

July 11, 2025

Via Electronic Filing

Matthew Homsher, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

RE: The Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water –
Water – R-2025-3055010;
The Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water –
Wastewater – R-2025-3055011;
The Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water –
Stormwater – R-2025-3055012

Dear Secretary Homsher:

Enclosed for electronic filing please find The Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water's Prehearing Memorandum in the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,



Deanne M. O'Dell

DMO/lww

Enclosure

cc: Hon. Emily DeVoe w/enc.
Hon. Ann Quimby w/enc.
Cert. of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of Pittsburgh Water’s Prehearing Memorandum, upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Email Only

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Deanne M. O’Dell, Esq.

Dated: July 11, 2025

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
v. : R-2025-3055010 (Water)
 : R-2025-3055011 (Wastewater)
 : R-2025-3055012 (Stormwater)
The Pittsburgh Water And Sewer Authority :
D/B/A Pittsburgh Water :
 :

**PREHEARING MEMORANDUM OF
THE PITTSBURGH WATER AND SEWER AUTHORITY**

Pursuant to 52 Pa. Code §§ 5.221-5.224 and the Prehearing Conference Order issued on July 10, 2025 by Administrative Law Judges Emily I. DeVoe and Ann Quimby (“ALJs”), the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water submits this Prehearing Memorandum.

I. PROCEDURAL HISTORY

A. Pittsburgh Water Rate Filing and Related Petitions and Motions

On June 4, 2025, Pittsburgh Water filed its base rate request at Docket Nos. R-2025-3055010 (water), R-2025-3055011 (wastewater), and R-2025-3055012 (stormwater) (“Rate Filing”). Pursuant to the Rate Filing, Pittsburgh Water is asking the Commission for approval of a multi-year overall rate increase of \$84.4 million, which is inclusive of the proposed 7.5% DSIC increase and expansion of the PENNVEST charge. The Rate Filing includes a \$63.7 million or 25.9% increase in the FPFTY (FY 2026), \$20.7 million or 6.7% in FY 2027, and \$53.9 million or 17.9% in FY 2026. Pittsburgh Water is also proposing to remove the minimum water and wastewater charge to be effective January 1, 2027, and to expand the PENNVEST charge starting in FY 2026. Taken together, these filings are intended to balance the revenue needs of Pittsburgh Water to appropriately invest in infrastructure, which has suffered from years of

deferred maintenance, to maintain and improve its safety, reliability and customer service levels taking into appropriate consideration the impact of the requests on its ratepayers.

In conjunction with the Rate Filing, Pittsburgh Water filed the below Petitions on June 4, 2025:

- Petition for Consolidation of Water, Wastewater, and Stormwater Rate Proceedings and for Authorization to Use Combined Water, Wastewater and Stormwater Revenue Requirements (“Rate Case and Revenue Consolidation Petition”);
- Petition for Waiver of Statutory Definition of Fully Projected Future Test Year (“FPFTY Petition”);
- Petition for Authorization to Increase Water and Wastewater Distribution System Improvement Charge Cap to 7.5% (“DSIC Petition”) at Docket Nos. P-2025-3055650 (Water) and P-2025-3055652 (Wastewater). Pursuant to the DSIC Petition, Pittsburgh Water asks that the Commission: (1) authorize a Water DSIC Cap of 7.5% of intrastate revenue permitted by Section 1358(b) of the public utility code; and (2) waive the provisions of Section 1358(a) of the Public Utility Code and authorize Pittsburgh Water to implement a 7.5% cap for its Wastewater DSIC.

On June 26, 2025, Pittsburgh Water filed a Petition to Consolidate its DSIC Petition and Base Rate Case Filings for Water, Wastewater, and Stormwater (“DSIC and BRC Consolidation Petition”).

On July 10, 2025, Pittsburgh Water filed the below revised exhibits which were the tariff pages included in its original June 4, 2025 rate case filing. All revisions are non-substantive and were submitted to confirm with pagination and tariff numbering requirements required by TUS staff.

Pittsburgh Water Exhibit No.	Description
JAM-14(REV)	Supplement No. 16 Tariff Water – Pa. P.U.C. No. 1 [clean]
JAM-15(REV)	Supplement No. 16 Tariff Water – Pa. P.U.C. No. 1 [redlined]
JAM-16(REV)	Supplement No. 15 Tariff Wastewater – Pa. P.U.C. No. 1 [clean]
JAM-17(REV)	Supplement No. 15 Tariff Wastewater – Pa. P.U.C. No. 1 [redlined]
JAM-18(REV)	Supplement No. 7 Tariff Storm Water – Pa. P.U.C. No. 1 [clean]
JAM-19(REV)	Supplement No. 7 Tariff Storm Water – Pa. P.U.C. No. 1 [redlined]

On July 11, 2025, Pittsburgh Water filed an unopposed Motion for Protective Order.

B. Other party filings and responsive pleadings

Three Secretarial Letters dated June 9, 2025 and June 13, 2025 were issued containing three sets of data requests from the Bureau of Technical Utility Services (“TUS”). Responses to the TUS data requests were filed on June 23, 2025 and June 27, 2025.

On June 12, 2025, the Pennsylvania Public Utility Commission’s Bureau of Investigation and Enforcement (“I&E”) and the Office of Small Business Advocate each filed a Notice of Appearance in the proceeding. On June 25, 2025, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance.

On June 24, 2025, OCA filed a letter providing notice that it does not oppose Pittsburgh Water’s Rate Case and Revenue Consolidation Petition. On the same day, OCA also filed a letter providing notice that it does not oppose Pittsburgh Water’s FPFTY Petition.

On June 24, 2025, both OCA and I&E filed answers an answer to Pittsburgh Water’s DSIC Petition each recommending that the Commission deny the Petition or, in the alternative, consolidate it with the rate case.

On June 25, 2025, Pittsburgh United Our Water Table (“OWT”) filed a Petition to Intervene and Answer.

On June 27, 2025, Pittsburgh Water was served by the Commission with the complaints filed by the OCA and docketed as follows: C-2025-3055943 (water); C-2025-3055944 (wastewater); and, C-2025-3055942 (stormwater).

On July 1, 2025, OCA filed a letter in response to Pittsburgh Water’s DSIC and BRC Consolidation Petition reiterating its previous position supporting denial of the DSIC Petition or, in the alternative, consolidation with the rate case.

On July 2, 2025, Pittsburgh Water was served by the Commission with the complaints filed by OSBA docketed as follows: C-2025-3056056 (water); C-2025-3056054 (wastewater); and, C-2025-3056058 (stormwater).

C. Commission Orders and Notices

On July 10, 2025, the Commission entered three orders – one at each of the above referenced Rate Filing docket numbers – suspending Pittsburgh Water’s proposed tariff supplements for investigation and referring the cases to the OALJ.

On July 10, 2025, a Telephonic Prehearing Conference Notice was issued scheduling a Telephonic Prehearing Conference for July 14, 2025. The ALJs also issued a Prehearing Conference Order with further direction regarding the Telephone Prehearing Conference including the directive that all parties must file a Prehearing Conference Memorandum by Noon on Friday, July 11, 2025.

II. REPRESENTATION

Pittsburgh Water’s attorneys in this matter are:

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Daniel Clearfield, Esquire
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Deanne O’Dell is the designated primary speaker for the prehearing conference.

Pittsburgh Water prefers those documents be served electronically to the above email addresses and agrees to receive service of documents electronically in this proceeding. To the extent that

materials are not available electronically, Pittsburgh Water requests that only one hard copy of documents, if any, be served upon Deanne O'Dell at the above mailing address.

III. ISSUES

A. Consolidation and Pending Pittsburgh Water Petitions

Pittsburgh Water respectfully requests consolidation of the following:

- all three separately docketed rate cases for Pittsburgh Water's water, wastewater and stormwater operations;
- all pending rate case complaints filed by OCA and OSBA as well as any future consumer complaints that may be filed; and,
- the DSIC Petitions (water and wastewater).

As explained more fully in Pittsburgh Water's Revenue Consolidation Petition and DSIC, consolidation is warranted and in the public interest, the interest of the parties and the interest of the Commission. The proceedings are inter-related and involve common issues of law and fact. Further, each needs to be fully considered and analyzed in the overall context of Pittsburgh Water's revenue requirements and operations to determine the most appropriate outcome in the interest of Pittsburgh Water's ratepayers. Consolidation promotes the efficient use of time and resources and will present the most efficient path toward resolution of each proceeding. Neither OCA nor I&E, the only parties filing answers to Pittsburgh Water's petitions, oppose consolidation of the proceedings.

B. Use of Combined Revenue and FPFTY Petition

A part of Pittsburgh Water's Rate Case and Revenue Consolidation Petition includes the request that Pittsburgh Water be permitted to use combined revenue requirements for its water, wastewater conveyance and stormwater operations. Relatedly, Pittsburgh Water's FPFTY Petition requests approval to use a FPFTY beginning on January 1, 2026 rather than March 3, 2026. Pittsburgh Water also respectfully requests that these two requests be granted. OCA filed

letters providing notice that it supported the granting of both requests. No other party filed a response.

Granting the request to use combined revenue requirements recognizes the fact that Pittsburgh Water operates as a single entity and considerable efficiencies are derived through its structure. Pittsburgh Water bonds and other financial instruments apply to the combined water/wastewater/stormwater conveyance system and are evaluated by bond rating agencies on a consolidated company basis. Granting the request also recognizes that Pittsburgh Water, consistent with approval receiving during its last four rate cases, has consistently determined water, wastewater, and stormwater revenue requirement and rates starting with combined information. Pittsburgh Water then uses accepted revenue and cost allocation methods to separate the revenue requirement between water, wastewater and stormwater. If Pittsburgh Water were directed to design a new methodology for determining its stormwater revenue requirements separate and apart from water and wastewater revenue requirements, then it would need to reconfigure its books of accounts and its cost of service model which form the basis for its entire base rate case. This would be a significant and costly undertaking. There is no practical way in which to fully separate Pittsburgh Water's bonds or its revenue requirement between water, wastewater conveyance and stormwater without creating risks of violating Pittsburgh Water's bond covenants which require that Pittsburgh Water attain certain financial metrics on an integrated system basis. As such, Pittsburgh Water urges the granting of its Rate Case and Revenue Consolidation Petition .

Relatedly, granting the FPFTY Petition so that Pittsburgh Water may utilize a FPFTY that begins in January 2026 rather than March 2026 aligns with Pittsburgh Water's use of a calendar year for budgeting purposes. This is also consistent with how (with Commission approval) Pittsburgh Water has aligned the FPFTY for its prior four rate cases. If a

determination were made that Pittsburgh Water should use a FPFTY starting two months later what has already been developed and presented with the filing, then all of the underlying assumptions relied upon by the parties and the Commission would need to be redeveloped accordingly which would put into jeopardy Pittsburgh Water's ability to implement the needed rate requests.

For all these reasons, Pittsburgh Water respectfully requests that its request to use combined revenue requirements for its water, wastewater conveyance and stormwater operations (contained within its Rate Case and Revenue Consolidation Petition) and its FPFTY Petition to use January 2026 as the FPFTY be granted.

C. Protective Order

On July 11, 2025, Pittsburgh Water filed an unopposed Motion for Protective Order. Pittsburgh Water anticipates that, in the course of discovery, it will need to produce responses that will be subject to confidential treatment and respectfully asks its Motion to be granted to protect the information.

D. Substantive Issues from the Rate Case Filing

The primary issue in this proceeding is what level of base rate increase is just and reasonable for Pittsburgh Water pursuant to the "Cash Flow" method of ratemaking. As explained in detail in Pittsburgh Water's filings and the supporting materials, Pittsburgh Water is continuing its once in a generation effort to replace its antiquated water, wastewater, and stormwater systems. Pittsburgh Water needs sufficient capital to finance these large capital expenditures, and an operating budget sufficient to pay the costs for much needed upgrades and maintenance to these facilities. Additional funds are needed to cover increased costs of these projects and to continue meeting financial and regulatory obligations. As a cash flow entity, the rate increase is also necessary for Pittsburgh Water to maintain or improve its bond rating, which

keeps borrowing costs down. Additional issues in this proceeding include the appropriate allocation of the rate increase among the customer classes and the reasonableness of the rules set forth in Pittsburgh Water's Tariffs relating to the provision of water, wastewater, and stormwater services.

Pittsburgh Water is proposing a multi-year increase but with 1) the second-year increase in FY 2027 only attributable to debt service, debt service coverage costs, and associated DSIC percentage increases; and 2) a review process that will verify the requested debt service costs. In FY 2027, Pittsburgh Water is also proposing to eliminate the minimum water and wastewater charges and shift the recovery of those costs to volumetric rates in order to comply with a settlement item from the prior rate case.

Pittsburgh Water is proposing to expand its existing PENNVEST Charge to include both existing and new PENNVEST loans on the effective date of the approved rate increase and to include recovery of interest and/or interest and principal that is charged by PENNVEST prior to the completion of a PENNVEST-loan financed project. The Commission have endorsed the concept of a PENNVEST Charge as a reasonable means of permitting a utility to recover in rates the costs of its PENNVEST loans. In accordance with that policy, the parties to Pittsburgh Water's prior rate case agreed, and the Commission approved the creation of a PENNVEST Charge by which Pittsburgh Water can recover the debt service of new PENNVEST loans. But Pittsburgh Water has a significant amount of existing PENNVEST loans, the costs (debt service) of which are currently being recovered in base rates. Currently, Pittsburgh Water's revenue requirement contains \$14.3 million in the FPFTY and \$14.8 million in FY 2027 for the payment of principal and/or interest associated with PENNVEST loans. Pittsburgh Water believes it would be better to recover these amounts in the PENNVEST Charge as well.

Also, as part of the Rate Filing and as presented in the DSIC Petition, Pittsburgh Water is proposing to increase its existing 5% DSIC cap to 7.5% for both the water DSIC and wastewater DSIC. This would result in water DSIC revenues of \$13.9 million in the FPFTY and \$14.9 million in FY 2027 and, for the wastewater DSIC revenues, \$5.0 million in FPFTY and \$5.4 million in FY 2027. DSIC revenues in the FPFTY at present rates are projected to be \$7.4 million for water and \$2.7 million for wastewater. The main reason is to increase the pace at which infrastructure is replaced for projects that are identified within the LTIIP. This increase would provide Pittsburgh Water with additional revenue of \$8.8 million in the FPFTY and \$1.4 million in FY 2027 which would be used to support capital improvements. The increase in the DSIC cap would also provide cost savings to ratepayers as well as get Pittsburgh Water closer to its goal of funding at least 10% of capital improvements with internally generated funds, as measured on a five-year basis.

Finally, Pittsburgh Water is proposing enhancements to its low income customer assistance Bill Discount Program. The first proposal is to extend the Bill Discount recertification requirement from two years to five years for customers on fixed incomes of social security and/or retirement benefits. The second proposal is to automatically enroll customers into the Bill Discount Program who apply for and are granted a Hardship Grant through one of the community-based organizations partnering with Dollar Energy Fund. The third proposal is to apply a fixed discount for income-eligible customers in 2026 (\$5.00 for water and \$2.50 wastewater) to mitigate impacts on those customers that are driven by the increase in the PENNVEST Charge and proposed volumetric rates in 2026. .

IV. WITNESSES

Pittsburgh Water served the following testimonies with its rate case filings:

Witness	St. No.	Topics
Ed Barca	2	Support for Proposed Rate Increase, Distribution System Improvement Charge (“DSIC”) Cap Increase, Pennsylvania Infrastructure Investment Authority (“PENNVEST”) Surcharge Expansion; Pro Forma Financial Results; Rate Structure Changes & New Charges; Calculation of Revenue Requirements; Development of Operating Budget and Capital Needs
Barry King	3	Capital Projects – Water Programs
Kate Mechler	4	Overview of Wastewater and Stormwater Conveyance; Capital Projects; Utility Coordination and Surface Restoration
William “BJ” McFaddin	5	Customer Complaint Logs and Work Order Logs; Valve Maintenance; Meter Replacements; Flushing of Distribution System; Break-In Connections
Julie Mechling	6	Customer Service Accomplishments, Surveys and Projects; Impact of Rate Request on Future Affordability; Enhancements to Low-Income Customer Assistance Programs; Prior Commission-Approved Settlement Commitments; Water and Wastewater Tariff Revisions; Public Notice of Rate Filing
Christine Fay	7	Support for Proposed Rate Increase; Financial Policies and Goals; Capital Markets and Rating Consideration; Peer Review of Financial Metrics
Harold Smith	8	Allocation of System Revenue Requirements; Cost Allocation; Rate Design; Gradualism

These testimonies and accompanying exhibits fully support Pittsburgh Water’s proposed rate increase, allocation of its rate increase among customer classes, and the Authority’s proposed rate design.

Pittsburgh Water reserves its right to add additional witnesses as may be necessary to respond to the testimony of the other parties or change the identity of its witnesses at any time upon appropriate notice to the Presiding Officers and the parties.

V. PROCEDURAL SCHEDULE and PUBLIC INPUT HEARINGS

After consultation with the parties, Pittsburgh Water supports approval of the following litigation schedule:

Task	Proposed Date
Public Input Hearing	August 11, 2025
Public Input Hearing	August 12, 2025
Public Input Hearing	August 13, 2025
Direct Testimony - Other Parties	September 5, 2025
Rebuttal Testimony	September 30, 2025
Surebuttal Testimony -	October 14, 2025
Written Rejoinder or Outline	October 20, 2025
Hearings (in Pittsburgh)	October 21, 2025
Hearings - Continued	October 22, 2025
Hearings - Continued	October 23, 2025
Main/Initial Briefs - All Parties	November 10, 2025
Reply Briefs - All Parties	November 21, 2025

Pittsburgh Water recommends three in-person public input hearings and one telephonic meeting around noon or later in the day on one of the three proposed dates. Pittsburgh Water proposes the following locations:

- The Kingsley Association in East Liberty
- Jerone X Grayson in the Hill District
- The Healthy Active Living Center in Hazelwood

VI. DISCOVERY

Discovery is currently underway. For the convenience of the parties, Pittsburgh Water has established a cloud-based, secure site for handling discovery. Discovery responses, including attachments, are available to the parties at the secured ShareFile site. For a party to receive access, please contact Deanne O’Dell (dodell@eckertseamans.com) or 717-255-3744 and provide the name and email address of the person seeking access. Pittsburgh Water also

encourages the use of informal discovery to expedite the discovery process and has already conducted one informal workshop.

Pittsburgh Water has reviewed OCA's proposed discovery modifications and does not object noting, however, that it will use best efforts to conform with the response deadline but appreciate flexibility from the parties to the extent certain responses require additional timeframe. Pittsburgh Water commits to maintaining open dialogue with the parties about any such needs for additional time.

VII. SETTLEMENT

Pittsburgh Water is willing to discuss the settlement of its claims and is looking forward to productive discussions with the parties consistent with the experience of prior cases.

Respectfully submitted,



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Dated: July 11, 2025

Counsel for
Pittsburgh Water and Sewer Authority d/b/a
Pittsburgh Water