

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 16, 2022

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

Re: Pennsylvania Public Utility Commission

v.

Pennsylvania-American Water Company

Docket Nos. R-2022-3031672 (Water)

R-2022-3031673 (Wastewater)

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Formal Complaint and Public Statement in the above-referenced proceedings.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Mackenzie C. Battle
Mackenzie C. Battle
Assistant Consumer Advocate
PA Attorney I.D. #330879
E-Mail: MBattle@paoca.org

Enclosures:

cc: Office of Administrative Law Judge (**email only**)
Bureau of Technical Utility Services (**email only**)
Office of Special Assistants (**email only**: ra-OSA@pa.gov)
Certificate of Service

*328775

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
 :
 v. : Docket Nos. R-2022-3031672 (Water)
 : R-2022-3031673 (Wastewater)
 :
 :
 Pennsylvania-American Water Company :

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

Dated this 16th day of May 2022.

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Dated: May 16, 2022
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PENNSYLVANIA PUBLIC UTILITY COMMISSION

Formal Complaint

1. COMPLAINANT INFORMATION

Patrick M. Cicero, Acting Consumer Advocate

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Dauphin County

Phone: 717-783-5048

Facsimile: 717-783-7152

2. FULL NAME OF UTILITY COMPANY:

Pennsylvania-American Water Company
Docket No. R-2022-3031672 (Water)
Docket No. R-2022-3031673 (Wastewater)

3. TYPE OF UTILITY:

Water and Wastewater

4. COMPLAINT:

- A.** On April 29, 2022, Pennsylvania-American Water Company (PAWC or the Company) filed Supplement No. 35 to Tariff Water – PA P.U.C. No 5 and Supplement No. 34 to Tariff Wastewater – PA P.U.C. No. 16 to become effective June 28, 2022. A full suspension by the Public Utility Commission (PUC or Commission) would delay the increase until January 28, 2023. Through this filing, PAWC requests that the Commission approve increases to its water and wastewater rates pursuant to Section 1308, 1311(c), and 1330 of the Public Utility Code, 66 Pa. C.S. §§ 1308, 1311(c), and 1330. PAWC's proposed tariffs propose to increase the Company's total annual operating revenues by approximately \$173.2 million (\$154.4 million from water operations and \$18.7 million from wastewater operations) based on a fully projected future test year ending December 31, 2023.
- B.** PAWC serves customers located in 36 counties across Pennsylvania. As of April 29, 2022, the Company provides water service to approximately 680,000 customers in portions of Adams, Allegheny, Beaver, Berks, Bucks,

Butler, Centre, Chester, Clarion, Clearfield, Clinton, Columbia, Cumberland, Dauphin, Fayette, Indiana, Jefferson, Lackawanna, Lancaster, Lawrence, Lebanon, Luzerne, McKean, Monroe, Montgomery, Northampton, Northumberland, Pike, Schuylkill, Susquehanna, Union, Warren, Washington, Wayne, Wyoming, and York Counties. The Company also provides wastewater service to approximately 97,000 customers in portions of Adams, Allegheny, Beaver, Berks, Chester, Clarion, Cumberland, Lackawanna, Luzerne, McKean, Monroe, Montgomery, Northumberland, Pike, Washington, and York Counties.

- C. According to the customer notices included in PAWC’s filing, a typical residential water customer using 3,212 gallons per month would see the following increases in their monthly bill as provided by Zone:

Water			Proposed Rates		
Current Rate Zone	Area	Present Rate	Rate	\$ Increase	% Increase
1		\$60.49	\$75.49	\$15.01	24.81%
2	Winola	\$33.74	\$75.49	\$41.76	123.77%
3	McEwensville	\$47.06	\$75.49	\$28.43	60.42%
4	Turbotville	\$60.48	\$75.49	\$15.01	24.81%
5	Steelton	\$38.76	\$75.49	\$36.74	94.79%
6	Valley	\$28.99	\$68.82	\$39.84	137.43%
	Creekside HOA	\$60.49	\$75.49	\$15.00	24.80%

A typical residential wastewater customer using 3,212 gallons of water per month would see the following increases to their monthly bill as provided by Zone:

Wastewater			Proposed Rates		
Current Rate Zone	Area	Present Rate	Rate	\$ Increase	% Increase
1		\$76.65	\$95.69	\$19.04	24.85%
2	New Cumberland	\$52.59	\$95.69	\$43.10	81.96%
3	Scranton	\$55.76	\$53.55	- \$2.21	- 3.96%
4	Kane	\$83.14	\$87.81	\$4.67	5.62%
5	Franklin	\$81.64	\$95.00	\$13.36	16.36%
6	McKeesport	\$77.54	\$95.69	\$18.15	23.41%
7	Sadsbury	\$73.61	\$95.69	\$22.08	47.10%
8	Turbotville	\$68.82	\$95.69	\$26.88	39.05%
9	Exeter	\$72.37	\$95.69	\$23.32	32.22%
10	Royersford	\$30.00	\$51.00	\$21.00	70.00%
11	Valley Township	\$59.67	\$75.00	\$15.33	25.69%
12	Foster Township	\$85.00	\$85.00	\$0.00	0.00%
	Upper Pottsgrove	\$65.00	\$95.00	\$30.00	46.15%
	City of York	\$29.36	\$43.19	\$13.83	47.12%

- D.** The Company proposes to postpone the effective date for rate increases to customers in certain rate zones where the system was recently acquired (Royersford, Valley Township and City of York) or acquisition is pending approval by the Commission (Foster Township).
- E.** PAWC proposes that the Distribution System Improvement Charge will not apply to customers in certain acquired systems (Sadsbury Township, Turbotville, Exeter Township, Upper Pottsgrove Township, Royersford, Kane, Valley Township, City of York and Foster Township).
- F.** The Company's cost of service calculated increase to wastewater revenue requirement is \$92 million. Under Section 1311(c) the Company proposes to shift \$73 million of that \$92 million cost-based increase to water customers. The proposed \$73 million subsidy is about half of PAWC's proposed \$154 million increase for water operations.
- G.** PAWC proposes a Revenue Stabilization Mechanism (RSM), which is a decoupling rate mechanism that would allow PAWC to increase (or decrease) rates between base rate cases if revenues differ from the level of authorized revenue approved by the Commission in this rate case.
- H.** Further, PAWC proposes an uncollectible expense tracker designed to reflect differences that occur, between rate cases, in the annual amount of uncollectible accounts expense reflected in base rates and the actual amount of uncollectible expense incurred by the Company.
- I.** The Company has combined sanitary and stormwater systems (currently, McKeesport, Scranton and Kane). The Company has identified stormwater costs in its filing and calculated potential stormwater fees but does not propose to implement such fees. It proposes to continue to recover the expenses and capital investment related to stormwater collection and the treatment of stormwater from wastewater customers in the combined systems and from water customers through its proposed Act 11 subsidy.
- J.** The Consumer Advocate is empowered to represent the interests of Pennsylvania consumers before the Pennsylvania Public Utility Commission, pursuant to Act 1976-161 of the General Assembly, as amended, 71 Pa. C.S. §§ 309-1 *et seq.*
- K.** A preliminary examination of PAWC's rate increase requests indicates that PAWC's present rates and proposed charges, increases and changes in rates, rules and regulations contained within the request are or may be unjust, unreasonable, and in violation of law; will or may allow PAWC an opportunity to recover an excessive rate of return on its utility property investment, in violation of the Public Utility Code; will or may discriminate against certain customers; will or may compensate PAWC for providing

inadequate service to some or all of its customers; may be contrary to the provisions of prior Commission-approved settlements and orders; and otherwise may be contrary to sound ratemaking principles and public policy.

- L.** For ratemaking purposes, PAWC proposes a return on equity of 10.80% resulting in overall rates of return of 7.94% for the Company's water operations, and 7.59% for the Company's wastewater operations. The proposed rates of return are excessive and, if accepted, would result in rates that are unjust and unreasonable in violation of Chapter 13 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1301, *et seq.*, sound ratemaking principles, and public policy.
- M.** A preliminary examination of PAWC's existing rates, rules, and regulations indicates that certain rates, rules, and regulations may not be just and reasonable or otherwise proper under the Pennsylvania Public Utility Code and applicable ratemaking principles.

5. RELIEF

The Acting Consumer Advocate respectfully requests that Your Honorable Commission take the following actions:

- A.** Suspend and investigate the operation of the proposed tariff supplements, pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d);
- B.** Consolidate all complaints filed against the proposed increase;
- C.** Hold full evidentiary hearings examining the reasonableness of PAWC's current rates and its proposed increases in rates;
- D.** After providing the public with adequate notice, hold public input hearings in order to provide PAWC's customers with an opportunity to be heard on the record;
- E.** Deny any charges or changes contained in the proposal which cannot be fully justified by PAWC, or which otherwise are contrary to the Public Utility Code, sound ratemaking principles, and public policy; and
- F.** Grant such other relief that the Commission may deem to be necessary and proper.

6. VERIFICATION AND SIGNATURE

I, Patrick M. Cicero, hereby state that the facts above set forth are true and correct (or are true and correct to the best of my knowledge, information and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

/s/ Patrick M. Cicero

May 16, 2022

Signature

Date

7. LEGAL REPRESENTATION

Erin L. Gannon, Senior Assistant Consumer Advocate, PA Bar No. 83487
Lauren E. Guerra, Assistant Consumer Advocate, PA Bar No. 323192
Laura J. Antinucci, Assistant Consumer Advocate, PA Bar No. 327217
Mackenzie C. Battle, Assistant Consumer Advocate, PA Bar No. 330879

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**PUBLIC STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
PURSUANT TO 71 P.S. SECTION 309-4(e)**

Act 161 of the Pennsylvania General Assembly, 71 Pa. C.S. § 309-2, as enacted July 9, 1976, authorizes the Consumer Advocate to represent the interests of consumers before the Pennsylvania Public Utility Commission (PUC). In accordance with Act 161, and for the following reasons, the Acting Consumer Advocate determined to file a Formal Complaint and participate in the proceedings before the PUC involving the proposed water and wastewater rate increases requested by Pennsylvania-American Water Company (PAWC).

The objective of the Acting Consumer Advocate in filing a Formal Complaint in this matter is to protect the interests of PAWC's customers. The Acting Consumer Advocate will seek to ensure that PAWC is permitted to implement only a level of rates that is fully justified and in accordance with sound ratemaking principles. The Acting Consumer Advocate will strive to prevent PAWC from collecting from ratepayers all alleged costs that cannot be justified, or are unreasonable or unduly discriminatory, or otherwise in violation of the Public Utility Code. The Acting Consumer Advocate submits that PAWC's current rates and the rates sought by PAWC may be unjustifiable and unlawful based upon information filed by PAWC in support of its claim.

The Acting Consumer Advocate has filed this Formal Complaint and will, in the course of the proceeding, investigate PAWC's proposed annual water and wastewater revenue increase of approximately \$173.2 million and request that the PUC deny all proposed increases or changes that are not proven to be justified, reasonable, and in accordance with sound ratemaking principles. Under PAWC's proposal, a typical residential water customer in Rate Zone 1 using 3,212 gallons per month would see their

monthly bill increase from \$60.49 to \$75.49 per month. Increases for residential water customers in other rate zones will vary widely, with increases ranging from 24% to approximately 137%. A typical wastewater customer in Rate Zone 1 using 3,212 gallons of water per month would see their monthly bill increase from \$76.65 to \$95.69. Similarly, the proposed increase for a typical residential wastewater customer will also vary significantly by rate zone, ranging from an approximate 4.0% decrease to an approximate 82% increase.

PAWC serves approximately 680,000 water customers in portions of 36 counties across Pennsylvania: Adams, Allegheny, Beaver, Berks, Bucks, Butler, Centre, Chester, Clarion, Clearfield, Clinton, Columbia, Cumberland, Dauphin, Fayette, Indiana, Jefferson, Lackawanna, Lancaster, Lawrence, Lebanon, Luzerne, McKean, Monroe, Montgomery, Northampton, Northumberland, Pike, Schuylkill, Susquehanna, Union, Warren, Washington, Wayne, Wyoming, and York Counties. The Company also provides wastewater service to approximately 97,000 customers in portions of Adams, Allegheny, Beaver, Berks, Chester, Clarion, Cumberland, Lackawanna, Luzerne, McKean, Monroe, Montgomery, Northumberland, Pike, Washington, and York Counties.