sup> the Commission considers the factors set forth in Section 69.2703(a) in determining whether rates are just and reasonable:

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<sup>32</sup> 66 Pa.C.S. § 1301.

<sup>33</sup> *Implementation of Chapter 32 of the Public Utility Code Re Pittsburgh Water and Sewer Authority*, Docket No. M-2018-2640802 (Final Implementation Order entered March 15, 2018). See James H. Cawley and Norman J. Kennard, *A Guide to Utility Ratemaking*, 157-60 (Public Utility Commission 2018).

<sup>34</sup> *Implementation of Chapter 32 of the Public Utility Code Re Pittsburgh Water and Sewer Authority*, Docket No. M-2018-2640802 (Tentative Implementation Order entered January 18, 2018), at p. 16 (footnote omitted); See also Final Implementation Order entered March 15, 2018, p. 27-28.

<sup>35</sup> 52 Pa.Code § 69.2703. The Commission noted that any party was “free to raise the issue of the appropriate methodology to be used as such time as PWSA acquires assets from the City of Pittsburgh [2025].” *Implementation of Chapter 32 of the Public Utility Code Re Pittsburgh Water and Sewer Authority*, Docket No. M-2018-2640802 (Final Implementation Order entered March 15, 2018), pp. 27-28.

<sup>36</sup> Cf. *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm’n of W. Va.*, 262 U.S. 679 (1923).

- (1) [PWSA'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 [PWSA's] bond rating thereby permitting [PWSA] to access the capital markets at the lowest reasonable costs to customers over time.
- (6) [PWSA]'s management quality, efficiency and effectiveness.
- (7) Service quality and reliability.
- (8) Effect on universal service.<sup>37</sup>

Additionally, the Commission must establish rates adequate to permit PWSA to satisfy its bond ordinance covenants.<sup>38</sup>

The Commission encourages Parties in contested on-the-record proceedings to settle cases.<sup>39</sup> Settlements eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion, which may entail review of the Commission's decision by the appellate courts of Pennsylvania. Such savings benefit not only the individual Parties, but also the Commission and all ratepayers of a utility, who otherwise may have to bear the financial burden such litigation necessarily entails.

By definition, a "settlement" reflects a compromise of the positions that the Parties of interest have held, which arguably fosters and promotes the public interest. When active Parties in a proceeding reach a settlement, the principal issue for the Commission to

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<sup>37</sup> 52 Pa.Code § 69.2703(a).

<sup>38</sup> 52 Pa.Code § 69.2703(b).

<sup>39</sup> See 52 Pa. Code § 5.231.

consider is whether the agreement reached suits the public interest.<sup>40</sup> In their supporting statements, the Joint Petitioners conclude, after extensive discovery and discussion, that this Settlement resolves all of the contested issues in this case, fairly balances the interests of the company and its ratepayers, is in the public interest, and is consistent with the requirements of the Public Utility Code.

Not every issue was of equal concern to every party. Accordingly, each of the Joint Petitioners' statements in support did not necessarily address each and every aspect of the Settlement.

After a full consideration of the terms of the Joint Petition and the Statements in Support, I recommend that the Commission adopt the terms of the Settlement as set forth in the Joint Petition without modification.

## VI. DISCUSSION OF THE JOINT PETITION

Each of the Joint Petitioners submitted thorough and well-written statements in support of the Settlement.<sup>41</sup> The position of each party is summarized below. The reader is directed to the Statements in Support for a more detailed discussion of each Joint Petitioner's position.

### **A. Revenue Requirements and Quarterly Reporting (Joint Petition, Section III.A)**

In its filing, PWSA requested a total increase to base rates for 2022 in the amount of \$32.2 million (17.1%), phased-in over a two-year period with \$22 million to be recovered in 2022 and the additional \$10.2 million to be recovered in 2023. PWSA St. No. 2 at 4. The proposed base rate changes also included separating stormwater service from wastewater

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<sup>40</sup> *Pa. Pub. Util. Comm'n v. CS Water & Sewer Assocs.*, 74 Pa. PUC 767 (1991); *See also, Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered October 4, 2004); *Pa. Pub. Util. Comm'n v. Phila. Elec. Co.*, 60 Pa. PUC 1 (1985).

<sup>41</sup> Indeed, the Joint Petitioners are to be commended for the high quality and detail of the statements in support.

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.<sup>42</sup> 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.<sup>43</sup> 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 purported costs in its filing but stated it may seek recovery in a future base rate case.<sup>44</sup>

### **1. Rates (Joint Petition, Section III.A.1)**

The Settlement permits PWSA to increase its overall revenues by a total of \$21 million in annual water and wastewater revenues and a new stormwater charge.<sup>45</sup> PWSA agrees 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.<sup>46</sup> In addition, subject to certain exceptions, PWSA agrees to 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.<sup>47</sup>

PWSA supports the Settlement rate increase because it falls within the levels of the rate increase proposed by PWSA and the other Parties who presented testimony on the issue

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<sup>42</sup> OCA St. 1 at 7.

<sup>43</sup> PWSA St. 2 at 7-9.

<sup>44</sup> Id. at 9.

<sup>45</sup> The total base rate revenue is \$20.998 million, without rounding the number. See Joint Petition, Appendix A at 17, ¶ 74.

<sup>46</sup> 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.

<sup>47</sup> Joint Petition at 6, ¶ III.A.3. The exceptions to this “stay out” provision include those that: (1) allow PWSA to file for a change in rates if it must pursue extraordinary or emergency rate relief pursuant to 66 PA. C.S. 1308(e), or (2) account for either the Commission ordering, or industry-wide changes resulting in, regulatory policy changes which effect PWSA’s rates.

of revenue requirement.<sup>48</sup> According to PWSA, the financial metrics that PWSA projects will be produced by the Settlement rate increase are as follows:

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.

The Authority points out that, 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, while its Days Cash On Hand is actually lower than the level recommended by I&E.<sup>49</sup>

PWSA supports the Settlement as it incorporates a number of steps that PWSA had taken to mitigate the effects of the rate increase on its customers. First, PWSA explains that the Settlement reflects the Authority’s concern for customers facing increased economic pressures due to the pandemic.<sup>50</sup> In its Statement in Support, PWSA argues that it could have justified a rate increase of some \$28.2 million *in addition to* the \$32.2 million requested, but chose in its original rate increase request to pare down this amount to a minimum level in order to reduce the level and the effects of the rate increase on ratepayers.<sup>51</sup> According to PWSA, the Settlement rate increase further eases the level of rate increase compared to its originally requested rate increase or to what PWSA could have justified.

<sup>48</sup> PWSA St. in Supp. at 17.

<sup>49</sup> Id.

<sup>50</sup> PWSA St. No. 1 at 5.

<sup>51</sup> PWSA St. in Supp. at 17-18; PWSA St. No. 3-R at 12-13.

Second, PWSA argues that the phase-in of the full Settlement rate increase further enhances the reasonableness of the Settlement. In its Statement in Support, the Authority reiterates that it agreed to the phase-in rate increase in order to mitigate the effects of the needed rate increase in consideration of the continued effects of the COVID-19 pandemic. As a result, the total level of revenues that PWSA will be permitted to bill over the two-year period, 2022-2023 is lower than the amount that it would have been able to bill without the phase-in. This is shown in the following table:<sup>52</sup>

	<b>2022</b>	<b>2023</b>	<b>Total</b>
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

PWSA supports the reasonableness of the Settlement terms by pointing out that the Settlement rate increase represents 59% of PWSA’s originally requested rate increase over the two-year period, 2022-2023.<sup>53</sup>

Additionally, PWSA argues that the Settlement resolves a major issue raised by the Parties in these proceedings, specifically, the extent to which PWSA’s FY 2022 Operating Budget projections could be relied upon to establish a revenue requirement.<sup>54</sup> Although PWSA believes that it presented substantial evidence validating the reasonableness of its FPFTY projections, the Authority agrees with the 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 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.<sup>55</sup> PWSA also agrees to provide a report to the Parties no later than May 31, 2023, for any surplus covered by the preceding paragraph in the Settlement. The

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<sup>52</sup> PWSA St. in Supp. at 18.

<sup>53</sup> PWSA St. in Supp. at 19.

<sup>54</sup> PWSA St. in Supp. at 16.

<sup>55</sup> Joint Petition, ¶ III (A)(4).



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.<sup>56</sup>

In its Statement in Support, the OCA points out that the Settlement represents a “black box” approach to all individual revenue requirement issues. The OCA explains 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.<sup>57</sup>

Furthermore, based on its own analysis of the Authority’s filing, discovery responses, and testimony by all Parties, the OCA submits that 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. In particular, the OCA supports the increase agreed to in the Settlement because it provides sufficient funding for the Authority to provide safe and adequate service and to make important service quality improvements in targeted areas.<sup>58</sup>

Next, the OCA addresses PWSA’s commitment to use any excess actual 2022 revenues net of expenses (compared to its FPFTY projections) for the benefit of ratepayers and to refrain from filing a general rate increase request before March 2023.<sup>59</sup> The OCA reasons that these measures will help 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 in its next base rate filing.<sup>60</sup>

In its Statement in Support, I&E notes that, due to the “black box” nature of the Settlement, there is no agreement upon individual issues. Nevertheless, I&E argues that the Settlement benefits PWSA’s ratepayers because it allows for the resolution of a contested

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<sup>56</sup> Joint Petition, ¶ III (A)(5).

<sup>57</sup> OCA St. in Supp. at 5.

<sup>58</sup> Id.

<sup>59</sup> Joint Petition, ¶ III (A)(3)-(4).

<sup>60</sup> OCA St. in Supp. at 4.

proceeding at a level of increase that is below the amount requested by the Authority and in a manner that avoids the significant expenditure of time and resources related to further litigation. In particular, I&E avers that the Settlement represents a compromise of I&E's overall revenue position. I&E supports the Settlement because it affords approximately \$11.2 million in savings for PWSA's customers while providing PWSA with sufficient revenue to protect its financial health and provide safe and effective service.<sup>61</sup>

I&E also supports the base rate "stay out" provision included in Section III.A.3 of the Joint Petition. Absent the exigent circumstances noted in the Settlement, PWSA will not file for a general rate increase under Section 1308(d) of the Public Utility Code prior to March 2023. I&E argues that the stay out provision provides stability and certainty to PWSA's ratepayers who have borne consistent, and almost annual, rate increases over the past few years. At the same time, the rate continuity does not prejudice PWSA because, if the Authority experiences unforeseeable hardship beyond its own control, it would be able to seek rate relief. For these reasons, I&E maintains that the stay out provision of the Settlement is in the public interest, and it should be approved.<sup>62</sup>

Next, I&E supports the Settlement because it ensures that any excess revenue that may result if PWSA's actual 2022 revenue net of expenses produce a surplus greater than its FPFTY projections is prudently spent and that PWSA accounts for that spending. According to I&E, the Settlement terms included in Section III.A.4-III.A-5 of the Joint Petition ensure that, while PWSA will retain managerial discretion in the form of selecting which of the three enumerated uses would most benefit PWSA's operations, and that any surplus revenue is put to a use designed to stabilize PWSA's operations. In fact, I&E argues that each of the prospective uses identified in the Settlement are targeted either to reducing PWSA's debt or improving its liquidity. In I&E's view, these provisions serve the public interest as they allow PWSA to improve its credit rating and increase its access to financing necessary capital improvements.<sup>63</sup>

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<sup>61</sup> I&E St. in Supp. at 7.

<sup>62</sup> I&E St. in Supp. at 9-10.

<sup>63</sup> I&E St. in Supp. at 11; I&E St. No. 1-SR at 5.

Additionally, I&E submits that compelling PWSA to report the use for which it devotes any surplus revenues and the rationale for its selection of that use will ensure that PWSA is accountable to its ratepayers and to the Commission for the use of any surplus.<sup>64</sup> I&E argues that ensuring that PWSA is completely accountable to ratepayers for the use of all revenue is in the public interest and addresses I&E’s concerns regarding the demonstrated need for accountability.<sup>65</sup>

In its Statement in Support, the OSBA submits that the \$11.2 million reduction in the overall 2022 and 2023 revenue increase provided by the Settlement will benefit all of PWSA’s consumers, including the Authority’s small business customers, at a time when all types of utility service are becoming more expensive, and as the COVID-19 pandemic continues to impact customers.<sup>66</sup>

Additionally, the OSBA supports the “stay out” provision included in the Joint Petition, ¶ III (A)(3). According to the OSBA, this provision provides assurance to small business customers that the Authority will not seek to increase rates for a significant period of time. Such assurance that water, wastewater, and stormwater rates will not increase for a set period of time provides certainty and predictability, which in turn allows small businesses to better budget and forecast their own financial needs during the stay-out period.<sup>67</sup>

In its Statement in Support, Pittsburgh United explains that it initially opposed any rate increase in light of the severe and ongoing economic impacts of the COVID-19 pandemic on consumers.<sup>68</sup> However, Pittsburgh United supports the rate increase proposed in the Settlement arguing that the significant reduction in overall rate increase, along with critical enhancements of PWSA’s low-income and COVID-19 related programs, will help to mitigate the negative effects of the rate increase on PWSA’s low-income customers. In addition, Pittsburgh United believes that the Settlement includes a number of provisions designed to

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<sup>64</sup> I&E St. in Supp. at 11; Joint Petition, ¶ III (A)(4)-III(A)(5).

<sup>65</sup> I&E St. in Supp. at 11; I&E St. No. 2 at 4-6.

<sup>66</sup> OSBA St. in Supp. at 3.

<sup>67</sup> Id.

<sup>68</sup> Pittsburgh United St. in Supp. at 8; Pittsburgh United St. 1, at 8.

provide enhanced protections for residential consumers over the short term – helping to ease the acute financial hardship residential consumers are experiencing as a result of the pandemic.<sup>69</sup>

According to Pittsburgh United, PWSA’s commitment to reduce its proposed revenue requirement and to file a subsequent rate case no earlier than March 2023, limits the scope of the increase during a still uncertain economic period, ensures PWSA has adequate revenue to maintain safe service, and preserves the resources of the Commission, PWSA, Pittsburgh United, and the other Parties and interested stakeholders. Consequently, Pittsburgh United asserts that the overall rate increase set forth in the proposed Settlement should be approved.<sup>70</sup>

## **2. Quarterly Reporting (Joint Petition, Section III.A.6)**

In the Settlement, PWSA agrees to provide a report – on a quarterly basis – on several 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.<sup>71</sup>

According to PWSA, the new quarterly reporting requirement reasonably focuses on 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, PWSA argues that filing the agreed-to information developed in this rate proceeding eases the ability of the Commission and Parties to access the data.<sup>72</sup>

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<sup>69</sup> Pittsburgh United St. in Supp. at 8.

<sup>70</sup> Pittsburgh United St. in Supp. at 10.

<sup>71</sup> Joint Petition, ¶ III (A)(6).

<sup>72</sup> PWSA St. in Supp. at 20.

In its Statement in Support, I&E argues that PWSA's commitment to submit quarterly reporting on items such as PENNVEST funding, COVID-19 Funding, and valve issues is necessary to ensure that PWSA is accountable to its ratepayers for responsibly tracking and reflecting funding it may receive, and for ensuring safety of operations. Noting that the record in this case identifies two PENNVEST funding awards totaling over \$70 million that were made just during the four months of the litigation schedule,<sup>73</sup> and that PWSA has three additional PENNVEST funding requests totaling over \$200 million pending as of August 2021,<sup>74</sup> I&E submits that the record supports a need for reporting that will enable Parties and the Commission to be aware of the funding and to ensure that it is appropriately reflected and utilized to maximize the ratepayers' benefit.<sup>75</sup>

Similarly, I&E supports this quarterly reporting to ensure that the Commission and Parties are informed about PWSA's attempts and progress in seeking COVID-19 relief funding so that the funding can be tracked and appropriately recognized for ratepayers' benefit. I&E submits that the public interest requires that ratepayers receive the benefit of COVID-19 relief funding consistent with the type, amount, and designated purpose for which it was intended.<sup>76</sup>

Finally, I&E submits that PWSA must develop a record keeping procedure for valve maintenance and develop a prioritization plan for the repair and replacement of the valves in its system to ensure the safety and integrity of its operations. With that in mind, PWSA's commitment to include quarterly reporting on the status of developing these important protocols is necessary to ensure that Parties and the Commission are apprised of the status of PWSA's efforts. Therefore, I&E asserts that PWSA's quarterly reporting commitment is in the public interest.<sup>77</sup>

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<sup>73</sup> I&E St. No. 1 at 21; I&E Exhibit No. 1, Sch 5; PWSA St. No. 2-RJ at 5-6.

<sup>74</sup> PWSA St. No. 2-RJ at 6.

<sup>75</sup> I&E St. in Supp. at 11.

<sup>76</sup> I&E St. in Supp. at 11; I&E St. No. 3, at 3-7.

<sup>77</sup> I&E St. in Supp. at 12.

The OSBA agrees that these reporting requirements will enable the Parties to the Settlement to evaluate PWSA's progress in meeting its commitments under the Settlement. In OSBA's view, these provisions are in the public interest because the information they provide will assist the OSBA in advocating for small business customers.<sup>78</sup>

I agree with the Joint Petitioners that the provisions of the proposed Settlement concerning revenue requirements are in the public interest because they balance the interests of PWSA and its customers in a fair and equitable manner. The total system revenue increase of \$21 million in base rate revenue is approximately 35% or \$11.2 million less than PWSA's original request and it provides PWSA with sufficient revenue to protect its financial health while providing safe and effective service to its customers. 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%.<sup>79</sup> 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%.<sup>80</sup> Next, the phase-in will lessen the impact on customer bills by spreading the increase over two years while the "stay out" provision provides stability and certainty to PWSA's ratepayers who have borne consistent, and almost annual, rate increases over the past few years. In addition, the various reporting requirements imposed by the Settlement will not only infuse revenue accountability on PWSA's operations but will also enable the Commission and the Parties to the Settlement to evaluate PWSA's progress in meeting its commitments under the Settlement.

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<sup>78</sup> OSBA St. in Supp. at 3.

<sup>79</sup> Joint Petition, Appendix G.

<sup>80</sup> Joint Petition, Appendix F.

**B. Cost Allocation and Rate Design (Joint Petition, Section III.B)**

**1. Allocation Criteria Water and Wastewater Conveyance  
(Joint Petition, Section III.B.1)**

In its initial rate filing, PWSA presented a Class Cost of Service Study (“CCOSS”) for the purpose of allocating the Authority’s costs of providing service (revenue requirement) to each utility and rate class.

PWSA explains that after determining the total system revenue requirements, the Authority determined the water, wastewater conveyance, and stormwater utility service revenue requirements. Once costs were allocated among the three services (water, wastewater, and stormwater), costs were then allocated to various customer classes for those services. PWSA clarifies that 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.<sup>81</sup>

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.<sup>82</sup> 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.<sup>83</sup>

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<sup>81</sup> PWSA St. in Supp. at 21-22; PWSA St. No. 4 at 13-19; PWSA Exh. HJS-8W.

<sup>82</sup> PWSA St. in Supp. at 22; PWSA St. No. 4 at 19; PWSA Exh. HJS-8W.

<sup>83</sup> PWSA St. in Supp. at 22; PWSA St. No. 4 at 20; PWSA Exh. HJS-9W.

Finally, a number of adjustments were made to reflect legal requirements (Public Fire Protection [required by 66 Pa. C.S. § 1328]; City of Pittsburgh Phase-in; Wholesale contracts [required by existing contract]; bad debt expense [allocated on basis of historical contribution] and the Customer Assistance Program [allocated to all classes]).<sup>84</sup>

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."<sup>85</sup> 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. Most costs were allocated using either volume, meters, or billing.<sup>86</sup>

According to PWSA, 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 this subsidy.<sup>87</sup> 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.<sup>88</sup>

In its Statement in Support, PWSA explains that, 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.<sup>89</sup> A comparison of the allocation of the revenue

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<sup>84</sup> PWSA St. in Supp. at 22; PWSA St. No. 4 at 22; PWSA Exh. HJS-10W.

<sup>85</sup> PWSA St. in Supp. at 23; PWSA St. No. 4 at 33.

<sup>86</sup> PWSA St. in Supp. at 23; PWSA St. 4 at 37-43.

<sup>87</sup> PWSA St. in Supp. at 23; PWSA St. No. 4 at 44-45; PWSA Exh. HJS-9WW.

<sup>88</sup> PWSA St. in Supp. at 23; PWSA St. 4 at 46; PWSA Exh. HJS-10W.

<sup>89</sup> Joint Petition, ¶ III (B)(1) and Appendix C: Allocation of Proposed Settlement Rate Increase.



requirement by class originally proposed,<sup>90</sup> the position of the OSBA and the allocation agreed to by all Parties in the Settlement, for water and wastewater rates is as 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
<b>WATER REVENUE</b>						
<b>Base Rate Revenues</b>						
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%
<b>Subtotal: Base Rate Revenues</b>	<b>\$ 142,028,210</b>	<b>100.0%</b>	<b>\$ 142,031,631</b>	<b>100.0%</b>	<b>\$ 133,793,309</b>	<b>100.0%</b>
<b>WASTEWATER CONVEYANCE REVENUE</b>						
<b>Base Rate Revenues</b>						
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%
<b>Subtotal: Base Rate Revenues</b>	<b>\$ 54,705,965</b>	<b>100.0%</b>	<b>\$ 54,718,623</b>	<b>100.0%</b>	<b>\$ 51,756,535</b>	<b>100.0%</b>

PWSA St. in Supp. at 25.

According to PWSA, the Settlement allocation reasonably reflects a compromise of the positions of the Parties. The Authority supports the resulting allocations as being within the range of reasonableness when compared to the CCOSS results produced by PWSA, OSBA and the other Parties.<sup>91</sup>

The OSBA agrees. The final Settlement allocations reduced the relative proportion of the increase allocated to the Commercial Class compared to PWSA's combined litigation position. Accordingly, the OSBA concludes that the Settlement revenue allocations provide a reasonable result and a meaningful benefit to small business customers.<sup>92</sup>

<sup>90</sup> 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).

<sup>91</sup> PWSA St. in Supp. at 25.

<sup>92</sup> OSBA St. in Supp. at 3-5.

In its Statement in Support, I&E points out that the Settlement reflects the Parties' agreement to make water and wastewater conveyance cost allocation adjustments so that no class increase is above 1.5 times of the overall annual increases. Consequently, I&E avers that this agreement is equitable and in the public interest.<sup>93</sup>

## **2. "Services" as a Functional Category (Joint Petition, Section III.B.2)**

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.<sup>94</sup>

During litigation, the 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.<sup>95</sup> PWSA recognized OSBA's approach as reasonable but explained that its implementation is not feasible at the present time because the Authority does not currently have asset data that segregates service lines from other transmission and distribution assets.<sup>96</sup>

In the Settlement, 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.<sup>97</sup> According to PWSA, the Settlement thus recognizes the value of the issue raised by the OSBA as well as the reality of PWSA's records, and permits all Parties to have access to the information as part of the next rate case to assess proper allocations at that time.<sup>98</sup>

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<sup>93</sup> I&E St. in Supp. at 13.

<sup>94</sup> PWSA St. No. 4-R at 5.

<sup>95</sup> OSBA St. No. 1R at 6-9.

<sup>96</sup> PWSA St. No. 4-R at 5.

<sup>97</sup> Joint Petition, ¶ III (B)(2).

<sup>98</sup> PWSA St. in Supp. at 26-27.

In its Statement in Support, the OSBA agrees that including a services cost component in future water cost-of-service studies will result in a more accurate allocation of PWSA's claimed water revenue requirement to customer classes and will provide a meaningful benefit to commercial customers in future base rate cases.<sup>99</sup>

### **3. Minimum Charge (Joint Petition, Section III.B.3)**

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.<sup>100</sup> According to PWSA, the Settlement reflects its firm commitment to transition away from the Minimum Allowance while still maintaining some flexibility to determine how to structure the transition.<sup>101</sup>

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.<sup>102</sup>

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 instead 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

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<sup>99</sup> OSBA St. in Supp. at 5.

<sup>100</sup> Joint Petition, ¶ III (B)(3)(a)-(b).

<sup>101</sup> PWSA St. in Supp. at 29-30

<sup>102</sup> Joint Petition, ¶ III (B)(3)(c)(i)-(vi).

reduction.<sup>103</sup> According to PWSA, this approach narrowly tailors the exception to a specific circumstance thereby reasonably minimizing the resulting loss of revenue to PWSA.<sup>104</sup> 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.<sup>105</sup>

I&E supports the minimum charge Settlement terms because they address the Bureau's concerns that the charge is inconsistent with more recent Commission precedent<sup>106</sup>, it operates as a detriment to low usage customers, it disincentivizes conservation efforts, and is a barrier to clear and direct price signals.<sup>107</sup> I&E submits that PWSA's commitment to provide a plan to transition its rate design away from the minimum usage allowance with the first stage of that plan occurring in its next base rate case is necessary to protect the public interest.<sup>108</sup>

Additionally, I&E supports PWSA's commitment, through the Settlement, to providing a customer cost analysis in its next base rate case that will include, *inter alia*, costs of meters and services, customer installations, meter reading, customer records and collections, other customer accounting expense, employee pension and benefits, and maintenance of meters and services. I&E submits that this term will ensure that I&E, other Parties, and the Commission have adequate information to analyze the costs and impact of PWSA's next proposal, which is necessary to ensure that any rates established are just and reasonable.<sup>109</sup>

Important to I&E's position in these proceedings, the Settlement also establishes a process to correct the inequitable result of the minimum charge on customers with newly constructed townhomes who are required to install a meter greater than 5/8" for fire protection. In particular, the Settlement provides a process for these customers to seek a reduction of their minimum charge allowance. Upon receipt and review of an eligible residential customer's request, PWSA will assess the customer the 5/8" minimum rate instead of the 1" rate.

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<sup>103</sup> Joint Petition, ¶ III(B)(3)(d)(i)-(vi).

<sup>104</sup> PWSA St. in Supp. at 30.

<sup>105</sup> Id.

<sup>106</sup> I&E St. 3 at 16.

<sup>107</sup> I&E St. in Supp. at 13-16.

<sup>108</sup> Id.

<sup>109</sup> I&E St. in Supp. at 14-15.

Furthermore, PWSA has committed to performing outreach to attempt to ensure that eligible customers are apprised of this opportunity. I&E fully supports this outcome as an additional and important step towards addressing the detrimental impact of the minimum charge.<sup>110</sup>

The OCA also supports the minimum charge Settlement terms. In its Statement in Support, the OCA points out that PWSA's filing included an arbitrary 5% increase in the residential customer charge that was over and above fully allocated customer-related costs in the Authority's COSS.<sup>111</sup> Also, under present rates, PWSA collects almost half of its Residential revenues through fixed charges. The OCA noted that this practice is unusual for a water utility (whether publicly or investor-owned) and inconsistent with how PWSA collects revenues from its non-residential customers.<sup>112</sup> According to the OCA, the Settlement addresses these concerns through PWSA's commitment to improve its cost-of-service analysis and to 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.<sup>113</sup> Additionally, the OCA notes that 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.<sup>114</sup>

In addition, the OCA points out that the Settlement appropriately recognizes that an immediate removal of minimum allowances in this proceeding could cause excessive increases for customers taking part in the Bill Discount Program. 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.<sup>115</sup> 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.<sup>116</sup>

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<sup>110</sup> I&E St. in Supp. at 15.

<sup>111</sup> OCA St. in Supp. at 8; OCA St. 3 at 10.

<sup>112</sup> OCA St. in Supp. at 8; OCA St. 3 at 11-12.

<sup>113</sup> OCA St. in Supp. at 8; Joint Petition, ¶ III (B)(2); Joint Petition, ¶ III (B)(3)(a).

<sup>114</sup> OCA St. in Supp. at 8; Settlement, Appendix E.

<sup>115</sup> Joint Petition, ¶ III (B)(3)(c)(i).

<sup>116</sup> OCA St. in Supp. at 8-9; Joint Petition, ¶ III (B)(3)(c)(vi).

Next, the OCA argues that reducing fixed charges gives customers greater ability to control their bills and advances the interests of conservation and affordability. Additionally, the OCA agrees with I&E that reducing and eliminating minimum allowances is consistent with Commission precedent.<sup>117</sup>

Lastly, the OCA notes that the Settlement terms relating to the minimum charge address OCA's concern with PWSA's proposed residential customer charges for water service, pursuant to which the Authority would charge 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. The OCA notes that the Settlement resolves this issue by allowing residential customers with meters larger than 5/8-inch to be billed, upon request, as if they had a 5/8-inch meter.<sup>118</sup>

#### **4. Lead Service Line Replacements for Non-Residential Customers (Joint Petition, Section III.B.4)**

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.<sup>119</sup> PWSA submits that these Settlement terms are consistent with PWSA's lead service line replacement program ("LSLR") program plans and should be adopted because they are in the public interest.<sup>120</sup>

The OSBA supports this provision of the Settlement, which formally extends PWSA's LSLR to non-residential customers.<sup>121</sup>

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<sup>117</sup> OCA St. in Supp. at 8; OCA St. 3 at 10.

<sup>118</sup> OCA St. in Supp. at 9; Joint Petition, ¶ III (B)(3)(d).

<sup>119</sup> Joint Petition, ¶ III(B)(4)(a)-(b); see also Joint Petition, Appendix I.

<sup>120</sup> PWSA St. in Supp. at 32.

<sup>121</sup> OSBA St. in Supp at 5; OSBA St. No. 2 at 10.

## 5. Stormwater Gradualism (includes Stormwater Rate and Other Stormwater Adjustments) (Joint Petition, Section III.B.6)

Several provisions in the Settlement resolve the Parties concerns about the methodology used by PWSA to arrive at a stormwater rate. First, the Settlement proposes that the stormwater-only uncollectible rate will be set at 30% which is a reasonable compromise of the Parties' positions.<sup>122</sup> Second, the Settlement proposes to revise the amount of discount off the stormwater rate for Bill Discount Program participants from 75% to 85%.<sup>123</sup> Third, the Settlement addresses a number of related issues regarding the customer credits program and customer education.<sup>124</sup>

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.<sup>125</sup>

Second, the Settlement addresses concerns about the stormwater gradualism amount 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 proposed but rather to apply the agreed-to reduced revenue requirement by lowering the amount of the stormwater costs included with the wastewater rates.<sup>126</sup> 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.<sup>127</sup>

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<sup>122</sup> Joint Petition, ¶ III (B)(a)(b).

<sup>123</sup> Joint Petition, ¶ III (F)(1)(a)(ii).

<sup>124</sup> Joint Petition, ¶ III (C).

<sup>125</sup> Joint Petition, ¶ III (B)(6).

<sup>126</sup> Joint Petition at Appendix C: Allocation of Proposed Settlement Rate Increase.

<sup>127</sup> Joint Petition at Appendix C: Allocation of Proposed Settlement Rate Increase.

In its Statement in Support, PWSA notes that this amount represents a smaller level of the gradualism adjustment than 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%

PWSA St. in Supp. at 37.

According to PWSA, the 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. PWSA believes that the end result produces stormwater rates that are reasonable compared to the stormwater rates of other utilities and positions of the Parties.<sup>128</sup>

In its Statement in Support, the OCA notes that it agrees with PWSA’s proposal that wastewater customers provide a transitional subsidy to stormwater customers. In the OCA’s view, setting the stormwater rate lower than it would be if it recovered the full cost of service would increase the likelihood that customers will pay the new fee.<sup>129</sup>

However, the OCA challenged two aspects of PWSA’s “gradualism adjustment,” which are addressed by the Settlement. First, under the Settlement, the amount of the subsidy is

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<sup>128</sup> PWSA St. in Supp. at 37; 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.

<sup>129</sup> OCA St. in Supp. at 6; OCA St. 3 at 23.



reduced from the \$12.4 million proposed by PWSA to approximately \$10.6 million,<sup>130</sup> which represents a reasonable compromise between the subsidies recommended by PWSA (\$12.4 million) and the OCA (\$7.3 million).<sup>131</sup> 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.<sup>132</sup> 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).<sup>133</sup>

The proposed Settlement also addresses a third matter related to stormwater revenues: the stormwater-only uncollectible rate. 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, the OCA submits that assuming a lesser amount of uncollected revenue has the benefit of slightly reducing the stormwater revenue requirement.<sup>134</sup>

Pittsburgh United supports the modified gradualism adjustment reflected in the Settlement as a step toward a more equitable rate structure for stormwater services. As a result of the stormwater gradualism adjustment, the specific proposed stormwater rates are based on a variety of factors mostly related to customer acceptance of the new stormwater fee, from which PWSA’s consultants concluded that the stormwater fee for average residential customers should be under \$100 per year, yielding a fee per ERU<sup>135</sup> of \$7.95 per month.<sup>136</sup>

Pittsburgh United notes that in the proposed Settlement PWSA commits to “reduce or eliminate the gradualism adjustment through which wastewater rates subsidize

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<sup>130</sup> Appendix D to the Settlement Petition shows that the Settlement reduces wastewater conveyance revenues from \$58 million proposed by PWSA to \$54.9 million, or by \$3.2 million. It appears that most of this change represents a reduction in the stormwater subsidy.

<sup>131</sup> OCA St. 3 at 23-25.

<sup>132</sup> Joint Petition, ¶ III (B)(6).

<sup>133</sup> OCA St. in Supp. at 7; OCA St. 3 at 21-26.

<sup>134</sup> OCA St. in Supp. at 7-8.

<sup>135</sup> Equivalent Residential Unit.

<sup>136</sup> Pittsburgh United St. in Supp. at 14.

stormwater costs” in its next base rate case and to provide testimony and exhibits that present the rate impacts from eliminating the stormwater gradualism adjustment and from any future stormwater gradualism adjustment that PWSA may propose.<sup>137</sup> This Settlement term addresses Pittsburgh United’s concerns about the stormwater gradualism adjustment, at least for now, because it helps to ensure that PWSA will “eliminate or phase out the stormwater gradualism adjustment as quickly as possible,” that the gradualism adjustment will be “reexamined in future base rate cases,” and that PWSA will “move toward recovering all stormwater costs through stormwater rates in the long term.”<sup>138</sup>

Overall, the City of Pittsburgh supports the cost allocation and rate design results achieved by the Settlement. According to the City, the Settlement is consistent with Act 70’s dictate that the 2019 Cooperation Agreement between the City and PWSA has “the force and effect of law” until January 1, 2025, unless PWSA and the City mutually agree to an earlier termination date. The City further submits that the Settlement implements commercial rates for the City that reference Act 70 and thereby incorporate the agreed-upon rate phase-ins and other rate and service-related negotiated terms embodied in the 2019 Cooperation Agreement.<sup>139</sup>

I note that the Parties in the present proceeding generally accepted PWSA’s water and wastewater CCOSs raising only few or minor issues. The OSBA was the only party that proposed several adjustments to PWSA’s CCOS on the water, wastewater, and stormwater sides. The Settlement allocates the revenue increase in a manner that reflects the positions of the various Parties. The resulting water and wastewater conveyance rates will 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 places on the systems.

Turning to the stormwater gradualism, I note that currently 100% of PWSA’s 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

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<sup>137</sup> Joint Petition, ¶ III (B)(6).

<sup>138</sup> Pittsburgh United St. in Supp at 14; Pittsburgh United St. 2-SR, at 3-4.

<sup>139</sup> City of Pittsburgh St. in Supp. at 2; *see* Joint Petition Ex. I (PWSA Water Tariff) and Ex. J (PWSA Wastewater Tariff) (each referencing Act 70 of 2020, 71 P.S. §§ 720.211 to 720.213).

through separate fees charged to stormwater customers. This is an important step toward a fairer separation of stormwater-related costs from those related to wastewater, and a move towards charging the former based on a measure of a property's contributions to stormwater flows.

Regarding the Minimum Charge provisions, I find that the Settlement represents a significant step towards bringing PWSA's rate design in accordance with more recent Commission precedent<sup>140</sup>, removing barriers to clear and direct price signals, incentivizing conservation efforts and a fair treatment of low usage customers. Providing for the first stage of the plan to take place in PWSA's next base rate case, the Settlement serves the public interest.

Similarly, the Settlement marks an important development towards including a service cost component in future water service studies in order to achieve a more accurate allocation of water revenue requirement to customer classes. These provisions, along with the lead service line replacement for non-residential customers, strike a fair balance between the needs of PWSA's customers for safe and reliable service and the needs and realities of the Authority. I find these provisions to be just, reasonable and in the public interest and recommend that they be adopted without modification.

### **C. Stormwater (Joint Petition, Section III.C)**

In this proceeding, PWSA submitted a proposed stormwater tariff and proposed to implement a new stormwater fee.<sup>141</sup> As described in the Joint Petition, the Parties agreed to various terms regarding the implementation of PWSA's stormwater fee and overall program.<sup>142</sup>

#### **1. Stormwater Credit Program (Joint Petition, Section III.C.1)**

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

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<sup>140</sup> I&E St. 3 at 16.

<sup>141</sup> PWSA Exh. TI-4.

<sup>142</sup> See Joint Petition, ¶ III (C).

improving the capture or absorption of precipitation, which would lessen their monthly stormwater fees. The Parties agreed to settlement terms 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 in its next stormwater rate filing.<sup>143</sup> 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.<sup>144</sup> 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.<sup>145</sup>

PWSA supports these Settlement terms because they will allow the Authority 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.<sup>146</sup>

While I&E conceptually supported PWSA's stormwater credit program,<sup>147</sup> I&E contested PWSA's assumption that the cost of the credit program would be equal to 5% of the non-single family residential charges. In its Statement in Support, I&E explains that this issue was resolved through the black-box settlement and I&E therefore remains supportive of the stormwater Settlement terms as reasonable and appropriate.<sup>148</sup>

Pittsburgh United supports implementation of a stormwater credit program to encourage property owners to make localized stormwater improvements on their properties and to help make the stormwater fee more affordable. However, it was concerned that many

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<sup>143</sup> Joint Petition, ¶ III (C)(1)(a).

<sup>144</sup> Joint Petition, ¶ III (C)(1)(a)(i) and (ii).

<sup>145</sup> Joint Petition, ¶ III (A)(6)(e).

<sup>146</sup> PWSA St. in Supp. at 43.

<sup>147</sup> I&E St. No. 3, p. 29.

<sup>148</sup> I&E St. in Supp. at 16-17.

property owners may not participate, either because they lack sufficient incentives or because of the burden of paying upfront for the costs of stormwater retrofits.<sup>149</sup>

The proposed Settlement addresses Pittsburgh United's concerns. Pittsburgh United argues that the Settlement provisions on the collection of data will allow PWSA to understand who is participating in and benefitting from the credit program and whether future changes may be appropriate to encourage broader participation.<sup>150</sup>

## **2. Stormwater Master Plan (Joint Petition, Section III.C.2)**

The Parties agreed to terms addressing the scope and level of public engagement associated with development of PWSA's 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.<sup>151</sup> 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 2021, and community members will have opportunities to provide input as the Stormwater Master Plan is being developed.<sup>152</sup> As to the scope of the plan, the Parties agreed that the Stormwater Master Plan will comprehensively state PWSA's criteria for selecting and prioritizing stormwater projects.<sup>153</sup> The Parties also reserved their rights to address the plan in the context of other proceedings.<sup>154</sup>

PWSA submits that 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

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<sup>149</sup> Pittsburgh United St. in Supp. at 15-16; see Pittsburgh United St. 2, at 30-31, 32; Pittsburgh United St. 2-SR, at 6-7.

<sup>150</sup> Pittsburgh United St. in Supp. at 16

<sup>151</sup> Joint Petition, ¶ III (C)(2)(a).

<sup>152</sup> Joint Petition, ¶ III (C)(2)(a)(i) and (ii).

<sup>153</sup> Joint Petition, ¶ III (C)(2)(b).

<sup>154</sup> Joint Petition, ¶ III (C)(2)(c).

comprehensive plan that guides PWSA’s selection and prioritization of stormwater projects going forward.<sup>155</sup>

Pittsburgh United strongly supported PWSA’s development of a Stormwater Master Plan, but also identified a handful of concerns about the master planning process.<sup>156</sup> One concern about the stormwater master plan related to uncertainty about “public input opportunities during the development of PWSA’s stormwater master plan.”<sup>157</sup> In its Statement in Support, Pittsburgh United submits that, by committing PWSA to a public input process, the proposed Settlement helps to ensure that the stormwater master plan will identify and address the full range of stormwater-related issues in PWSA’s service area.<sup>158</sup>

In addition, Pittsburgh United submits that the proposed Settlement ensures that the Stormwater Master Plan will comprehensively state PWSA’s criteria for selecting and prioritizing stormwater projects.<sup>159</sup> Pittsburgh United supports this Settlement term because it fulfills its request that PWSA consolidate its various stormwater-related goals and criteria and articulate a clear vision for how it will select and prioritize stormwater projects and demonstrate that it is using ratepayer funds reasonably and equitably to deliver the best possible stormwater service to all customers.<sup>160</sup>

According to PWSA, the forthcoming Stormwater Master Plan will be a strategic plan for stormwater management that will provide a comprehensive approach for PWSA and the City of Pittsburgh to manage stormwater.<sup>161</sup> However, in its Statement in Support, I&E notes that neither the Stormwater Master Plan, nor the pending agreement with the City were available to the Parties for review during the proceedings. Consequently, I&E required that the Settlement’s acknowledgment of PWSA’s Stormwater Master Plan not be construed as preapproval of it or as any determination that it is somehow compliant with applicable legal and

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<sup>155</sup> PWSA St. in Supp. at 46.

<sup>156</sup> Pittsburgh United St. 2, at 7 – 11.

<sup>157</sup> Pittsburgh United St. 2, at 8; Pittsburgh United St. 2-SR, at 8– 9.

<sup>158</sup> Pittsburgh United St. in Supp. at 17; Joint Petition, ¶ III (C)(2)(a).

<sup>159</sup> Joint Petition, ¶ III (C)(2)(b).

<sup>160</sup> Pittsburgh United St. in Supp at 17-18.

<sup>161</sup> PWSA St. No. 7, p. 28.

regulatory standards. I&E support the Settlement terms regarding the Stormwater Master Plan to the extent they reflect I&E’s request that nothing in the Settlement should be construed so as to preclude any party from challenging the basis for and prudence of the Stormwater Master Plan, or its conformance with the Public Utility Code, Commission regulations, Commission orders, or any other applicable authorities, in any future proceeding. According to I&E, the public interest requires that Parties and the Commission have an opportunity to review PWSA’s pending Stormwater Master Plan and its pending agreement with the City for compliance with all of PWSA’s obligations as a jurisdictional utility; accordingly, because the Settlement preserve this ability, it is in the public interest.<sup>162</sup>

### **3. Commitment to Low Income and Other Impacted Communities (Joint Petition, Section III.C.3)**

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.<sup>163</sup> 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.<sup>164</sup> Additionally, beginning with the development of its 2023 Capital Improvement Plan, PWSA will factor into its planning projects that are targeted to areas with higher concentration of low-income populations to the extent permitted by law or other regulatory requirements.<sup>165</sup> According to PWSA, these Settlement terms reflect its commitment to ensuring fair, equitable service for low-income and environmental justice communities.<sup>166</sup>

In its Statement in Support, Pittsburgh United notes that PWSA’s stormwater projects seek to address a wide range of issues in light of which there is a risk that projects providing ‘societal benefits,’ especially to low-income and environmental justice communities,

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<sup>162</sup> I&E St. in Supp. at 17-18.

<sup>163</sup> Joint Petition, ¶ III (C)(3)(a)(i).

<sup>164</sup> Joint Petition, ¶ III (C)(3)(a)(ii).

<sup>165</sup> Joint Petition, ¶ III (C)(4)(a)(iii).

<sup>166</sup> PWSA St. in Supp. at 48.

[may] be deprioritized in favor of projects that focus on meeting regulatory requirements or supporting broader economic development and redevelopment projects.”<sup>167</sup>

According to Pittsburgh United, the Settlement provisions regarding PWSA’s commitment to low-income and other impacted communities address its concerns and will help to ensure that all PWSA customers receive safe and effective stormwater services and that the benefits funded by ratepayer funds are distributed equitably.<sup>168</sup>

#### **4. Education and Outreach to Customers (Joint Petition, Section III.C.4)**

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 Parties’ recommendations. First, by the effective date of stormwater rates, PWSA will create a publicly available stormwater website that includes a variety of information,<sup>169</sup> 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);<sup>170</sup>
- A credit manual explaining how customers can apply for and receive a stormwater credit;<sup>171</sup>
- A description of the appeal process for questioning ERU determinations;<sup>172</sup> and
- Other educational materials regarding the stormwater program and stormwater fee.<sup>173</sup>

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<sup>167</sup> Pittsburgh United St. in Supp. at 18-19.

<sup>168</sup> Pittsburgh United St. in Supp. at 19; Pittsburgh United St. 2, at 12-20.

<sup>169</sup> Joint Petition, ¶ III (C)(4)(a).

<sup>170</sup> Joint Petition, ¶ III (C)(4)(a)(i).

<sup>171</sup> Joint Petition, ¶ III (C)(4)(a)(ii).

<sup>172</sup> Joint Petition, ¶ III (C)(4)(a)(iii).

<sup>173</sup> Joint Petition, ¶ III (C)(4)(a)(iv).



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:<sup>174</sup>

- Informing customers about the stormwater fee, including its purpose and how it is calculated;<sup>175</sup>
- 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;<sup>176</sup>
- Social media and website content with sample stormwater bills and explanations of the new bill fields related to the stormwater fee;<sup>177</sup>
- 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;<sup>178</sup> and
- Engagement at community meetings.<sup>179</sup>

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 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.<sup>180</sup>

PWSA supports these Settlement terms as reflective of Authority’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.<sup>181</sup>

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<sup>174</sup> Joint Petition, ¶ III (C)(4)(b).

<sup>175</sup> Joint Petition, ¶ III (C)(4)(b)(i).

<sup>176</sup> Joint Petition, ¶ III (C)(4)(b)(ii).

<sup>177</sup> Joint Petition, ¶ III (C)(4)(b)(iii).

<sup>178</sup> Joint Petition, ¶ (C)(4)(b)(iv).

<sup>179</sup> Joint Petition, ¶ (C)(4)(b)(v).

<sup>180</sup> Joint Petition, ¶ (C)(4)(c).

<sup>181</sup> PWSA St. in Supp. at 52.

The OSBA believes that these provisions will greatly assist in educating customers about the stormwater fees, enhance customer understanding of stormwater fees, and empower customers in ensuring they are being billed correctly. In addition, the OSBA supports the Settlement provisions requiring PWSA to track information related to implementing stormwater fees and service, and to present that information in the next rate case filing. The OSBA argues that the collection and presentation of such information will assist it in representing small business customers of the Authority in the next rate case.<sup>182</sup>

In its Statement in Support, Pittsburgh United submits that it supports the stormwater education and outreach terms in the proposed Settlement because they address critical customer education and outreach needs and will help to make implementation of the new stormwater tariff go more smoothly. Pittsburgh United believes that the Settlement outreach provisions will help to reduce confusion and resistance when PWSA implements the stormwater fee.<sup>183</sup> In addition, the online resources will help customers determine if there was any error in setting their stormwater rates, facilitate the resolution of any disputes about the stormwater rate charged to a particular property, and make it easier for customers to take advantage of the stormwater credit program.<sup>184</sup> Pittsburgh United points out that PWSA has also agreed to share drafts of its educational outreach materials with the Parties in the fall of 2021, prior to the implementation of the stormwater fee,<sup>185</sup> which will help to ensure that the materials are as effective as possible.<sup>186</sup>

## **5. Stormwater Customer Service Issues (Joint Petition, Section III.C.5)**

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.<sup>187</sup> The information to be tracked includes customer call statistics concerning stormwater charges and bill impacts; the number of disputes concerning the

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<sup>182</sup> OSBA St. in Supp. at 5.

<sup>183</sup> See Pittsburgh United St. 2, at 28 –29.

<sup>184</sup> See Pittsburgh United St. 2, at 16 – 18, 34.

<sup>185</sup> Joint Petition, ¶ III (C)(4)(c).

<sup>186</sup> Pittsburgh United St. in Supp. at 20; see Pittsburgh United St. 2, at 28; Pittsburgh United St. 2-SR, at 10.

<sup>187</sup> Joint Petition, ¶ III (C)(5)(a).

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.<sup>188</sup> PWSA argues that having this information available in its next rate case will 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.<sup>189</sup>

In its Statement in Support, Pittsburgh United argues that the implementation of the new stormwater tariff raises the risk that customers may be confused about the new stormwater rates, and there may be an increase in the number of customer inquiries and disputes as customers learn about the new tariff. According to Pittsburgh United, the proposed Settlement addresses this scenario by requiring PWSA to track and report on various metrics related to stormwater customer service issues, including customer call statistics, customer disputes, stormwater arrearages, and stormwater collection activities.<sup>190</sup> Pittsburgh United submits that the data will help PWSA, the Parties, and the Commission evaluate whether PWSA is providing a reasonable quality of customer service to stormwater customers and identify any adjustments or improvements that may be needed in the future.<sup>191</sup>

I agree with the Joint Petitioners that the provisions of the proposed Settlement concerning the stormwater tariff and the new stormwater fee are in the public interest. 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. In addition, recognizing the reality of PWSA’s operations and record-keeping practices, the

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<sup>188</sup> Joint Petition, ¶ III (C)(5)(a)(i)-(iv).

<sup>189</sup> PWSA St. in Supp. at 53-54.

<sup>190</sup> Joint Petition, ¶ III (C)(5).

<sup>191</sup> Pittsburgh United St. in Supp at 21.

Settlement provisions concerning the stormwater credit program and stormwater customer service focus on collecting data to be used in the Authority's next rate case. I find that the Settlement terms regarding the stormwater tariff are in the public interest not only because they address important customer education and outreach needs, but because they preserve the Parties' and the Commission's ability to review PWSA's pending Stormwater Master Plan and its agreement with the City of Pittsburgh for compliance with PWSA's statutory and regulatory obligations as a jurisdictional utility.

**D. COVID-19 Expenses, Funding and Pandemic Measures (Joint Petition, III.D)**

**1. COVID-19 Expenses (Joint Petition, Section III.D.1)**

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. 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.

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 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.

PWSA supports these provisions of the Settlement as representing 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, the 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.<sup>192</sup>

For I&E, the provisions regarding COVID-19 expenses were an extremely important part of the Settlement. I&E recognizes that the COVID-19 pandemic has imposed hardship upon PWSA and its customers; however, it notes that the public interest requires that PWSA treat its extraordinary expenses in the manner prescribed by the Commission. Pursuant to the Commission's *May 13, 2021 Secretarial Letter "COVID-19 Cost Tracking and Creation of Regulatory Asset,"*<sup>193</sup> and in order to accurately account for prudently incurred incremental extraordinary, nonrecurring expenses related to COVID-19, the Settlement requires PWSA to track and to maintain detailed accounting records of all COVID-19 pandemic expenses. Additionally, Section III.D.1.b provides a clear delineation of qualifying costs when they are claimed.<sup>194</sup>

Aside from tracking its expenses, the Settlement also obligates PWSA to track any cost savings as credits to the corresponding categories of deferred costs. I&E submits that this provision is necessary to provide a full picture of the COVID-19 impact upon PWSA. Importantly, because Parties have reserved the right to challenge the prudence and reasonableness of any claimed expenses, PWSA still remains accountable for establishing the viability of its claims, as is appropriate.<sup>195</sup>

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<sup>192</sup> PWSA St. in Supp. at 56.

<sup>193</sup> "COVID-19 Cost Tracking and Creation of Regulatory Asset," Secretarial Letter, Docket No. M-2020-3019775 (May 13, 2020).

<sup>194</sup> I&E St. in Supp. at 19.

<sup>195</sup> I&E St. in Supp. at 19; 66 Pa. C.S. §315(a).

In its Statement in Support, the OCA points out that the Settlement provisions regarding the COVID-19 expenses address OCA's concern that recovery of COVID-19 related cost could be indefinitely postponed by PWSA.<sup>196</sup> In order to prevent double-recovery, only expenses that exceed amounts already included in rates will be eligible for recovery.<sup>197</sup> The OCA notes that these Settlement provisions reflect its recommendation that PWSA 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.<sup>198</sup>

In addition, the OCA submits that 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.<sup>199</sup> Accordingly, the OCA submits that deferred accounting treatment for COVID-19-related costs is appropriate in this instance.<sup>200</sup>

Pittsburgh United did not take a formal position on tracking of COVID-19 expenses, however, it submits that detailed tracking of these expenses is in the public interest because it will help to ensure that any costs that PWSA attempts to recover in the future will be accurately accounted for.<sup>201</sup>

## **2. Future COVID-19 Funding (Joint Petition, Section III.D.2)**

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.<sup>202</sup>

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<sup>196</sup> OCA St. in Supp. at 12; OCA St. 1SR at 20-21; Joint Petition, ¶ III (D)(1)(c).

<sup>197</sup> Joint Petition, ¶ III (D)(1)(a)-(c).

<sup>198</sup> OCA St. in Supp. at 12; see also OCA St. 5SR at 21; Joint Petition, ¶ III (D)(1)(c).

<sup>199</sup> *COVID-19 Cost Tracking and Creation of Regulatory Asset*, Docket No. M-2020-3019775; *Pa. Pub. Util. Comm'n v Pittsburgh Water & Sewer Auth.*, Docket No. R-2020-3017951, Order (Dec. 3, 2020) (*PWSA 2020*).

<sup>200</sup> OCA St. in Supp. at 12-13.

<sup>201</sup> Pittsburgh United St. in Supp at 22.

<sup>202</sup> Joint Petition, ¶ III (D)(2)(a)-(b).

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, 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.<sup>203</sup>

PWSA submits that through these commitments and obligations, the Authority 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, PWSA notes that through its 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. The Authority supports this approach as it also addresses PWSA’s concerns about the appropriateness of credits in some situations and single-issue ratemaking.<sup>204</sup>

In its Statement in Support, I&E notes that during the course of this case, PWSA sought and received a \$17.5 million award from the Coronavirus Local Fiscal Recovery Funds from the City of Pittsburgh, earmarked to be used in the expansion of PWSA’s lead line replacement program beyond that which was budgeted for 2022.<sup>205</sup> In addition, PWSA has submitted a request for an additional \$100 million in relief funding from the Coronavirus State Fiscal Recovery Fund (“CSFRF”), a program existing under the American Rescue Plan Act.<sup>206</sup> I&E submits that it is in the best interest of PWSA and its ratepayers to attempt to receive the funding and for any funding award to be used appropriately. However, the public interest

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<sup>203</sup> Joint Petition, ¶ III (D)(2)(c).

<sup>204</sup> PWSA St. in Supp. at 59.

<sup>205</sup> I&E St. No. 3, p. 4; I&E Exhibit No. 3, Sch. 1; PWSA St. No. 2, p. 58.

<sup>206</sup> PWSA St. No. 2-R, pp. 57-58.

requires that PWSA be accountable for making and reporting the fruits of those attempts and the Settlement reflects PWSA's agreement to do so.<sup>207</sup>

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 (D)(2)(b).

In its Statement in Support, Pittsburgh United supports the Settlement provision regarding future COVID-19 funding because it requires that PWSA pursue and track efforts to obtain government benefits – such as assistance to low-income consumers through the Low-Income Household Water Assistance Program, set to launch January 2021 – to minimize costs to ratepayers associated with the pandemic. According to Pittsburgh United, it is in the public interest to ensure that PWSA take all reasonable steps to minimize the additional costs to their customers of this pandemic.<sup>208</sup>

### **3. Customer Protections (Joint Petition, Section III.D.3)**

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.<sup>209</sup>

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<sup>207</sup> I&E St. in Supp. at 20; I&E St in Supp. at 20-21.

<sup>208</sup> Pittsburgh United St. in Supp. 22-23.

<sup>209</sup> Joint Petition, ¶ III (D)(3)(a).



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 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.<sup>210</sup>

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 other customers do not 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.<sup>211</sup>

I&E supports the customer protection provisions of the Settlement as they were not only necessary for a collective resolution of this case, but they also promote customers' access to service, which is in the public interest.<sup>212</sup>

The OCA supports the Settlement terms relating to customer protection because they embody several of OCA's recommendations on this issue. The OCA submits that extending collections efforts and the waiver of reconnection fees for the PWSA customers eligible through

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<sup>210</sup> Joint Petition, ¶ III (D)(3)(b).

<sup>211</sup> PWSA St. in Supp. at 65.

<sup>212</sup> I&E St. in Supp. at 26.

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.<sup>213</sup>

Pittsburgh United recognizes that PWSA is taking affirmative steps to prevent utility terminations for residential customers, as many customers – especially low-income customers – are just beginning to recover from the health and economic impacts of COVID-19. It is critical to ensure that PWSA’s residential customers are able to maintain services as they continue to fight against the impacts of the pandemic’s resurgence. The customer protections related to COVID-19 included in the proposed Settlement will help to do exactly that. As such, Pittsburgh United asserts that these provisions of the Settlement are squarely in the public interest and should be approved without modification.<sup>214</sup>

I find that that the Settlement provisions regarding the COVID-19 expenses, funding and the pandemic measures are in the public interest. Not only do these provisions require that PWSA maintain detailed accounting record of all COVID-19 related expenses and any cost savings, but they provide clear definitions for the qualifying costs and limit the recovery period to PWSA’s next general rate proceeding, thus allowing the Parties an opportunity to review the reasonableness and prudence of any claimed expenses. In addition, the interests of the Authority and its ratepayers are served by requiring PWSA to exercise prudent efforts to maximize government funding that will minimize the costs that are deferred for later recovery. 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.

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<sup>213</sup> OCA St. in Supp. at 14.

<sup>214</sup> Pittsburgh United St. in Supp. at 26.

## **E. Customer Service/Quality of Service (Joint Petition, Section III.E)**

### **1. Valves (Joint Petition, Section III.E.1)**

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 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.<sup>215</sup>

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. 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.<sup>216</sup>

Under the Settlement, PWSA also commits to working with a third-party expert for assistance with any necessary modeling, GIS layers, Standard Operating Procedures, and

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<sup>215</sup> Joint Petition, ¶ III (E)(1)(a)(i)-(ii).

<sup>216</sup> Joint Petition, ¶ III (E)(1)(a)(iii).

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 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.<sup>217</sup>

PWSA supports these provisions of the Settlement because together they 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.<sup>218</sup>

Additionally, the provision of the Settlement regarding the prioritization plan 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. PWSA notes that the timeframe is workable from its 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.

I&E submits that the above terms represent important steps towards ensuring the integrity and safety of PWSA's distribution system. First, PWSA's commitment to developing a

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<sup>217</sup> Joint Petition, ¶ III (E)(1)(a)(iii).

<sup>218</sup> PWSA St. in Supp at 69.

record keeping process for valves is of paramount importance, because the records will provide valuable insight when it comes to scheduling future valve maintenance, valve replacement, and highlight any reliability issues with specific valve manufacturers and/or models.<sup>219</sup> Additionally, PWSA's commitment to developing a valve prioritization plan is necessary to avoid flooding and to ensure that safe and continuous service is available at all locations, including critical locations like hospitals, dialysis centers, schools, and assisted living facilities.<sup>220</sup> Finally, PWSA's agreement to provide I&E's Safety Division with further information about the 6,000 valves it has recently alleged are private owned is necessary to facilitate I&E's investigation into the safety of PWSA's operations in light of this new information.<sup>221</sup> Accordingly, I&E submits that these terms are in the public interest because they are necessary to protect public safety.<sup>222</sup>

During litigation, the OCA recommended that PWSA continue to attempt to exercise 5,000 of its valves per year until all 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. In its Statement in Support, the OCA submits that it supports the Settlement provisions at Settlement ¶ III.9.E.1.a.iv, 2.a. because they incorporate its recommendations and are in the public interest.<sup>223</sup>

## **2. Isolation Valves (Joint Petition, Section III.E.2)**

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.<sup>224</sup> PWSA submits that this approach represents a reasonable compromise of the views expressed by PWSA and the OCA regarding the repair or replacement of valves that are identified as being inoperable. The Settlement commits PWSA to immediately

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<sup>219</sup> I&E St. in Supp. at 25; I&E St. No. 4-SR, pp. 1-2.

<sup>220</sup> I&E St. in Supp. at 25; I&E St. No. 4-SR, pp. 6-7.

<sup>221</sup> I&E St. in Supp. at 25; I&E St. No. 4-SR, p. 10.

<sup>222</sup> I&E St. in Supp. at 25.

<sup>223</sup> OCA St. in Supp. at 15; OCA St. 6SR at 5-6.

<sup>224</sup> Joint Petition, ¶ III (E)(2).

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.<sup>225</sup>

During litigation, the OCA explained that exercising isolation valves is important to ensure the valves maintain full range of movement. Additionally, it is important to repair or replace valves at the time they are found to be inoperable. The OCA supports the Settlement because it adopts this recommendation and responds to OCA’s concern regarding the effect that a malfunctioning isolation valve may have on the water loss during a water main break.<sup>226</sup>

### **3. Meter Testing and Replacement (Joint Petition, Section III.E.3)**

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.<sup>227</sup> 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.<sup>228</sup>

In its Statement in Support, the OCA notes that PWSA estimates approximately 50,000 of its small meters exceeded 20 years without being tested or replaced, which is the limit in the PUC’s regulations.<sup>229</sup> According to the OCA, the Settlement strikes a reasonable compromise between the OCA recommendation that PWSA replace 10,000 meters per year, and PWSA’s difficulties gaining access to customers’ homes due to the pandemic. In its Statement

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<sup>225</sup> PWSA St. in Supp. at 72.

<sup>226</sup> OCA St. in Supp. at 15.

<sup>227</sup> Joint Petition, ¶ III (E)(3).

<sup>228</sup> PWSA St. in Supp. at 74.

<sup>229</sup> OCA St. 6SR at 9-10; 52 Pa. Code § 65.8(b).

in Support, the OCA notes that by establishing a goal to replace 8,000 meters per year, the Settlement still allows the Authority to replace its small meters within 5-7 years.<sup>230</sup>

#### **4. Flushing Distribution System (Joint Petition, Section III.E.4)**

Under the Settlement, PWSA will continue to flush one-third of its distribution system each year.<sup>231</sup> By memorializing PWSA's current practice in the Settlement, the Authority maintains accountability 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.<sup>232</sup>

OCA agrees and explains 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.<sup>233</sup>

#### **5. Party Service Lines (Joint Petition, Section III.E.5)**

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.

In its Statement in Support, PWSA submits that, by clarifying the definition of Party Water Service Line in its tariff, it 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

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<sup>230</sup> OCA St. in Supp. at 15-16; PWSA St. 5R at 10-11; Joint Petition, ¶ III (E)(3).

<sup>231</sup> Joint Petition, ¶ III (E)(4).

<sup>232</sup> PWSA St. in Supp. at 75.

<sup>233</sup> OCA St. in Supp. at 16; OCA St. 6 at 16.

separations from the proposed new Residential Permit Fee addresses the concern raised by OCA regarding customers being required to pay this new fee because they are on a party line. As such, PWSA argues that this Settlement provision is in the public interest and should be approved without modification.<sup>234</sup>

The OCA agrees. During litigation, the OCA raised concerns regarding the residential water customers responsibility for costs related to the party-line replacement and PWSA's proposal to subject party-line customers to a new fee for reconnecting when the party-line is separated.<sup>235</sup> In its Statement in Support, the OCA submits that the Settlement addresses the concerns expressed by the OCA regarding party service lines and is therefore in the public interest.<sup>236</sup>

#### **6. Responsibility for Damaged Sewer Lateral Repair and Replacement (Joint Petition, Section III.E.6)**

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-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.<sup>237</sup>

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<sup>234</sup> PWSA St. in Supp. at 76.

<sup>235</sup> OCA St. 6 at 36-37.

<sup>236</sup> OCA St. in Supp. at 16.

<sup>237</sup> Joint Petition, ¶ III (E)(6).



PWSA submits that these Settlement terms represent a reasonable compromise of the Parties' litigation positions. In particular, the Authority agrees to develop a DSL Plan in the short-term following this proceeding as PWSA had planned to move forward in this way once the Commission promulgates Act 120 regulations. PWSA argues that this Settlement provision is in the public interest as 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.<sup>238</sup>

During litigation, OCA recommended that PWSA should repair and replace privately-owned damaged sewer laterals within the public right-of-way at PWSA's expense.<sup>239</sup> In its Statement in Support, the OCA submits that the Settlement provides a compromise between its position and PWSA's and reasonably addresses this matter. On one hand, 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.<sup>240</sup> On the other hand, 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.<sup>241</sup>

#### **7. Customer Service Performance Metrics (Joint Petition, Section III.E.7)**

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.<sup>242</sup> 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

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<sup>238</sup> PWSA St. in Supp. at 76.

<sup>239</sup> OCA St. 6SR at 11.

<sup>240</sup> Joint Petition, ¶ III (E)(6)(a), (6)(c).

<sup>241</sup> OCA St. in Supp. at 17; Joint Petition, ¶ III (E)(6)(b)(i).

<sup>242</sup> Joint Petition, ¶ III (E)(7).

continuing its current standards in these areas and continuing to make good faith efforts to meet them.<sup>243</sup>

The OCA agrees. During litigation, the OCA noted that PWSA showed significant improvement in answering calls in a timely manner in 2020 and 2021; however, it expressed concern regarding the longevity of this improvement as it occurred during a period in which call volume was lower due to the halt in termination activities.<sup>244</sup> The Settlement reflects PWSA’s commitment to meeting its internal goals of an average speed of answer of less than one minute, abandonment rate of less than 3%, and of restoring service for outages that impact more than 2,000 customers within 6 hours, even after the resumption of more traditional termination policies and resulting higher call volume.<sup>245</sup>

#### **8. Customer Complaint Handling (Joint Petition, Section III.E.8)**

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 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.<sup>246</sup>

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<sup>243</sup> PWSA St. in Supp. at 85.

<sup>244</sup> OCA St. 5 at 12-13.

<sup>245</sup> OCA St. in Supp. at 18.

<sup>246</sup> Joint Petition, ¶ III (E)(8).

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. Despite agreeing to these terms, the Authority opposes the notion that any trends in the number of complaints that are filed reflects a lack of compliance on its part. 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.<sup>247</sup>

OCA submits that the Settlement terms regarding PWSA's handling of customer complaints address the issues raised by the OCA during litigation. The OCA argues that actions that PWSA agreed to take pursuant to the provisions of Settlement ¶ III(E)(8)(a)-(b) will improve reporting and facilitate review of complaints. The OCA further supports PWSA undertaking of a root cause analysis of informal and formal complaints, the adoption of reforms to reduce complaints, and the evaluation of its collection policies in relation to "catch up bills" resulting from malfunctioning meters.<sup>248</sup>

## **9. Liens and Third-Party Debt Collector (Joint Petition, Section III.E.9)**

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.<sup>249</sup>

In its Statement in Support, PWSA submits that 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. According to PWSA, the Settlement also represents a reasonable compromise of the issues concerning a third-party debt

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<sup>247</sup> PWSA St. in Supp. at 84.

<sup>248</sup> OCA St. in Supp. at 19; Joint Petition, ¶ III (E)(8)(c)-(d); OCA St. 5 at 17-18; OCA St. 5SR at 10.

<sup>249</sup> Joint Petition, ¶ III (E)(9).

collection agency since this approach involves the stakeholders without burdening the process with unnecessary Commission review.<sup>250</sup>

OCA submits that the Settlement terms at ¶ III.9.E.9.a address the lack of customer education and notice regarding PWSA's authority to issue liens on properties as a result of non-payment of bills. The Settlement also reflects OCA's recommendation that, if PWSA engages a third-party debt collection agency, it may do so only after notice and opportunity to comment from stakeholders. 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.<sup>251</sup>

#### **10. Compliance Plan Stage 2 Customer Service Issues (Joint Petition, Section III.E.10)**

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 ongoing 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.<sup>252</sup>

In its Statement in Support, PWSA argues that 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 and the extensive background of that proceeding in the form of workshops and the exchange of information among the Parties. It is 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.

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<sup>250</sup> PWSA St. in Supp. at 87.

<sup>251</sup> OCA St. in Supp. 19-20; Joint Petition, ¶ III (E)(9)(b); OCA St. 5 at 28.

<sup>252</sup> Joint Petition, ¶ III (E)(10).

Having these issues excluded from consideration in this base rate case conserves valuable resources of the Commission and the Parties.<sup>253</sup>

Although Pittsburgh United did not raise any issues related to customer service or quality of service during litigation, in its Statement in Support Pittsburgh United explains that it believes the terms of the Settlement addressing these issues are reasonably and appropriately balanced. Pittsburgh United notes that paragraph III.E.10 of the Settlement explicitly acknowledges the pendency of the PWSA Stage 2 Compliance Plan at docket M-2018-2640802, the designated proceeding to address various customer service issues, and all Parties agree that the provisions of the Settlement may be changed or modified in that proceeding.<sup>254</sup>

I find that the Settlement provisions regarding customer service and quality of service are in the public interest. These provisions require PWSA to conduct record-keeping, testing, and maintenance activities throughout its system in order to provide its customers with safe, reasonable, and adequate service. They commit PWSA to maintain customer service performance metrics, improve its procedures for handling customer complaints, and expand PWSA's consumer education about the lien process. All the while, these Settlement provisions maintain a clear delineation between the quality-of-service issues that are appropriately part of the Authority's rate case filing and the issues that have been expressly reserved for adjudication in the Compliance Plan Stage 2 proceeding.

**F. Low Income Customer Assistance Programs (Joint Petition, Section III.F)**

**1. Bill Discount Program (BDP) (Joint Petition, Section III.F.1)**

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.

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<sup>253</sup> PWSA St. in Supp. at 89.

<sup>254</sup> Pittsburgh United St. in Supp. at 26.

Further, these terms are consistent with PWSA’s goal to evolve the programs in a manner intended to best assist its customers and, therefore, these Settlement terms should be adopted.<sup>255</sup>

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. Further, the Settlement provides that BDP participants will receive an 85% discount on the stormwater charge.<sup>256</sup>

In its Statement in Support, the OCA notes that in the 2020 base rate case and in this one, the OCA has argued that in order to adequately address affordability the BDP should be modified to become an income-based fixed payment Percentage of Income Plan (“PIP”). However, in the present case, the OCA accepted PWSA’s proposed enhancement to its existing BDP as a further step in the transition to a full BDP program in conjunction with his proposed modifications to the arrearage management program.<sup>257</sup>

In turn, Pittsburgh United argues that this modest increase to the volumetric discount for families at the lowest end of the income spectrum, from 20% to 50%, will not only improve bill affordability, but will tie usage to their discount, providing them more control over their bill amounts. According to Pittsburgh United, improving bill affordability for those customers at the lowest end of the income levels will help mitigate this high water and wastewater burden for those with the fewest resources and is therefore squarely in the public interest and should be approved without modification.<sup>258</sup>

In addition, Pittsburgh United further submits that any increase in rates, including the imposition of a new stormwater fee, is burdensome for low-income customers.<sup>259</sup> It points out that, if these customers are unable to pay this new fee, they are at risk of having their water

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<sup>255</sup> PWSA St. in Supp. at 94.

<sup>256</sup> Joint Petition, ¶ III (F)(1)(a)(i)-(ii).

<sup>257</sup> OCA St. in Supp. at 20; OCA St. 4 at 11-12; *PWSA 2020*, OCA St. 6 at 46-70

<sup>258</sup> Pittsburgh United St. in Supp. at 27.

<sup>259</sup> Pittsburgh United St. 1, at 14–17, 48.

service terminated and having a lien placed on their property.<sup>260</sup> During litigation Pittsburgh United recommended that PWSA provide a 100% discount on the stormwater fee for BDP participants;<sup>261</sup> however, in its Statement in Support Pittsburgh United asserts that an 85% discount on the stormwater charge for BDP participants as proposed in Paragraph III.F.1 of the Petition represents a reasonable compromise on this issue given the varied positions and interests of the Parties.<sup>262</sup>

## **2. Arrearage Forgiveness Program (Joint Petition, Section III.F.1.b.)**

The Settlement also contains a number of terms related to PWSA's Arrearage Forgiveness Program ("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.<sup>263</sup>

The Settlement also provides that, as part of its implementation of a new customer information and billing system, 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 will track and record the credits provided and may claim the credits for ratemaking purposes in a future rate case.<sup>264</sup> The Settlement also provides for the continuation of

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<sup>260</sup> PWSA St. 6, at 29 – 30, 31 –32. Consistent with Paragraph III.E.10, PWSA's collections methods may be at issue in the separate, ongoing Compliance Plan proceeding. In noting PWSA's assertions regarding the consequences of stormwater unaffordability and PWSA's current collections methods, Pittsburgh United is not taking a position at this time on the appropriateness of those methods.

<sup>261</sup> Pittsburgh United St. 2, at 27.

<sup>262</sup> Pittsburgh United St. in Supp. at 28.

<sup>263</sup> Joint Petition, ¶ III (F)(1)(b)(i)-(iv).

<sup>264</sup> Joint Petition, ¶ III (F)(1)(b)(v)-(vi).

the AFP on a non-pilot basis. Finally, the Settlement contains a commitment for the PWSA Cares Team to solicit input from BDP participants.<sup>265</sup>

In its Statement in Support, the OCA notes that the Settlement implements OCA's recommendations for modifying PWSA's AFP by providing automatic enrollment in the AFP for low-income customers newly enrolling in PWSA's BDP.<sup>266</sup> Further, the OCA supports PWSA's commitment to coordinate with Dollar Energy Fund, which administers the Authority's customer assistance programs, to develop a seamless process for this automatic enrollment.<sup>267</sup> PWSA will attempt to contact all current BDP participants to offer enrollment in the AFP.<sup>268</sup>

During litigation, the OCA 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.<sup>269</sup> The OCA 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 Settlement reflects 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. Importantly, consistent with OCA'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.<sup>270</sup>

Pittsburgh United submits that the proposed Settlement at Section III (F)(b)(i) ensures that PWSA's AFP program effectively reaches eligible households and provides meaningful relief. Automatic enrollment of existing BDP enrollees with arrears will ensure that more at-need customers are able to access arrearage forgiveness and will be provided this benefit as an integrated component of the BDP. This is consistent with the arrearage forgiveness provided by other major Pennsylvania utilities – in which arrearage forgiveness is provided

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<sup>265</sup> Joint Petition, ¶ III (F)(1)(b)(vii) and (c).

<sup>266</sup> Joint Petition, ¶ III (F)(1)(b)(i).

<sup>267</sup> Joint Petition, ¶ III (F)(1)(b)(iv).

<sup>268</sup> OCA St. in Supp at 20-21; Joint Petition, ¶ III (F)(1)(b)(ii).

<sup>269</sup> OCA St. 4 at 15-16.

<sup>270</sup> OCA St. in Supp at 21-22; Joint Petition, ¶ III (F)(1)(b)(vii); see OCA St. 4 at 17.



concurrently with the bill discount under customer assistance programs. Further, increasing the monthly credit amount is a reasonable intermediate step in ensuring that low-income consumers are given a reasonable means to catch up on past due bills upon entry into the BDP. In addition, PWSA and other ratepayers who pay for the program will benefit in terms of reduced collections expenses and uncollectible expenses. As PWSA begins to implement its new customer BDP information and billing system, it is required to consider alternative designs for its AFP, such as a percentage of forgiveness structure that could provide a more equitable means for low-income customers to catch up on their arrears – especially those customers who carry higher balances. The proposed Settlement requires PWSA to work with its vendors to ensure that the tech capabilities are in place to allow for alternative AFP structures.<sup>271</sup>

Pittsburgh United opines that, with the enhancements of its AFP in this case and explicit plan to consider structural changes to its program as its technological capabilities expand, PWSA will be taking an important step towards increasing bill affordability for its low-income customers. As such, Pittsburgh United asserts that the enhancements to its existing program, commitment to implementing a plan to automate arrearage forgiveness for BDP participants, and eventual restructuring of the AFP is in the public interest and should be approved without modification.<sup>272</sup>

### **3. Plan to Solicit Input from BDP Participants (Joint Petition, Section III.F.1.c.)**

The Settlement contains a commitment for the PWSA Cares Team to solicit input from BDP participants.<sup>273</sup>

During litigation, OCA recommended that PWSA revise its bill format to make it clear how the discounts and credits impact the current charges for a customer in the BDP.<sup>274</sup> 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

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<sup>271</sup> Pittsburgh United St. in Supp. at 29-30.

<sup>272</sup> Pittsburgh United St. in Supp at 30.

<sup>273</sup> Joint Petition, ¶ III(F)(1)(b)(vii) and (c).

<sup>274</sup> OCA St. 5 at 19-20; see also OCA St. 4SR at 19

changes to the existing bill design.<sup>275</sup> The OCA submits that having the benefit of customer input will improve both the process and end result.<sup>276</sup>

#### **4. Hardship Grant (Joint Petition, Section III.F.2)**

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.<sup>277</sup>

OCA notes that in the prior rate case and this one, the OCA sought the waiver of PWSA's sincere effort of payment requirement during the COVID-19 emergency. In its Statement in Support, the OCA submits that complete elimination of the requirement provides permanent relief, without the need to request continued extensions.<sup>278</sup>

During litigation, Pittsburgh United argued that, for the most vulnerable low-income customers who are seeking grant assistance, often after many months of financial difficulties, hardship funding is out of reach as a result of the sincere effort of payment requirement.<sup>279</sup> According to Pittsburgh United, elimination of the sincere effort of payment requirement will remove a significant boundary to assistance for low-income customers.<sup>280</sup> In addition, extending availability to wastewater conveyance only customers will further expand the program to reach more at-need customers.<sup>281</sup>

Pittsburgh United further submits that the provisions of this Settlement will help to stabilize program funding and increase the availability of hardship fund assistance so that a greater number of at-need customers can access assistance in the future. Pittsburgh United

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<sup>275</sup> Joint Petition, ¶ III(F)(1)(c).

<sup>276</sup> OCA St. in Supp. at 22.

<sup>277</sup> Joint Petition, ¶ III(F)(2)(a)-(c).

<sup>278</sup> OCA St. in Supp. at 22; OCA St. 4 at 20-21.

<sup>279</sup> Pittsburgh United St. 1, at 44 – 45.

<sup>280</sup> See id. at 44.

<sup>281</sup> Pittsburgh United St. in Supp. at 31.

asserts that the improvements to PWSA's Hardship Grant Program in the proposed Settlement are in the public interest, as they improve the stability and accessibility of the Hardship Grant Program for low-income customers who struggle most to afford their water and wastewater bills.<sup>282</sup>

### **5. Winter Shut Off Moratorium (Joint Petition, Section III.F.3)**

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.<sup>283</sup>

In its Statement in Support, I&E explained that it submitted testimony in opposition to PWSA's proposal to expand the winter shut-off moratorium to customers who are 65 years of age or older regardless of their income level. According to I&E, PWSA's proposal was objectionable on multiple bases, including the following: (1) it was not at all based on customers' financial need; (2) it was not supported by any surveys or studies; (3) it was incompatible with the Commission's policy statement regarding customer assistance programming being targeted to low-income customers; (4) its reliance on age as the defining criteria for eligibility was discriminatory; and (5) it would result in unwarranted uncollectible expenses for customers.<sup>284</sup>

For these reasons, from both a public interest and regulatory perspective, I&E opposed PWSA's proposal to extend the winter moratorium protection based on age in lieu of demonstrated need. As part of the Settlement, PWSA has agreed to withdraw its proposal, and I&E submits that the public interest requires that it be withdrawn. I&E notes that PWSA's agreement to withdraw this proposal was a condition necessary for I&E to join the Settlement, as

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<sup>282</sup> Pittsburgh United St. in Supp. at 31

<sup>283</sup> Joint Petition, ¶ III (F)(3)(a)-(b).

<sup>284</sup> I&E St. in Supp. at 26; I&E St. No. 2 at 53-56.

the public interest demands that ratepayers' access to winter shut off protections not be predicated on age, but instead upon demonstrated financial need.<sup>285</sup>

Pittsburgh United supports the Settlement provisions related to the Winter Shut-off Moratorium arguing that given the increased arrears amongst low-income customers, and the disproportionate economic struggles that low-income households have faced as a result of the pandemic, it is essential that eligible customers are able to maintain services necessary to remaining in their homes safely during the winter months. Pittsburgh United believes that this may have the added benefit to PWSA of helping to reduce the administrative costs that PWSA currently incurs in the administration of its Winter Shut-off Moratorium.<sup>286</sup>

## **6. Administration and Outreach (Joint Petition, Section III.F.4-5)**

The Settlement also requires PWSA to continue to evaluate the administration of its low-income programs and consider cost-effective methods for program administration.<sup>287</sup> 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 Federal Poverty Level ("FLP"), establishing quantitative goals related to unsolicited customer contacts, and tracking and monitoring the success of its enrollment attempts.<sup>288</sup>

During litigation, the OCA estimated that only 17% of PWSA's estimated low-income customer base is enrolled in the BDP and emphasized the need for and importance of incentivizing enrollment in PWSA's low-income customer programs. 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 the FLP in its BDP within 18 months.<sup>289</sup> 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

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<sup>285</sup> I&E St. in Supp. at 27.

<sup>286</sup> Pittsburgh United St. in Supp. at 32.

<sup>287</sup> Joint Petition, ¶ III (F)(4)(a)-(b).

<sup>288</sup> Joint Petition, ¶ III (F)(5)(a)-(e).

<sup>289</sup> Joint Petition, ¶ III (F)(5)(a).

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.<sup>290</sup>

Significantly, PWSA commits to focus its additional outreach efforts in areas with residents with the lowest incomes.<sup>291</sup> This helps to address an important issue raised by OCA, 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.<sup>292</sup> The OCA argues that 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.<sup>293</sup>

Pittsburgh United agrees. In its Statement in Support, Pittsburgh United argued that it is essential that PWSA continue to evaluate the administration of its low-income programs to ensure that the programs are appropriately structured to incentivize enrollment and accuracy as proposed in paragraph III.F.4 of the proposed Settlement. According to Pittsburgh United, PWSA's commitment to consider cost effective methods for administering the programs, including how to realize synergies with other area utility programs, and access and collect appropriate data for program adoption will provide valuable information to PWSA to inform further decisions about its program administration. This continued evaluation will ideally improve the ability of PWSA to fully engage in vital community engagement and outreach in order to increase enrollment in PWSA's low-income programs.<sup>294</sup>

Pittsburgh United also supports the terms in paragraph III.F.5 of the Settlement, which require that PWSA establish a concrete target enrollment for its BDP (20%) within 18 months of a final order in this proceeding. This paragraph also requires that PWSA track and monitor the success of their enrollment attempts and report that information on a quarterly basis

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<sup>290</sup> Joint Petition, ¶ III (F)(5)(b)-(d).

<sup>291</sup> Joint Petition, ¶ III(F)(5)(b).

<sup>292</sup> OCA St. 4 at 42-43.

<sup>293</sup> OCA St. in Supp. at 23.

<sup>294</sup> Pittsburgh United St. in Supp. at 33.

as part of its LIAAC meetings. In Pittsburgh United's view, accurate counts of low-income customers by income tier are critical metrics which allow the Authority to measure the needs, budgets, and goals of its low-income programs. Such information is critical to determining how to improve program design, target outreach, and connect appropriate consumers with assistance. Further, providing consistent information about program enrollment levels to the advisory group, will in turn help to inform the advisory group, allowing it to give more valuable feedback to PWSA.<sup>295</sup>

The evaluation of customer assistance programs and possible future enhancements in the proposed Settlement represent a balanced approach that will allow the Commission, the Joint Petitioners, and other interested stakeholders to evaluate the water and wastewater burdens borne by PWSA's low-income customers. Given this balanced approach, Pittsburgh United asserts that the proposed Settlement with respect to the evaluation of customer assistance programs and future enhancements is in the public interest and should be approved without modification.<sup>296</sup>

I find that the Settlement provisions regarding the low-income customer assistance issues are in the public interest. These provisions improve bill affordability for the most vulnerable group of PWSA's customers while providing them with better control over the billed amounts. They expand PWSA's AFP program with automatic enrollment of BDP participants and eliminate the sincere effort of payment requirement for the recipients of the hardship funds. Taken together these provisions are in the public interest as they provide some additional relief to customers in need of financial assistance, particularly during this difficult time.

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<sup>295</sup> Pittsburgh United St. in Supp. at 35.

<sup>296</sup> Id.

**G. Miscellaneous Fees (Joint Petition, Section III.G)**

In the proposed Settlement, PWSA agrees to reduce its current Returned Check Charge from the existing tariff rate of \$30.45 to \$20.00.<sup>297</sup> 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.<sup>298</sup> 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.<sup>299</sup>

In its Statement in Support, PWSA submits that the proposed Settlement regarding the miscellaneous fees is a reasonable resolution of the issues and should be approved without modification. 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 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 clearer that PWSA will not charge customers for access to their data for customer disputes or complaints. PWSA concludes that 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.<sup>300</sup>

During litigation, OCA took issue with PWSA current "dishonest payment" fee of \$30.45 as well as the Authority's proposal to increase the fee to \$40.00 included in its filing.<sup>301</sup>

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<sup>297</sup> Joint Petition, ¶ III.G.1.

<sup>298</sup> Joint Petition, ¶ III.G.2 and G.3.

<sup>299</sup> Joint Petition, ¶ III.G.3.

<sup>300</sup> PWSA St. in Supp. at 100.

<sup>301</sup> OCA St. 3 at 30.

According to OCA, 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 \$10.00 or less).<sup>302</sup> Paragraph III.G.1 of the Settlement addresses the OCA's concern by reducing the dishonored payment fee to \$20.00, or half of the amount originally proposed.<sup>303</sup>

In addition, the OCA opposed PWSA's proposal to include in the tariff language which would allow it to increase fees based on the annual Consumer Price Index.<sup>304</sup> The OCA argued that 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. The OCA support the Settlement provisions at Paragraphs III.9.G.2 and 4, in which PWSA accepts OCA's recommendation 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.<sup>305</sup>

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.<sup>306</sup> The OCA supports the Settlement provisions at III.9.G.3 wherein the Authority agrees that no charges would be assessed in that circumstance and added clarifying language to its tariffs.<sup>307</sup>

Although I&E did not submit testimony regarding miscellaneous fees, I&E supports these terms as being in the public interest because they will serve to protect PWSA's customers from unwarranted charges.

Similarly, Pittsburgh United did not take a formal position on each individual fee addressed in this paragraph. However, it supports lowering of the returned check fee from \$30.45

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<sup>302</sup>

Id.

<sup>303</sup>

OCA St. in Supp. at 24.

<sup>304</sup>

OCA St. 5 at 29.

<sup>305</sup>

OCA St. in Supp. at 24; OCA St. 3 at 32; OCA St. 5SR at 13-14.

<sup>306</sup>

OCA St. 5 at 29.

<sup>307</sup>

OCA St. in Supp. at 25; Joint Petition, ¶ III.9.G.3; see, e.g., Joint Petition, Appendix I, p. 14.



to \$20 and agrees that PWSA should be required to provide cost-based support for its proposed fees and charges.<sup>308</sup>

Like I&E and Pittsburgh United, the OSBA took no position regarding PWSA's miscellaneous fees during litigation. Nevertheless, in its Statement in Support, the OSBA highlights its approval of Paragraph 9.G.3 of the Settlement, in which PWSA agrees not to charge customers for access to data in PWSA's possession which would be required for PWSA to respond to a customer dispute or complaint. In particular, the OSBA argues that dealing with disputes or complaints involving utilities is a drain on small business customers, both in terms of time and resources. Consequently, the OSBA supports the provisions of Paragraph 9.G.3 of the Settlement because eliminating an additional cost of data access will minimize the total cost impact on small business customers who have a dispute or complaint with PWSA.<sup>309</sup>

I find that the Settlement reasonably proposes to resolve all issues related to PWSA's miscellaneous fee proposals. These Settlement provisions mark another commitment on the part of PWSA towards the implementation of cost-based fees in the future and away from unwarranted charges. In addition, by giving access to data in PWSA's possession, free of charge, to PWSA customers involved in informal or formal complaint against the utility, PWSA is protecting the right of its customers to conduct discovery and promoting a fair and just administrative process. As part of the whole of this Settlement, I find that these Settlement provisions are in the public interest and should be approved without modification.

#### **H. Future Notice of Proposed Rate Changes (Joint Petition, Section III.F.1.b.)**

As part of the Settlement, the 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 The Allegheny County Sanitary Authority's ("ALCOSAN") wastewater treatment charges which will also be billed and collected by PWSA.<sup>310</sup> The proposed

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<sup>308</sup> Pittsburgh United St. in Supp. at 36.

<sup>309</sup> OSBA St. in Supp. at 6-7.

<sup>310</sup> Joint Petition, ¶ III.H. A proposed form of future Customer Notice is contained in Appendix L to the Joint Petition.

language also refers to PWSA’s wastewater charges as “Wastewater Conveyance” charges to further separate them from ALCOSAN’s wastewater treatment charges.

PWSA submits that the proposed Settlement is a reasonable way to address the concerns raised by the 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. Additionally, the Authority explains that changes to its existing bills are not necessary to address ALCOSAN issues because PWSA’s collections processes and billing are the subject of the pending Stage 2 Compliance Plan proceeding.<sup>311</sup> In light of this, PWSA argues that reaching an 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.<sup>312</sup>

In its Statement in Support, the OCA points out that Appendix L to the Settlement sets forth a proposed form of future Customer Notices of proposed rate changes, in which PWSA will make clear that the bill impacts in the notice for wastewater “conveyance” do not include charges for wastewater “treatment.”<sup>313</sup> According to OCA, this will help to ensure that customers are more accurately informed of the overall impact of the increase.<sup>314</sup>

Lastly, although I&E did not submit testimony regarding them, I&E avers that the terms will serve to ensure that PWSA’s customers are better informed about how ALCOSAN charges are reflected.<sup>315</sup>

I find that these provisions encourage transparency, accuracy, and customer education with regard to the impact of rate increases to their monthly bills. Therefore, these terms are in the public interest and should be approved without modification.

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<sup>311</sup> PWSA St. No. 6-R at 17-21.

<sup>312</sup> PWSA St. in Supp. at 101.

<sup>313</sup> Joint Petition, ¶ III.9.H.

<sup>314</sup> OCA St. in Supp. at 25.

<sup>315</sup> I&E St. in Supp. at 27-28.

## VIII. RECOMMENDATION

PWSA is unique in that the General Assembly has imposed a specific statutory obligation upon the Commission to ensure that PWSA is permitted to impose, charge, or collect rates or charges as necessary to permit it to comply with its covenants to the holders of any bonds or other financial obligations.<sup>316</sup> Within that framework, the Joint Petitioners collectively, considered, discussed, and negotiated all issues of import in this Settlement. From a holistic perspective, each party has agreed that the Settlement benefits its particular interest. Line-by-line identification and ultimate resolution of every issue raised in the proceeding is not necessary to find that the Settlement satisfies the public interest, nor could such a result be achieved as part of a Settlement.

The proposed Settlement is in the public interest because it limits the scope of the increase approved during an uncertain economic period. The overall increase to base rates 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. It will provide PWSA with sufficient revenue to protect its financial health while providing safe and effective service. 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.

The Settlement represents a step toward a more equitable rate structure for stormwater services wherein customers are billed based on the impervious area of their property rather than water usage. It also reflects PWSA's commitment to further its data collection, record keeping, customer education, and transparency efforts, increase its system-wide testing and maintenance efforts, improve in its low-income assistance programs and customer service,

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<sup>316</sup> 66 Pa. C.S. § 3208 (c)(1).

and progress toward cost-based charges. For these reasons and the ones listed in more detail above, I find that the Settlement is in the public interest and supported by substantial evidence and recommend its adoption without modification. Consequently, I recommend that the Commission's investigations at Docket Nos. R-2021-3024773, R-2021-3024774 and R-2021-3024779 be marked closed once the Joint Petition is approved and the appropriate documents have been filed in compliance with Commission regulations. I also recommend the formal complaints filed by the Office of Consumer Advocate at Docket Nos. C-2021-3025473, C-2021-3025471, and C-2021-3025474, and the Office of Small Business Advocate at Docket Nos. C-2021-3025516, C-2021-3025517, and C-2021-3025521 be terminated and marked closed.

### VIII. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the Parties to this proceeding. 66 Pa.C.S. §§ 501, 66 Pa.C.S. § 1308(d).

2. Under Section 1301 of the Public Utility Code, a public utility's rates must be just and reasonable. 66 Pa. C.S. § 1301.

3. Commission policy promotes settlements. 52 Pa. Code § 5.231.

4. The Commission encourages black box settlements. *Pa. Pub. Util. Comm'n v. Aqua Pa., Inc.*, Docket No. R-2011-2267958 (Order entered June 7, 2012); *Pa. Pub. Util. Comm'n v. Peoples TWP LLC*, Docket No. R-2013-2355886 (Order entered December 19, 2013); Statement of Chairman Robert F. Powelson, *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, Public Meeting, August 2, 2012.

5. The Petitioners have the burden to prove that the settlement is in the public interest. *Pa. Pub. Util. Comm'n v. Pike County Light & Power (Elec.)*, Docket No. R-2013-2397237 (Order entered Sept. 11, 2014).

6. The decision of the Commission must be supported by substantial evidence. 2 Pa. C.S. § 704.

7. Substantial evidence” is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established. *Norfolk & W. Ry. Co. v. Pa. Pub. Util. Comm’n*, 489 Pa. 109, 413 A.2d 1037 (1980); *Erie Resistor Corp. v. Unemployment Comp. Bd. of Review*, 194 Pa. Superior Ct. 278, 166 A.2d 96 (1961); *Murphy v. Comm., Dep’t of Pub. Welfare, White Haven Ctr.*, 85 Pa. Commonwealth Ct. 23, 480 A.2d 382 (1984).

8. The Settlement is in the public interest and is consistent with the requirements contained in *Lloyd v. Pa. Pub. Util. Comm’n*, 904 A.2d 1010 (Pa.Cmwlt. 2006).

## IX. ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Settlement filed September 7, 2021, by the Pittsburgh Water and Sewer Authority, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, Pittsburgh United and the City of Pittsburgh is granted, and the Settlement is hereby adopted, in full, without modification or correction.

2. That the Pittsburgh Water and Sewer Authority is authorized to file tariffs, tariff supplements or tariff revisions containing rates, rules and regulations, consistent with the Joint Petition for Settlement, to produce a total increase of \$20.998 million in base rate revenue over a two-year period collecting \$16.996 million effective January 12, 2022 and an additional \$4.002 million starting on January 1, 2023, consistent with the rates, rules and regulations set forth in the *pro forma* tariffs included in Appendices I (Water), J (Wastewater) and K (Storm Water) to the Joint Petition for Settlement.

3. That the Pittsburgh Water and Sewer Authority shall be permitted to file tariffs in the form set forth in Appendices I (Water), J (Wastewater) and K (Storm Water) to the Joint Petition for Settlement, to become effective upon at least one day's notice, for service rendered on and after January 12, 2022, so as to produce an annual increase in revenues consistent with this Order.

4. That The Pittsburgh Water and Sewer Authority, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, Pittsburgh United, and the City of Pittsburgh shall comply with the terms of the Joint Petition for Settlement submitted in this proceeding, as though each term and condition stated therein had been the subject of an individual ordering paragraph.

5. That the complaints of the Office of Consumer Advocate at Docket Nos. C-2021-3025473 (Water); C-2021-3025471 (Wastewater); and C-2021-3025474 (Stormwater) are deemed satisfied and marked closed.

6. That the complaints of the Office of Small Business Advocate Docket Nos. C-2021-3025516 (Water); C-2021-3025471 (Wastewater); and C-2021-3025521 (Stormwater) are deemed satisfied and marked closed.

7. That upon acceptance and approval by the Commission of the tariffs and allocation of proposed Settlement rate increase filed by The Pittsburgh Water and Sewer Authority consistent with this Order, the Commission's investigation at Docket No. R-2021-3024773 (Water); Docket No. R-2021-3024774 (Wastewater); and Docket No. R-2021-3024779 (Stormwater) shall be terminated; and these dockets shall be marked closed.

Date: October 6, 2021

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/s/  
Eranda Vero  
Administrative Law Judge