



May 22, 2024

**Via E-File Only**

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

**Re: Pennsylvania Public Utility Commission v. Pennsylvania-American Water Company, Docket Nos. R-2023-3043189 (water); R-2023-3043190 (wastewater)**

*Reply Exceptions of CAUSE-PA*

Dear Secretary Chiavetta,

Please find the attached **Reply Exceptions of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA)** in the above-referenced proceeding.

As indicated on the attached Certificate of Service, service on the parties was accomplished by email only.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Ria M. Pereira".

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Certificate of Service

**BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2023-3043189
	:	R-2023-3043190
Pennsylvania-American Water Company	:	

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**Certificate of Service**

I hereby certify that I have this day served copies of the **Reply Exceptions of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA)** in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

**VIA Email Only**

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May 22, 2024

**BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :  
 :  
 v. : Docket Nos. R-2023-3043189  
 : R-2023-3043190  
 Pennsylvania-American Water Company :

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**REPLY EXCEPTIONS OF  
THE COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY  
EFFICIENCY IN PENNSYLVANIA**

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**Date: May 22, 2024**

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## **I. INTRODUCTION**

By Secretarial Letter dated May 7, 2024, the Office of Administrative Law Judge (OALJ) issued a Recommended Decision (RD) of Deputy Chief Administrative Law Judge (ALJ) Christopher P. Pell and ALJ John M. Coogan in the consolidated Pennsylvania American Water Company (PAWC) Water and Wastewater base rate proceeding. On May 17, 2024, CAUSE-PA filed Exceptions to the RD, arguing that the Commission should implement several important revisions and enhancements to PAWC's universal service programs to ensure that low income customers can access affordable rates and stay connected to life-sustaining water/wastewater services in light of deep rate unaffordability. On May 17, 2024, PAWC also filed Exceptions to the RD, in which PAWC claimed in relevant part that the RD erred in (1) rejecting PAWC's flawed alternative ratemaking mechanisms; (2) requiring PAWC to improve eligibility criteria for its Hardship Fund; (3) ordering PAWC to improve its data collection and reporting to improve oversight of its universal service programs; and (4) rejecting PAWC's inequitable winter averaging proposal.

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), through its counsel at the Pennsylvania Utility Law Project, hereby files these Reply Exceptions in opposition to the Exceptions of PAWC, and in support of the above-noted recommendations included in the RD of Deputy Chief ALJ Pell and ALJ Coogan. As discussed in detail below, each of these recommendations set forth in the RD are just, reasonable, in the public interest, and supported by substantial record evidence. We thus urge the Commission to reject PAWC's Exceptions 6, 10, 11, and 13, and uphold the RD's findings related to these important issues.

## II. REPLY EXCEPTIONS

### 1. The Commission should reject PAWC Exception 6 and uphold the RD's conclusion that the Company's proposed alternative ratemaking mechanisms are not just and reasonable and should be rejected.

PAWC argues that the Commission should reject the RD's recommendation that PAWC's proposal to establish an Environmental Compliance Investment Charge (ECIC) and Revenue Decoupling Mechanism (RDM) should be disallowed.<sup>1</sup> We address PAWC's arguments related to its ECIC and RDM proposals, in turn.

#### A. Environmental Compliance Investment Charge (ECIC)

As explained in detail in our Main Brief, PAWC is proposing to implement an Environmental Compliance Investment Charge (ECIC) as an alternative rate mechanism pursuant to 66 Pa. C.S. § 1330.<sup>2</sup> PAWC alleges its proposed ECIC is designed to reflect and recover capital costs and expenses related to compliance with federal and state environmental mandates between rate proceedings.<sup>3</sup>

Based on arguments set forth by CAUSE-PA, the Commission's Bureau of Investigation and Enforcement (I&E), the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), Pennsylvania-American Water Large Users Group (PAWLUG), and Victory Brewing, the RD recommends rejection of the proposed ECIC.<sup>4</sup> The RD reasons that there would be limited data available to the Commission to appropriately assess the justness and reasonableness of the ECIC and the impact of the ECIC, if approved, on ratepayers – particularly

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<sup>1</sup> PAWC Exceptions at 20.

<sup>2</sup> CAUSE-PA MB at 33-38. Volume I, Notice of Proposed Water and Wastewater Rate Changes.

<sup>3</sup> PAWC St. 1 at 26. CAUSE-PA MB at 33.

<sup>4</sup> RD at 306-307.

low income customers.<sup>5</sup> The RD further concludes that the proposed ECIC constitutes single issue ratemaking and seeks premature recovery of potential future uncertain costs, as larger Commission action and potential government funding has not been determined.<sup>6</sup>

Despite the RD's sound reasoning, PAWC argues that its proposed ECIC should be approved. PAWC argues, as it has through the course of the proceeding, that the proposed ECIC would mitigate customer exposure to less frequent but more significant rate increases in the context of a general base rate proceeding.<sup>7</sup> PAWC submits that anticipated environmental compliance obligations and costs would require PAWC to take on additional projects, necessitating implementation of an ECIC.<sup>8</sup> PAWC similarly argues that the proposed ECIC is timely because of the projected time and magnitude of investments that PAWC projects will be required to comply with PFAS regulations.<sup>9</sup> PAWC further argues that, if the ECIC is approved, the Commission and parties would have the opportunity to evaluate and challenge PAWC's proposed measures before any costs are incurred through its proposed filing of an "environmental compliance plan" (ECP), which PAWC asserts would provide a reasonable opportunity for review outside of a base rate case.<sup>10</sup> Finally, PAWC argues that low income customers enrolled in PAWC's Bill Discount Program (BPD) will receive a discount on ECIC costs and that the impact of ECIC costs on low income customers will be the same regardless of whether these costs are recovered through base rates or through the ECIC.<sup>11</sup>

As discussed at length in our Main Brief, PAWC's ECIC proposal is unreasonable, unjust, and contrary to public interest, and should be rejected. 52 Pa. Code § 69.3302 sets forth

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<sup>5</sup> Id.

<sup>6</sup> RD at 306-307.

<sup>7</sup> PAWC Exceptions at 21-22.

<sup>8</sup> Id.

<sup>9</sup> Id.

<sup>10</sup> Id.

<sup>11</sup> Id.

factors to evaluate whether an alternative ratemaking mechanism is just and reasonable, including the effect on low income customers and customer assistance programs, the impact on energy efficiency programming, alignment with cost causation principals, and the prevention of improper cost shifting.<sup>12</sup> PAWC's proposed ECIC fails on each of these factors.

In line with the reasoning of the RD, the impacts of the proposed ECIC on PAWC's customers and its assistance programs are largely unclear because of the scant details included in PAWC's proposal.<sup>13</sup> Based on the information provided, it is impossible to determine what costs will be included or how those costs will be calculated and allocated across PAWC's customer base. Without these key foundational details, it is impossible to assess the reasonableness and justness of the ECIC, whether the ECIC will operate equitably and consistent with cost causation principles, or whether the ECIC will reduce the need for more frequent or severe base rate filings as PAWC contends.

While PAWC argues that the Commission and parties will be able to evaluate the ECIC in the context of ECP filings, PAWC's proposed process for submission and review of its proposed ECP does not provide a robust forum to evaluate ECIC costs. Indeed, PAWC's proposed process for plan submission would include the filing of answers and comments, but no ability to conduct discovery or otherwise assess the prudence of PAWC's compliance plan, the reasonableness and justness of the expenditures necessitated by the plan, or the reasonableness and justness of the resulting charge on consumers.<sup>14</sup> It is further unclear what kind of public notice would be

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<sup>12</sup> 52 Pa. Code § 69.3302(a). CAUSE-PA MB at 34.

<sup>13</sup> CAUSE-PA MB at 34. CAUSE-PA St. 1 at 19: 1-8.

<sup>14</sup> CAUSE-PA MB at 34. PAWC St. 8 at 25-26.

provided of such filings to permit impacted consumers to meaningfully participate in this truncated ECP review process advanced by PAWC.

PAWC arguments that the proposed ECIC would not harm low income customers are likewise without merit and should be rejected. The proposed ECIC will result in negative customer impacts that render the proposed ECIC contrary to the public interest, and the factors set forth in Section 69.3302(a).<sup>15</sup> The proposed ECIC would improperly and unjustly shift the burden of mitigating PFAS and meeting environmental standards to low income customers, their households, and their communities.<sup>16</sup> While the proposed ECIC may be dampened slightly for BDP participants – BDP participants will still inequitably face heightened bills as a result of the ECIC, if implemented. Importantly, the vast majority of PAWC’s low income customers are not enrolled in PAWC’s BDP, and would face the full financial impacts of ECIC charges.<sup>17</sup> Again, given deep uncertainty in the nature and amount of costs sought to be recovered through the ECIC, this unmitigated financial impact to low income customers could be quite severe – adding an additional charge on top of already unaffordable water and wastewater bills.<sup>18</sup>

As described in detail in our Main Brief, the proposed ECIC fails to include appropriate consumer protections for financially-vulnerable low income customers pursuant to Section 69.3302(a)(12).<sup>19</sup> The design of rate recovery for environmental mitigation should account for the broad disparities that low income consumers, their families, and their communities have experienced from exposure to PFAS and other environmental contaminants.<sup>20</sup> As CAUSE-PA

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<sup>15</sup> CAUSE-PA MB at 35.

<sup>16</sup> CAUSE-PA MB at 35-36.

<sup>17</sup> CAUSE-PA MB at 37-38.

<sup>18</sup> CAUSE-PA MB at 36.

<sup>19</sup> CAUSE-PA MB at 35-36.

<sup>20</sup> Id.

expert witness, Mr. Geller, explains, “[l]ow income communities and communities of color disproportionately live near PFAS contamination sites due to historical racial discrimination in housing and occupational sectors, and inequitable enforcement of environmental regulations that concentrates sources of PFAS pollution within close proximity of these communities.”<sup>21</sup>

Economically vulnerable households should not also be required to bear the unaffordable financial burden for remediating these conditions through their monthly PAWC bills.<sup>22</sup> If approved, the proposed ECIC would add an additional charge on top of already unaffordable water/wastewater bills.<sup>23</sup>

Ultimately, as CAUSE-PA’s expert witness explained in testimony, “environmental remediation costs are part of PAWC’s cost of doing business and should be included for consideration and analysis within base rate proceedings.”<sup>24</sup>

For the forgoing reasons, we recommend that the Commission reject PAWC’s Exception 6 and uphold the RD’s recommendation to reject the ECIC.

## **B. Revenue Decoupling Mechanism (RDM)**

PAWC is proposing to implement a Revenue Decoupling Mechanism (RDM) as an alternative rate mechanism pursuant to 66 Pa. C.S. § 1330.<sup>25</sup> PAWC cites concerns related to recovery of fixed costs and argues that the RDM will stabilize revenues in light of seasonal weather conditions and declining usage across certain customer segments.<sup>26</sup>

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<sup>21</sup> CAUSE-PA MB at 36.

<sup>22</sup> Id.

<sup>23</sup> CAUSE-PA MB at 36-37.

<sup>24</sup> CAUSE-PA MB at 37.

<sup>25</sup> CAUSE-PA MB at 28. Volume I, Notice of Proposed Water and Wastewater Rate Changes.

<sup>26</sup> CAUSE-PA MB at 28. PAWC St. 10 at 87.

Based on concerns raised by CAUSE-PA, together with I&E, OCA, OSBA, PAWLUG, and Cleveland-Cliffs, the RD finds that the proposed RDM is not in the public interest, and recommends that the Commission reject the proposed RDM.<sup>27</sup> The RD finds, what includes, that the proposed RDM (1) would negate consumer conservation efforts; (2) would not provide rate stability to customer bills because the design of the RDM uses adjustments to customers' bills to maintain revenue levels; (3) would place low income customers in greater risk of arrears and termination as a result of this increased unaffordability, jeopardizing their ability to access consistent and reliable services; and (4) would result in consumer confusion, particularly as PAWC has not indicated consumer education efforts around the RDM.<sup>28</sup> Importantly, the RD finds that it is wholly unclear whether the proposed RDM would impact the frequency of rate case filings.<sup>29</sup>

PAWC excepts to the RD's recommendation to reject the proposed RDM.<sup>30</sup> PAWC argues that it addressed each of the required 14 factors set forth in the Commission's policy statement on distribution rate considerations; that the RD does not address record evidence provided by the Company that the RDM would not negatively impact conservation efforts since it does not remove incentives to reduce water consumption; and that low income customers will not be negatively impacted by the RDM.<sup>31</sup>

CAUSE-PA continues to oppose the proposed RDM, as it unreasonably prejudices and disadvantages residential customers who practice conservation to lower their monthly bills and will disproportionately impact low income customers.

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<sup>27</sup> RD at 292-293.

<sup>28</sup> RD at 292-293.

<sup>29</sup> Id.

<sup>30</sup> PAWC Exceptions at 23-25.

<sup>31</sup> Id.

First, contrary to PAWC’s arguments, record evidence clearly shows that the proposed RDM, if approved, will detract from savings that may be achieved through customers’ conservation efforts.<sup>32</sup> As proposed, the proposed RDM would disincentive customer conservation efforts, contravening the factors in Section 69.3302(a)(5) and (a)(6).<sup>33</sup> In addition, pursuant to Section 69.3302(a)(7) and (8), the proposed RDM is particularly problematic for low income customers who already face significant water and wastewater burdens.<sup>34</sup> Low income customers should not be further hampered in their ability to practice conservation and achieve appreciable bill savings by imposing the proposed RDM.<sup>35</sup> As explained in greater detail in CAUSE-PA’s Main Brief, PAWC’s own witness did not contest the fact that the RDM would erode bill savings achievable through conservation.<sup>36</sup>

The proposed RDM also lacks adequate consumer protections, a factor for consideration pursuant to Section 69.3302(a)(12).<sup>37</sup> PAWC’s low income customers would have to bear additional costs stemming from the RDM, if approved, without any specific mitigation.<sup>38</sup> These additional costs would exacerbate any increases in unaffordability if PAWC is permitted to increase its base rates, as the RD recommends.<sup>39</sup> Pursuant to Section 69.3302(a)(8) (related to how the proposal would impact customer rate stability principles), low income customers will be placed in greater risk of arrears and termination as a result of this increased unaffordability, jeopardizing their ability to access consistent and reliable services.<sup>40</sup>

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<sup>32</sup> CAUSE-PA MB at 30.

<sup>33</sup> Id.

<sup>34</sup> CAUSE-PA MB at 30.

<sup>35</sup> Id.

<sup>36</sup> CAUSE-PA MB at 32.

<sup>37</sup> CAUSE-PA MB at 31.

<sup>38</sup> CAUSE-PA MB at 31-32.

<sup>39</sup> Id.

<sup>40</sup> Id.

CAUSE-PA echoes the RD's concerns that the RDM will not be understandable to consumers, a factor for consideration pursuant to Section 69.3302(a)(13).<sup>41</sup> The proposed RDM is a highly complex design, and there is no indication of what, if any, consumer education efforts PAWC intends to make around the RDM if the mechanism is approved, or whether consumers will have any recourse if they have questions or concerns about RDM-related charges.<sup>42</sup>

Finally, as the RD correctly points out, there is no clear indication that implementation of the proposed RDM would impact the frequency of rate filings,<sup>43</sup> a factor for consideration pursuant to Section 69.3302(a)(10). Indeed, PAWC's justification for its instant rate increase proposal stems from various factors unrelated to customer conservation.<sup>44</sup>

Ultimately, the proposed RDM fails to meet the factors set forth in Section 69.3302(a), is unreasonable, unjust, and contrary to the public interest. PAWC has failed to meet its burden to show that the alternative rate mechanism is just and reasonable. We urge the Commission to uphold the RD's finding that the proposed RDM should be rejected. If, however, the Commission ultimately permits PAWC to implement an RDM, we recommend that the Commission require PAWC to exempt BDP customers from RDM charges to help protect financially-vulnerable customers from the negative effects of the RDM, outlined above and discussed more thoroughly in CAUSE-PA's Main Brief.<sup>45</sup>

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<sup>41</sup> Id.

<sup>42</sup> Id.

<sup>43</sup> RD at 292-293.

<sup>44</sup> PAWC St. 1 at 7-8. CAUSE-PA St. 1 at 16-17.

<sup>45</sup> CAUSE-PA MB at 52-53.

**2. The Commission should reject PAWC’s Exception 10 and uphold the RD’s recommendation that PAWC implement certain important improvements related to Hardship Fund eligibility.**

The RD recommends adopting the following changes that would revise the eligibility requirements for PAWC’s Hardship Fund: (1) raise the income threshold from 200% to 250% of FPL; and (2) eliminate the \$50 up-front payment requirement currently imposed as a condition to receiving hardship fund assistance.<sup>46</sup> The RD reasoned that these recommended revisions would improve access to emergency grant assistance for financially-distressed customers, consistent with the intent and purpose of the fund.<sup>47</sup>

In its Exception 10 to the RD, PAWC argues that the Commission should reject the RD’s recommended improvements to Hardship Fund eligibility to preserve the Hardship Fund’s focus of supporting customers with lower incomes and those with “good faith” payment behavior.<sup>48</sup> PAWC argues that hardship funding is not unlimited and could be depleted before the end of a program year if PAWC implement the RD’s recommended improvements.<sup>49</sup> PAWC similarly argues that it is reasonable and appropriate for it to dedicate funds to lower-income customers and customers who are making sincere efforts to pay their utility bills.<sup>50</sup>

We urge the Commission to reject PAWC’s Exception 10 and uphold the RD’s recommendations to revise PAWC’s Hardship Fund so that low income customers will be eligible for a Hardship Fund grant, regardless of whether they are able to make an up-front payment on their account at the time they are seeking relief.

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<sup>46</sup> RD at 327-328.

<sup>47</sup> Id.

<sup>48</sup> PAWC Exceptions at 29.

<sup>49</sup> Id.

<sup>50</sup> Id.

As discussed extensively in CAUSE-PA’s Main Brief, PAWC’s Hardship Fund is extremely undersubscribed. Compared to relative need amongst PAWC’s low income customers, very few customers have been awarded Hardship Fund grants in recent years.<sup>51</sup> For example, between January and November 2023 (the last reported month for 2023), 3,443 PAWC customers received a Hardship Fund grant.<sup>52</sup> By comparison, from January through November 2023, 9,658 confirmed low income customers were terminated for nonpayment.<sup>53</sup> The significant numbers of confirmed low income customers terminated for nonpayment compared to the number of Hardship Fund grants issued evidences a need for increased access to Hardship Fund grants for struggling low income customers.<sup>54</sup>

Coupled with the significant undersubscription of PAWC’s Hardship Fund, we raised extensive concerns throughout this proceeding that PAWC’s Hardship Fund continues to require an upfront payment of \$50.<sup>55</sup> Upfront payment requirements often post insurmountable barriers to receiving Hardship Fund assistance for customers with the most acute financial distress.<sup>56</sup> Customers who are unable to make payment for several months due to financial hardships are currently categorically disqualified from receiving grant assistance – precisely when such assistance is most needed.<sup>57</sup> CAUSE-PA’s expert witness, Mr. Geller, further explained that, in his experience working with low income families over the last 50 years:

[M]ost have already exhausted their resources, including obtaining support from family and friends, before applying for grant assistance programs. I have personally assisted clients facing similar up-front payment requirements, who have resorted to

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<sup>51</sup> CAUSE-PA St. MB at 52-53.

<sup>52</sup> Id.

<sup>53</sup> CAUSE-PA St. MB at 52-53; CAUSE-PA St. 1 at 50, Table 14.

<sup>54</sup> CAUSE-PA St. MB at 52-53.

<sup>55</sup> CAUSE-PA St. MB at 53-54.

<sup>56</sup> Id.

<sup>57</sup> CAUSE-PA St. MB at 53-54.

borrowing from predatory payday lenders to make them eligible to receive grant assistance to prevent termination – compounding financial strain.<sup>58</sup>

Ultimately, upfront payment requirements do not test a customer’s good faith, but instead pose unreasonable and significant obstacles to obtaining needed grant funding. As Mr. Geller further explained, these requirements push families closer to bankruptcy, and further increase uncollectible expenses resulting from terminations.<sup>59</sup> For these reasons and the reasons set forth in our Main Brief, low income families should not be required to make upfront or “sincere effort” payments to qualify for needed Hardship Fund assistance.

CAUSE-PA did not take a position in this proceeding related to raising the maximum eligibility of PAWC’s Hardship Fund from 200% to 250% of the FPL. However, we are concerned that PAWC argues against implementing improvements to that would allow customers up to 250% FPL to be eligible for a Hardship Fund grant, regardless of upfront payments, because these changes would allegedly deplete hardship funding. CAUSE-PA argued extensively throughout the course of this proceeding about the need to increase PAWC’s hardship funding.<sup>60</sup> The RD ultimately recommends rejection of CAUSE-PA’s recommendation that PAWC increase hardship funding by \$1 million over existing funding levels.<sup>61</sup> The RD’s recommendation to reject this important improvements to PAWC’s Hardship Fund was not based on a finding of lack of need for additional hardship funds – but rather because PAWC’s hardship fund contributions come from voluntary shareholder contributions.<sup>62</sup> PAWC should not be permitted to argue against important improvements to Hardship Fund eligibility while opposing to put forth

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<sup>58</sup> CAUSE-PA St. 1 at 52; CAUSE-PA St. MB at 53-54.

<sup>59</sup> CAUSE-PA St. MB at 56.

<sup>60</sup> RD at 328.

<sup>61</sup> Id.

<sup>62</sup> Id.

additional hardship funding. This is particularly true as it remains unclear whether the increased hardship funding that PAWC agreed to in the context of its BASA settlement (\$700,000 annually for 5 years) will ultimately be implemented.<sup>63</sup>

For these reasons, we recommend that the Commission reject PAWC’s Exception 10, and affirm the RD’s recommended improvements to the eligibility of PAWC’s Hardship Fund. We in turn urge the Commission to require that PAWC take clear and decisive steps to identify additional funding sources to support grant assistance, consistent with the recommendations in our Main Brief.

**3. The Commission should deny PAWC’s Exception 11, as the RD correctly recommends implementation of data collection and reporting improvements recommended by CAUSE-PA.**

As discussed in CAUSE-PA’s Main and Reply Briefs, PAWC’s low income assistance programs are woefully undersubscribed.<sup>64</sup> Roughly 75% of PAWC’s estimated low income customers, and roughly 60% of households *known* to be eligible for PAWC’s BDP are not enrolled.<sup>65</sup> Tens of thousands of PAWC’s low income customers remain unenrolled in available assistance programs based on these figures.<sup>66</sup> In addition, CAUSE-PA raised concerns that it is unclear whether PAWC has updated its estimated low income customer count since its 2022 rate proceeding utilizing appropriate data from the U.S. Census Bureau.<sup>67</sup> As Mr. Geller explained “[a]n accurate count of estimated low income customers is essential to determining existing need in PAWC’s service territory.”<sup>68</sup>

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<sup>63</sup> RD at 322.

<sup>64</sup> CAUSE-PA MB at 69.

<sup>65</sup> Id.

<sup>66</sup> Id.

<sup>67</sup> Id.

<sup>68</sup> Id.

CAUSE-PA has recommended that the Commission order improvements to PAWC's data collection and reporting requirements to better ensure that low income customers can enroll in the BDP and other available universal service programs.<sup>69</sup> In our Main Brief and throughout the course of this proceeding, CAUSE-PA recommends that PAWC should be required to address the continued undersubscription of its low income assistance programs by requiring PAWC to:<sup>70</sup>

1. Update its estimated low income customer count on an annual basis, and to work with the Commission's Bureau of Consumer Services (BSC) to identify an appropriate method for estimating its low income customer count based on current US Census Bureau data.
2. Set target enrollment benchmarks for its BDP at 20% per year of PAWC's estimated low income customer counts, until the Company reaches at least 75% enrollment of this estimated group;
3. Establish quantitative and qualitative goals related to affirmative customer outreach for the purpose of enrolling low income customers in the Bill Discount Program (BDP) and Arrearage Management Program (AMP), which is scheduled to launch later this year (including telephone contacts, mailings, and electronic communications such as text or email (with customer consent)) and track and report on its progress in reaching these goals to its Customer Assistance Advisory Group – known as the CAAG – to help refine outreach efforts based on CAAG feedback; and
4. Expand its CAAG membership to include “a broader array of community voices from all corners of PAWC's expansive service territory.

The RD recommends adoption of CAUSE-PA's recommended improvements to PAWC's data collection and reporting.<sup>71</sup> The RD correctly points to the undersubscription of PAWC's low income assistance programs, and indicates that the purpose of these recommendations is to better ensure that low income customers can enroll in PAWC's universal

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<sup>69</sup> Id.

<sup>70</sup> CAUSE-PA MB at 69-70.

<sup>71</sup> RD at 345.

service programs.<sup>72</sup> The RD also cites public input testimony of customers struggling to pay their bills, and reasons that ensuring enrollment in universal service programs is of great import.<sup>73</sup>

In its Exception 11, PAWC excepts to the RD's recommendations that CAUSE-PA data collection and reporting improvements should be implemented.<sup>74</sup> PAWC argues that (1) the ALJs did not address substantial record evidence that the Company has been deploying certain outreach strategies which have increased BDP participation 30% between December 2020 and November 2023; (2) PAWC's Help to Others (H2O) programs are transitioning with the implementation of the AMP and new income verification procedures, which may cause enrollment fluctuations; and (3) the RD fails to address why PAWC's current engagements with its CAAG is insufficient.<sup>75</sup> PAWC also argues that the RD fails to explain why recommendations related to data collection and reporting should be implemented, when the RD recommends rejection of CAUSE-PA's recommendations related to universal service program outreach, screening, and intake.<sup>76</sup>

We urge the Commission to reject PAWC's Exception 11 to the RD, and affirm improvements to PAWC's universal service program data collection and reporting. Improved data collection and reporting is critical to ensure appropriate Commission oversight of PAWC's universal service programs, and in turn ensure the programs are appropriately funded and accessible to those in need. We acknowledge PAWC's outreach efforts in recent years.<sup>77</sup> However, these efforts do not detract from the fact that PAWC's low income customer assistance programs are still woefully undersubscribed.<sup>78</sup> The goals and benchmarks recommended by the

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<sup>72</sup> Id.

<sup>73</sup> Id.

<sup>74</sup> PAWC Exceptions at 29-31.

<sup>75</sup> Id.

<sup>76</sup> PAWC Exceptions at 29-31.

<sup>77</sup> CAUSE-PA MB at 71.

<sup>78</sup> Id.

RD and CAUSE-PA are supportive of PAWC's recent efforts to expand its outreach related to its low income programs.<sup>79</sup> These recommendations would provide important metrics to gauge the success of PAWC's outreach and enrollment efforts and to make critical adjustments necessary to improve program targets.<sup>80</sup>

Second, PAWC's argument that these recommended improvements should not be implemented because PAWC's universal service programs are currently in transition is without merit and should be rejected. As we have explained, PAWC's upcoming implementation of income verification procedures does not preclude improvements to PAWC's universal service program data collection and reporting.<sup>81</sup> Quite the contrary, improved data collection and reporting is even more critical to ensure appropriate levels of oversight as the programs transition – helping identify issues or trends following implementation of planned program reforms which may necessitate further policy adjustments. We further note that many of the benchmarks CAUSE-PA recommends are based on PAWC's estimated low income customers count – which will not fluctuate with changes to PAWC's income verification procedures.<sup>82</sup>

Third, PAWC's argument that the Commission must find its current engagement with the CAAG to be insufficient in order to improve its data collection and reporting requirements is without merit and should be rejected. The data collection and reporting requirements proposed by CAUSE-PA and recommended by the RD will provide important information related to the vitality of PAWC's universal service programs. It is essential that the CAAG – as PAWC's universal service program advisory group – is given the opportunity to review and provide

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<sup>79</sup> Id.

<sup>80</sup> Id.

<sup>81</sup> Id.

<sup>82</sup> CAUSE-PA MB at 71.

feedback related to these important metrics and information. These additional recommended engagements are intended to supplement PAWC's existing engagement with its CAAG.

Finally, the RD's rejection of CAUSE-PA's universal service program screening and intake proposals does not preclude implementation of the recommended improvements to data collection and reporting, described herein. CAUSE-PA has excepted to the RD's rejection of our recommended improvements to PAWC's screening and intake procedures related to its universal service programs, as these improvements would help to ensure that low income customers are enrolled in available assistance before the accrual of unmanageable arrears and terminations that affect all ratepayers.<sup>83</sup> While our screening and intake recommendations would help to greatly improve enrollment in PAWC's universal service programs, these recommendations are separate and distinct from the RD's data collection and reporting recommendations. While CAUSE-PA's recommendations related to customer screening and intake are intended to address the methods by which PAWC increase enrollment in its universal service programs, the data collection and reporting recommendations are intended to improve Commission oversight of PAWC's universal service programs and, in turn, help address the levels and associated tracking related to universal service enrollment.

For these reasons, and the reasons set forth in our Main and Reply Briefs in this matter,<sup>84</sup> we urge the Commission to reject PAWC's Exception 11 to the RD and affirm the RD's recommendation to implement the important data collection and reporting improvements recommended by CAUSE-PA.

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<sup>83</sup> CAUSE-PA Exception at 18-24.

<sup>84</sup> CAUSE-PA MB at 69-71.

**4. The Commission should reject PAWC’s Exception 13, and affirm the RD’s recommendation rejecting PAWC’s inequitable winter averaging methodology.**

As discussed in detail in our Main Brief, PAWC’s proposed winter averaging methodology allegedly attempts to separate indoor water usage from outdoor water usage (like landscaping and swimming pools) that is not necessarily passed through wastewater systems.<sup>85</sup> Under PAWC’s winter averaging proposal, a customer’s wastewater bill in the winter averaging months (January-March) would be determined by actual metered water usage for the month.<sup>86</sup> In non-winter months, a customer’s wastewater bill would be based on the lesser of their actual monthly metered water usage or the average water usage for that customer in the winter months.<sup>87</sup> PAWC’s expert acknowledged that the winter averaging method, if approved, would increase volumetric wastewater rates for all customers.<sup>88</sup>

PAWC’s proposed winter averaging methodology is inequitable and contrary to the public interest.<sup>89</sup> This proposal improperly favors customers that reside in larger properties and have greater levels of discretionary water usage in the non-winter months – to the detriment of customers that reside in smaller homes and apartments that do not have the same discretionary water use.<sup>90</sup>

Based on concerns raised by CAUSE-PA and other parties in this proceeding, the RD recommends that the Commission reject the proposed winter averaging methodology.<sup>91</sup>

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<sup>85</sup> CAUSE-PA MB at 25. PAWC St. 10 at 43.

<sup>86</sup> CAUSE-PA MB at 25. PAWC St. 10 at 43, 44: 3-6.

<sup>87</sup> CAUSE-PA MB at 25. PAWC St. 10 at 43.

<sup>88</sup> CAUSE-PA MB at 25. PAWC St. 10 at 45: 3-10.

<sup>89</sup> CAUSE-PA MB at 25-26.

<sup>90</sup> Id.

<sup>91</sup> RD at 264-165.

In its Exception 13, PAWC excepts to the RD's recommendation to reject its proposed winter averaging methodology.<sup>92</sup> PAWC argues that its winter averaging methodology would more closely align wastewater bills with cost causation and address customer concerns over charges for seasonal water usage.<sup>93</sup> PAWC similarly argues that the RD fails to address record evidence that PAWC's proposal is statistically supported, that winter averaging will benefit higher and lower income customers, and that other utilities have implemented winter averaging.<sup>94</sup>

We maintain our position that PAWC's proposed winter methodology would inequitably shift costs from higher income customers with greater discretionary usage onto lower income customers that are already struggling to afford basic services to their home.<sup>95</sup> We note that PAWC, through its expert witness Mr. Charles Rea, has conceded that the beneficiaries of the proposed winter averaging methodology are likely higher income customers.<sup>96</sup> Stated another way, the proposed winter averaging methodology will disproportionately harm lower income households – to the benefit of higher income households.<sup>97</sup> As OCA expert witness, Mr. Roger Colton, points out, PAWC has not set forth a legitimate basis to overcome concerns related to adverse impacts on low income customers, particularly in light of existing rate unaffordability already felt by low income customers.<sup>98</sup> If PAWC's winter averaging proposal were implemented, it would make it more affordable for some households to maintain swimming

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<sup>92</sup> PAWC Exceptions at 32-33.

<sup>93</sup> Id.

<sup>94</sup> Id.

<sup>95</sup> CAUSE-PA MB at 25-26.

<sup>96</sup> CAUSE-PA MB at 26-27.

<sup>97</sup> CAUSE-PA MB at 26-27.

<sup>98</sup> OCA St. 5SR at 11: 8-14. (PUBLIC). CAUSE-PA MB at 26-27.

pools, at the expense of other families' ability to maintain drinking water.<sup>99</sup> This is squarely unreasonable, inequitable, and contrary to the public interest.

We also urge rejection of the winter averaging proposal because PAWC's methodology and assumptions for this proposal are fundamentally flawed.<sup>100</sup> First, the winter averaging methodology assumes outdoor water usage does not impact wastewater system costs, without consideration of whether a given system is combined stormwater and wastewater, or how the discharge of outdoor water usage may nevertheless impact wastewater systems.<sup>101</sup> Second, PAWC's methodology assumes that increased summer water usage is all attributable to outdoor water usage, without any individualized determination of whether a customer's average winter usage is reflective of their average summer usage.<sup>102</sup> Thus, if PAWC's inequitable winter averaging proposal is approved, customers with a vacation home used primarily in the summer months, families with children returning from college for summer vacation, and other households with higher summer usage would be charged the lower winter rates throughout the year.<sup>103</sup>

In sum, PAWC's proposed winter averaging methodology is unreasonable, inequitable, and contrary to the public interest.<sup>104</sup> For these reasons, and as explained more thoroughly in CAUSE-PA's Main Brief, we recommend that the Commission reject PAWC's Exception 13 to the RD and uphold the RD's recommendation that the Commission reject PAWC's proposed winter averaging methodology.

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<sup>99</sup> CAUSE-PA MB at 25-26.

<sup>100</sup> CAUSE-PA MB at 26.

<sup>101</sup> Id.

<sup>102</sup> CAUSE-PA MB at 26.

<sup>103</sup> Id.

<sup>104</sup> CAUSE-PA MB at 25-26.

### III. CONCLUSION

Stable access to affordable water and wastewater service is not a luxury – it is a basic human need. To be just and reasonable, rates for these services must be set to ensure that all Pennsylvanians – regardless of economic status – can access universal service programs critical to affording monthly water and wastewater rates and maintaining service in their homes. For the reasons stated above, CAUSE-PA respectfully asserts that the Commission should reject PAWC’s Exceptions to the RD in this matter and grant CAUSE-PA’s Exceptions to the RD to ensure that all customers, regardless of their income, can access safe and affordable water and wastewater services in their homes.

Respectfully submitted,  
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