

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
vs.	:	Docket No. R-2023-3043189 (Water)
Pennsylvania American Water Company	:	R-2023-3043190 (Wastewater)

**REPLY EXCEPTIONS OF
CLEVELAND-CLIFFS STEEL**

COMES NOW, Cleveland-Cliffs Steel (“Cleveland-Cliffs”) and submits its Reply Exceptions.

IX. RATE STRUCTURE AND RATE DESIGN

A. Cost of Service Studies

1. Water Operations

b. Office of Small Business Advocate Proposal to Combine Interruptible Industrial Usage with Firm Industrial Usage for CCOSS Purposes

On pages 23-25 of its Exceptions, the Office of Small Business Advocate (“OCA”) argues that the ALJs erred by not recommending a change to the Commission’s long-standing policy of adjusting the class cost of service study (“CCOSS”) to remove interruptible usage from the extra capacity factor allocations.¹ The OCA’s arguments are misplaced.

As Pennsylvania American Water Company’s (“PAWC” or “Company”) witness, Ms. Heppenstall explains in her Rebuttal Testimony, a water system must be designed to meet the highest peak demand that potentially could be experienced, not just the highest peak demand

¹ See PAWC Statement No. 12-R at 10: “[T]his adjustment to the cost of service for Industrial curtailment customers has been reflected in the Company’s cost of service studies since at least the Company’s 2007 rate case at Docket No. R-00072229 and has long been accepted by the Commission and other parties.”

that was experienced within a recent historical period.² The water system was built so that in the event of a water shortage, interruptible customers could be curtailed, regardless of whether they have been curtailed in previous years.³ In other words, PAWC's interruptible load allows the Company to plan for a higher peak load without additional capacity investment. This results in savings to the system even in the absence of interruption events.

Further, interruptible customers incur costs and take on additional responsibilities associated with non-firm service. As PAWC notes, interruptible customers are required to maintain on-site storage capacity to curtail usage during peak demand periods, meaning any such customer does not contribute to extra-capacity demand costs.⁴ Therefore, the adjustment to the CCOSS proposed by the OCA would unreasonably attribute cost savings made possible by industrial, non-firm customers to other customer classes and artificially inflate the amount of costs that the Company incurs to serve industrial load. The OCA's proposal should not be adopted by the Commission.

Respectfully submitted,

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² PAWC Statement No. 12-R at 5.

³ PAWC Statement No. 12-R at 10.

⁴ PAWC Statement No. 12 at 14.