



COMMONWEALTH OF PENNSYLVANIA
 PENNSYLVANIA PUBLIC UTILITY COMMISSION
 COMMONWEALTH KEYSTONE BUILDING
 400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF
 INVESTIGATION
 &
 ENFORCEMENT

November 12, 2025

Via Electronic Filing

Matthew L. Homsher, Secretary
 Pennsylvania Public Utility Commission
 Commonwealth Keystone Building
 400 North Street
 Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v.
 The Pittsburgh Water and Sewer Authority
 Docket Nos. R-2025-3055010 (Water); R-2025-3055011 (Wastewater);
 R-2025-3055012 (Stormwater)
I&E Pre-Served Testimony, Exhibits, and Verifications

Dear Secretary Homsher:

Enclosed for electronic filing please find the Bureau of Investigation and Enforcement’s (I&E) Pre-Served Testimony, Exhibits, and Verification Statements in the above-captioned proceeding. The following documents were admitted into the record via Administrative Law Judge Emily I. DeVoe’s Interim Order Adopting Joint Stipulation for Admission of Evidence and Granting Motion to Admit into the Record that was issued on November 12, 2025:

D. C. Patel:	I&E Statement No. 1	I&E Exhibit No. 1
Vanessa Okum:	I&E Statement No. 2	I&E Exhibit No. 2
Esyan Sakaya:	I&E Statement No. 3	I&E Exhibit No. 3
Ethan H. Cline:	I&E Statement No. 4	

Esyan Sakaya: I&E Statement No. 3-R

D. C. Patel:	I&E Statement No. 1-SR	I&E Exhibit No. 1-SR
Vanessa Okum:	I&E Statement No. 2-SR	I&E Exhibit No. 2-SR
Esyan Sakaya:	I&E Statement No. 3-SR	I&E Exhibit No. 3-SR
Ethan H. Cline:	I&E Statement No. 4-SR	

Verifications of D. C. Patel, Vanessa Okum, Esyan Sakaya, and Ethan H. Cline

Matthew L. Homsher, Secretary

November 12, 2025

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Copies of this letter are being served on parties per the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,



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Per Certificate of Service (*Cover Letter and Certificate of Service only*)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 v. : Docket Nos. R-2025-3055010
 : R-2025-3055011
 The Pittsburgh Water and Sewer Authority : R-2025-3055012

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Letter** dated November 12, 2025,
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PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

THE PITTSBURGH WATER & SEWER AUTHORITY

D/B/A PITTSBURGH WATER

Docket Nos. R-2025-3055010, R-2025-3055011, & R-2025-3055012

Direct Testimony

of

D. C. Patel

Bureau of Investigation & Enforcement

Concerning:

**Revenue Requirement
Multi-Year Rate Plan
Debt Service Expense
DSIC Rate Increase
Minimum Charge
Credit Rating Agencies
Days Cash on Hand
Debt Service Coverage Ratio
Rate Stabilization Fund**

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1 **INTRODUCTION OF WITNESS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is D. C. Patel, and my business address is Pennsylvania Public Utility
4 Commission, Commonwealth Keystone Building, 400 North Street, Harrisburg,
5 PA 17120.

6

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am employed by the Pennsylvania Public Utility Commission (Commission) in
9 the Bureau of Investigation & Enforcement (I&E) as a Fixed Utility Financial
10 Analyst.

11

12 **Q. WHAT IS YOUR EDUCATION AND EMPLOYMENT BACKGROUND?**

13 A. An outline of my education and employment background is set forth in the
14 attached Appendix A.

15

16 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

17 A. I&E is responsible for representing the public interest in rate and other
18 proceedings before the Commission. I&E's analysis in this proceeding is based on
19 its responsibility to represent the public interest. This responsibility requires
20 balancing the interests of ratepayers, the utility, and the regulated community as a
21 whole.

1 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

2 A. The purpose of my direct testimony is to address the revenue requirement, various
3 financial metrics such as Days Cash on Hand (DCOH), Debt Service Coverage
4 Ratio (DSCR), Rate Stabilization Fund (RSF), and Credit Ratings, as well as
5 topics such as the Multi-Year Rate Plan (MYRP), Minimum Charge, and
6 Distribution System Improvement Charge (DSIC) for The Pittsburgh Water &
7 Sewer Authority d/b/a Pittsburgh Water (Pittsburgh Water or Authority) as
8 discussed by William J. Pickering, Executive Director,¹ Edward Barca, Director of
9 Finance,² and Christine M. Fay, Senior Managing Director and Partner with Public
10 Resources Advisory Group, Inc.³ I will also present I&E's recommended overall
11 revenue requirement.

12

13 **Q. DOES YOUR DIRECT TESTIMONY INCLUDE AN EXHIBIT?**

14 A. Yes. I&E Exhibit No. 1 contains schedules that support my direct testimony.

15

16 **BACKGROUND**

17 **Q. PLEASE PROVIDE SOME BACKGROUND REGARDING THIS**
18 **PROCEEDING.**

19 A. This proceeding represents the fifth time that Pittsburgh Water has filed a rate case
20 since coming under the Commission's jurisdiction in 2018. The Pennsylvania

¹ Pittsburgh Water Statement No. 1.

² Pittsburgh Water Statement No. 2.

³ Pittsburgh Water Statement No. 7.

1 Public Utility Code was amended by Act 65 in December 2017 to add 66 Pa. C.S.
2 §§ 3201-3209 (Chapter 32). Chapter 32 addresses the Commission’s jurisdiction
3 over Pennsylvania water and sewer authorities established by cities of the second
4 class under the Municipal Authorities Act. Under Chapter 32, the Commission
5 gained full regulatory jurisdiction over Pittsburgh Water’s water, wastewater, and
6 stormwater services.⁴

7
8 **Q. WHAT IS PITTSBURGH WATER REQUESTING IN THIS**
9 **PROCEEDING?**

10 A. Pittsburgh Water is requesting the Commission approve its proposal to increase its
11 annual base rates by \$84,400,000 inclusive of an increase in the DSIC cap from
12 5.0% to 7.5% over a two-year period. Specifically, the request includes increases
13 of \$63,700,000 or 25.9% in the Fully Projected Future Test Year (FPFTY) ending
14 December 31, 2026 and \$20,700,000 or 6.7% in the fiscal year ending
15 December 31, 2027 (FY 2027).⁵

16 Additionally, Pittsburgh Water is proposing to remove the minimum water
17 and wastewater charge effective January 1, 2027, and to expand the Pennsylvania
18 Infrastructure Investment Authority (PENNVEST) Surcharge starting in the
19 FPFTY.⁶

⁴ *Implementation of Chapter 32 of the Public Utility Code Re Pittsburgh Water and Sewer Authority*, M-2018-264802 et al., Final Implementation Order (entered on March 15, 2018) (Final Implementation Order), p. 1.

⁵ Pittsburgh Water Statement No. 1, p. 3, lines 5-8.

⁶ Pittsburgh Statement No. 1, p. 4, lines 1-3.

1 **Q. WHAT ARE THE MAJOR FACTORS DRIVING PITTSBURGH**
2 **WATER’S REQUESTED RATE INCREASES IN THIS PROCEEDING?**

3 A. The primary reasons for this request are the need for capital to finance large
4 capital expenditures and an operating budget sufficient to pay the costs for needed
5 upgrades and maintenance to facilities, meeting financial and regulatory
6 obligations and the increased cost of projects, and maintaining or improving its
7 bond rating.⁷ In addition to the MYRP, Pittsburgh Water is proposing to increase
8 its internally generated funds by increasing the DSIC rate cap from 5.0% to 7.5%
9 of water and wastewater revenues. Mr. Barca rationalizes that Pittsburgh Water is
10 in the midst of a massive effort to replace antiquated water, wastewater, and
11 stormwater facilities, including remaining lead service lines, and continuing to
12 improve service to customers. Therefore, he asserts that Pittsburgh Water needs
13 sufficient capital to finance these large capital expenditures, and an adequate
14 operating budget to pay for costs associated with these facilities upgrades.⁸
15 Finally, Pittsburgh Water is proposing to expand the PENNVEST charge to cover
16 all loans, not just loans closed on and after January 1, 2025, which was the
17 settlement terms of the last base rate case.⁹

⁷ Pittsburgh Water Statement No. 1, p. 4, lines 21-24 and p. 5, lines 1-2.

⁸ Pittsburgh Water Statement No. 2, p. 5, lines 7-11.

⁹ Pittsburgh Water Statement No. 2, p. 34, lines 7-9.

1 **Q. WHAT RATEMAKING METHOD DID THE COMMISSION DIRECT**
2 **PITTSBURGH WATER TO USE IN ITS BASE RATE PROCEEDINGS?**

3 A. As discussed by Mr. Barca,¹⁰ the Commission directed that Pittsburgh Water use a
4 cash flow ratemaking method as detailed in 52 Pa. Code §§ 69.2702 and 69.2703.
5

6 **Q. DID PITTSBURGH WATER USE A CASH FLOW RATEMAKING**
7 **METHOD IN THIS PROCEEDING?**

8 A. Yes.
9

10 **Q. PLEASE EXPLAIN WHAT 52 PA. CODE § 69.2703 ENCOMPASSES.**

11 A. Commission regulations at 52 Pa. Code §§ 69.2701-2703 contain the ratemaking
12 elements, procedures, and factors that the Commission will consider in
13 determining just and reasonable rates for Philadelphia Gas works (PGW). In
14 particular, 52 Pa. Code § 69.2703, which was drafted with PGW in mind, but
15 which also now translates to Pittsburgh Water, states the following:

16 (a) In determining just and reasonable rate levels for PGW, the
17 Commission would consider, among other relevant factors, the
18 following financial factors:

- 19 (1) PGW's test year-end and (as a check) projected future levels
20 of non-borrowed year-end cash.
21 (2) Available short-term borrowing capacity and internal
22 generation of funds to fund construction.
23 (3) Debt to equity ratios and financial performance of similarly
24 situated utility enterprises.
25 (4) Level of operating and other expenses in comparison to
26 similarly situated utility enterprises.

¹⁰ Pittsburgh Water Statement No. 2, p. 6, lines 5-21 and p. 7, lines 1-23.

- 1 (5) Level of financial performance needed to maintain or improve
2 PGW's bond rating thereby permitting PGW to access the
3 capital markets at the lowest reasonable costs to customers
4 over time.
5 (6) PGW's management quality, efficiency, and effectiveness.
6 (7) Service quality and reliability.
7 (8) Effect on universal service.

8 (b) The Commission is obligated to establish rate levels adequate to
9 permit PGW to satisfy its bond ordinance covenants, consistent with
10 66 Pa. C.S. § 2212(e) (relating to securities of city natural gas
11 distribution operations).

12 (c) These financial measures will be considered by the Commission in
13 determining just and reasonable rates for PGW under 66 Pa. C.S.
14 (relating to the Public Utility Code) and are consistent with the PGW
15 Management Agreement Ordinance.

16 In accordance with the Commission directive cited above, these
17 requirements should apply to Pittsburgh Water in this instant proceeding as well.

18
19 **SUMMARY OF I&E OVERALL POSITION**

20 **Q. WHAT IS I&E'S TOTAL RECOMMENDED REVENUE REQUIREMENT?**

21 A. I&E's total recommended revenue requirement for Pittsburgh Water is
22 \$259,069,715. This recommended revenue requirement represents an increase of
23 \$17,247,097 to the FPFTY revenues at present rates of \$241,822,618, which
24 produces a revenue surplus of \$62,049.¹¹ This total recommended allowance
25 incorporates the analysis in this direct testimony as well as the analysis and
26 adjustments made in the testimony of I&E witnesses Vanessa Okum,¹² Esyan

¹¹ I&E Exhibit No. 1, Schedule 1, p. 1.

¹² I&E Statement No. 2.

1 Sakaya,¹³ and Ethan Cline.¹⁴ A calculation of the I&E recommended revenue
2 requirement is included in I&E Exhibit No. 1, Schedule 1.

3 In accordance with Pittsburgh Water’s Cost of Service Study,¹⁵ this revenue
4 increase should be allocated 65.67% to water operations, 21.28% to wastewater
5 operations, and 13.05% to stormwater operations. Therefore, I&E’s
6 recommendation corresponds to a revenue increase of \$11,326,169 to water
7 operations (\$17,247,097 x 65.67%), an increase of \$3,670,182 to wastewater
8 operations (\$17,247,097 x 21.28%), and an increase of \$2,250,746 to stormwater
9 operations (\$17,247,097 x 13.05%).

10
11 **MULTI-YEAR RATE PLAN**

12 **Q. WHAT IS A MULTI-YEAR RATE PLAN?**

13 A. Act 58 of 2018 added Section 1330 to Chapter 13 of the Pennsylvania Public
14 Utility Code allowing utilities to seek approval of alternative ratemaking
15 mechanisms. Section 1330 of Chapter 13 defines a “Multiyear rate plan” as
16 follows:

17 A rate mechanism under which the commission sets base rates
18 and revenue requirements for a multiyear plan period and
19 authorizes periodic changes in base rates, including, but not
20 limited to, adjustments to account for inflation and capital
21 investments without the necessity for base rate proceedings
22 during the approved plan period.¹⁶

¹³ I&E Statement No. 3.

¹⁴ I&E Statement No. 4.

¹⁵ Pittsburgh Water 2025 Cost of Service Study 6.4.25, RevReq_Alloc tab, Column Z, Rows 25-27 (Excel file).

¹⁶ 66 Pa. C.S. § 1330(f).

1 **Q. WHAT IS PITTSBURGH WATER PROPOSING IN ITS MYRP?**

2 A. As mentioned above, in addition to its original rate increase request of
3 \$63,700,000 for the FPFTY, Pittsburgh Water is proposing that the Commission
4 approve a \$20,700,000 increase in FY 2027. Pittsburgh Water is requesting this
5 additional increase in FY 2027 solely to fund additional debt service and debt
6 service coverage costs, and the proposed incremental DSIC percentage increase.¹⁷

7
8 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER'S MYRP**
9 **PROPOSAL?**

10 A. First, Mr. Barca states the main reason for proposing a MYRP is to break the cycle
11 of filing a rate increase every two to three years in order to recover increased
12 costs.¹⁸ He then explains that Pittsburgh Water has many and varied commitments
13 that require capital budget increases, and therefore, Pittsburgh Water will have to
14 issue additional debts to pay for the ongoing construction costs. Unlike investor-
15 owned utilities, Pittsburgh Water does not have alternative sources of funding,
16 such as shareholder equity, which can be relied on to cover the increases in debt
17 and debt costs between rate cases.¹⁹

18 Second, he claims that the approval of rate increases to cover future debt
19 costs will give Pittsburgh Water the assurance to fully commit to undertake its
20 planned construction because many of the most important capital improvements

¹⁷ Pittsburgh Water Statement No. 2, p. 53, lines 1-2.

¹⁸ Pittsburgh Water Statement No. 2, p. 54, lines 22-24.

¹⁹ Pittsburgh Water Statement No. 2, p. 54, lines 24-25 and p. 55, lines 1-4.

1 are multi-year.²⁰ Further, he claims that the FY 2027 rate increase will bring more
2 certainty to the capital budgeting process, expediting the ability to complete
3 needed infrastructure improvements.²¹

4 Lastly, Mr. Barca proposes that when Pittsburgh Water submits the
5 Securities Certificate for the new debt issuance, the “mini review proceeding” will
6 also be filed separately with the Commission. The “mini review proceeding” will
7 include a copy of the Cost-of-Service Model with the estimated debt service, debt
8 service coverage costs, and the not-to-exceed revenue amount that will be
9 approved in this rate case for FY 2027,²² within 30 days after closing on the new
10 debt issuance.²³

11 Additionally, Ms. Fay explains why she believes the Rating Agencies
12 would react positively toward the MYRP.²⁴

13
14 **Q. DO YOU SUPPORT PITTSBURGH WATER’S MYRP PROPOSAL?**

15 A. No. First, Pittsburgh Water has only recently come under the jurisdiction of the
16 Commission in 2018 and has experienced only four base rate cases in that time.
17 Pittsburgh Water has not faced repeated scrutiny over decades and is still building
18 a record of financial responsibility and developing its rapport with the
19 Commission.

²⁰ Pittsburgh Water Statement No. 2, p. 55, lines 5-7.

²¹ Pittsburgh Water Statement No. 2, p. 56, lines 6-7.

²² Pittsburgh Water Statement No. 2, p. 58, lines 14-18.

²³ Pittsburgh Water Statement No. 2, p. 58, lines 22-24.

²⁴ Pittsburgh Water Statement No. 7, p. 39, lines 21-25 and p. 40, lines 1-10.

1 Second, Pittsburgh Water’s historical capital improvement budgets were
2 not accurate. In its response to I&E RR-11-D,²⁵ Pittsburgh Water provided a
3 spreadsheet that shows a comparison of its budgeted capital improvement
4 expenditures versus actual capital improvement expenditures for the FY 2020
5 through FY 2024 broken down by eight categories. As shown in that response,
6 during the four years (2020-2023) in question Pittsburgh Water underspent its
7 capital expenditure budget and overspent in 2024 as summarized in the table
8 below:

Fiscal Year	Budgeted Capital Expenditures	Actual Capital Expenditures	(Underspent)/Overspent	(Underspent)/Overspent
2020	\$207,264,954	\$127,308,190	(\$79,956,764)	(38.58%)
2021	\$233,329,335	\$130,652,254	(\$102,677,081)	(44.01%)
2022	\$180,858,563	\$127,846,779	(\$53,011,784)	(29.31%)
2023	\$306,533,823	\$131,129,307	(\$175,404,516)	(57.22%)
2024	<u>\$184,564,032</u>	<u>\$203,517,728</u>	<u>\$18,953,696</u>	<u>10.27%</u>
Average	<u>\$222,510,141</u>	<u>\$144,090,852</u>	<u>(\$78,419,290)</u>	<u>(35.24%)</u>

9
10 For the five-year period, Pittsburgh Water underspent its budgeted capital
11 expenditures on average by \$78,419,290 on an annual basis, which is 35.24% of
12 the budgeted capital expenditures. Notably, Pittsburgh Water incurred/spent
13 significantly lower capital expenditures of \$86,098,208 until July 2025 (seven-
14 month period)²⁶ for the FY 2025 total budgeted capital expenditures of

²⁵ I&E Exhibit No. 1, Schedule 2, pp. 1-2.

²⁶ I&E Exhibit No. 1, Schedule 2, p. 5.

1 \$323,429,338,²⁷ which is 26.62% of the total budgeted spending. This large level
2 of inaccuracy in projecting its capital improvements does not support Pittsburgh
3 Water’s MYRP.

4 Therefore, it is speculative to assume that Pittsburgh Water will meet its
5 FPFTY and FY 2027 budgeted or planned capital expenditures, so its need for
6 long-term bond or PENNVEST funding is speculative. An MYRP would pose a
7 special problem for the Commission to monitor how Pittsburgh Water should or
8 would address unexpected delays, cost overruns, and even cancellations of new
9 capital projects. If Pittsburgh Water’s forecast turns out to be overly optimistic,
10 ratepayers may end up paying for new projects prior to in-service status by a
11 period substantially greater than that projected by its MYRP. An MYRP, in
12 addition to the DSIC (infrastructure surcharge), could erode utility incentives for
13 capital cost management. Considering the extent of underspending of the
14 budgeted capital expenditures historically, the MYRP would exacerbate the
15 problem of requiring ratepayers to fund capital projects that may not be put in
16 service as planned and thus, providing no benefits to those ratepayers.

17 As mentioned below in the “Credit Rating Agencies” section, the rating
18 agencies see Pittsburgh Water’s relationship with and oversight from the
19 Commission as credit positive. Although significant improvements have been
20 made, it is not prudent for a system that has not been properly managed for
21 decades and is now playing “catch-up” to pursue a rate plan that spans beyond the

²⁷ Pittsburgh Water 2025 Cost of Service Study 6.4.25, FR-VII.8 tab (Excel file).

1 FPPTY that would prevent Pittsburgh Water from receiving continual and
2 beneficial oversight.

3 Additionally, there are lingering economic impacts from the pandemic and
4 recent inflation in costs. Consideration of Pittsburgh Water’s enormous capital
5 improvement plan and associated capital costs alone illustrates the need for more
6 regulatory oversight, not less. Notably, Pittsburgh Water is projecting
7 significantly lower capital expenditures for the FY 2028 through FY 2030 as
8 shown in the table below:²⁸

FPPTY	FY 2027	FY 2028	FY 2029	FY 2030
\$344,200,122	\$287,352,969	\$112,108,105	\$106,425,373	\$106,425,373

9
10 The above table shows that Pittsburgh Water would need significantly lower
11 funding for its capital improvement plan beginning in FY 2028, and therefore, it
12 would be inappropriate to build up an annual revenue level for an extended period.

13 Finally, I&E witness Ethan Cline²⁹ is submitting testimony discussing
14 various other factors that support I&E’s recommended disallowance of Pittsburgh
15 Water’s proposed MYRP.

²⁸ Pittsburgh Water 2025 Cost of Service Study 6.4.25, CIP tab (Excel file).

²⁹ I&E Statement No. 4.

1 **DEBT SERVICE EXPENSE**

2 **Q. WHAT IS PITTSBURGH WATER'S FPFTY TOTAL CLAIM FOR**
3 **SENIOR LIEN DEBT SERVICE EXPENSE AND DEBT COVERAGE**
4 **CAPITAL?**

5 A. Pittsburgh Water is claiming total senior lien debt service expense of \$84,927,686
6 and related debt coverage capital of \$21,231,922 in the FPFTY.³⁰

7

8 **Q. WHAT IS THE BASIS FOR SENIOR LIEN DEBT SERVICE EXPENSE**
9 **AND RELATED DEBT COVERAGE CAPITAL CLAIMS?**

10 A. Pittsburgh Water has proposed to issue a new senior lien bond series 2026 of
11 \$150,000,000 in the FPFTY³¹ to fund the capital expenditures in line with the
12 Capital Improvement Plan (FY 2025 - FY 2029). As discussed above, Pittsburgh
13 Water estimates total capital expenditures for the FPFTY of \$344,200,123.³² The
14 FPFTY total senior lien debt service expense claim of \$84,927,686 includes the
15 annual debt service expense of \$11,241,803 (\$1,476,803 principal + \$9,765,000
16 interest)³³ for the proposed new senior lien bond issue in the FPFTY. Similarly,
17 the FPFTY debt coverage capital claim of \$21,231,922 includes \$2,810,451
18 (\$11,241,803 x 0.25) for debt service coverage capital at 25% (0.25) of the annual
19 debt service expense.³⁴ The debt service capital represents an additional coverage

³⁰ I&E Exhibit No. 1, Schedule 1, p. 1.

³¹ Pittsburgh Water Statement No. 2, p. 33, lines 9-10.

³² Pittsburgh Water Statement No. 2, p. 29, lines 10-11.

³³ Pittsburgh Water 2025 Cost of Service Study 6.4.25, FutureDebt tab (Excel file).

³⁴ Pittsburgh Water 2025 Cost of Service Study 6.4.25, ABT (with increase) tab (Excel file).

1 amount mandated in the debt service coverage ratio of 1.25 of the annual senior
2 debt service expense contained in the bond rate covenant agreed upon with the
3 lenders.

4
5 **Q. DO YOU ACCEPT THE FPPTY SENIOR LIEN DEBT SERVICE**
6 **EXPENSE CLAIM OF \$11,241,803 AND DEBT COVERAGE CAPITAL**
7 **CLAIM OF \$2,810,451 RELATING TO THE PROPOSED \$150,000,000**
8 **SENIOR LIEN BOND ISSUE?**

9 A. No.

10
11 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION TO REJECT**
12 **SENIOR LIEN DEBT SERVICE EXPENSE AND RELATED DEBT**
13 **COVERAGE CAPITAL CLAIMS?**

14 A. As discussed above, for the last five-year period, Pittsburgh Water underspent its
15 budgeted capital expenditures on an annual average of \$78,419,290, which is
16 35.24% of the total budgeted expenditures. Notably, Pittsburgh Water incurred or
17 spent significantly lower capital expenditures of \$86,098,208 through July 2025 (a
18 seven-month period) for the FY 2025 total budgeted capital expenditures of
19 \$323,429,338, which is 26.62% of the total budgeted spending. I&E witness
20 Esysan Sakaya addresses capital expenditure underspending in his direct
21 testimony.³⁵

³⁵ I&E Statement No. 3.

1 I reiterate that considering the historic five-year average of 35.24%
2 underspending, it is speculative to assume that Pittsburgh Water would spend the
3 FPPTY budgeted or planned capital expenditures of \$344,200,122 in its entirety.
4 Applying the 35.24% average underspending to the FPPTY total claimed capital
5 expenditures of \$344,200,122 results in a potential underspending of
6 \$121,296,123. Relying on this potential underspending on capital expenditures as
7 discussed by Eryan Sakaya,³⁶ Pittsburgh Water would not require the additional
8 borrowing (senior lien bond issue) of \$150,000,000 planned in the FPPTY because
9 it is not supported by its historic and current pace and level of capital spending
10 with the budgeted capital expenditures. As a result, the FPPTY debt service
11 expense claim of \$11,241,803 for the proposed new bond issue and related debt
12 service capital claim of \$2,810,451 are speculative and unsupported, which would
13 negatively impact ratepayers if approved. Therefore, I recommend these claims be
14 disallowed.

15
16 **DISTRIBUTION SYSTEM IMPROVEMENT CHARGE**

17 **Q. EXPLAIN PITTSBURGH WATER'S CLAIM REGARDING THE DSIC.**

18 A. The current DSIC rate of 5.0% for water and wastewater is a source of internally
19 generated funds (PAYGO fund) for this cash flow utility. Pittsburgh Water is
20 requesting to increase the water and wastewater DSIC rate from 5.0% to 7.5% for
21 the purpose of generating additional revenue to fund Pittsburgh Water's long-term

³⁶ I&E Statement No. 3.

1 infrastructure improvement plan (LTIIP) to provide additional funding for capital
2 assets.³⁷

3 An increase to 7.5% would result in total DSIC revenues of \$18,900,000
4 (\$13,900,000 for water and \$5,000,000 for wastewater) in the FPFTY at proposed
5 rates and \$20,300,000 in FY 2027 (\$14,900,000 for water and \$5,400,000 for
6 wastewater).³⁸ Breaking that down, the increase would provide Pittsburgh Water
7 with additional revenue of \$8,800,000 in the FPFTY and \$1,400,000 in FY 2027,
8 which it proposes to use to support capital improvements.³⁹

9
10 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER'S CLAIM FOR**
11 **INCREASING THE DSIC RATE?**

12 A. First, Mr. Barca explains that Pittsburgh Water seeks to accelerate project
13 execution within the LTIIP. He argues that the rate of inflation over the past five
14 years has resulted in a loss of purchasing power at the current DSIC rate of 5%.
15 He asserts that increasing the DSIC rate to 7.5% will provide the necessary
16 infusion of cash to make up for this loss. Second, he states that Pittsburgh Water
17 also seeks to increase its level of internally generated funds to reduce its financial
18 leverage or debt ratio. Pittsburgh Water's financial leverage (total liabilities
19 divided by total assets) continues to remain high but has decreased by 12%
20 because of the DSIC. He claims that if the DSIC increase is granted, Pittsburgh

³⁷ Pittsburgh Water Statement No. 2, p. 36, lines 3-6.

³⁸ Pittsburgh Water Statement No. 2, p. 63, lines 13-15.

³⁹ Pittsburgh Water Statement No. 2, p. 63, lines 20-22.

1 Water estimates that the debt ratio will fall below 90% by the end of the FY
2 2026.⁴⁰ Finally, he states that using the DSIC as a source of internally generated
3 funds, rather than long-term debt, is also less expensive to ratepayers over time.⁴¹
4

5 **Q. DO YOU ACCEPT PITTSBURGH WATER'S PROPOSED INCREASE TO**
6 **THE DSIC RATE IN THIS PROCEEDING?**

7 A. No. I recommend that the Commission reject Pittsburgh Water's proposal to
8 increase the DSIC rate from 5.0% to 7.5%.

9
10 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION TO REJECT**
11 **PITTSBURGH WATER'S PROPOSED INCREASE TO THE DSIC RATE?**

12 A. First, I must note that I&E is recommending that the Commission reject Pittsburgh
13 Water's MYRP proposal. Second, Pittsburgh Water has not only continued to
14 secure extremely low-cost PENNVEST funding, but it has also been able to secure
15 WIFIA funding, which is the federal equivalent to PENNVEST via the U.S.
16 Environmental Protection Agency. Specifically, Mr. Barca touts that Pittsburgh
17 Water has obtained \$714,000,000 in low-interest loans and \$94,500,000 in grants
18 for a total of \$808,500,000 from PENNVEST since 2018.⁴² Additionally, On July
19 16, 2025, PENNVEST awarded \$14,214,403 and \$11,275,597 in loans for a total
20 amount of \$25,490,000 to Pittsburgh Water, and Pittsburgh Water anticipates

⁴⁰ Pittsburgh Water Statement No. 2, p. 36, lines 11-19.

⁴¹ Pittsburgh Water Statement No. 2, p. 37, lines 3-4.

⁴² Pittsburgh Water Statement No. 2, p. 43, lines 5-6.

1 PENNVEST funding of \$77,700,000 to be awarded on October 15, 2025 at the
2 PENNVEST Board meeting.⁴³ Use of these funds provides major cost savings to
3 Pittsburgh Water's ratepayers and is preferable over increasing the DSIC or long-
4 term bond funding. Additionally, Pittsburgh Water has a capital line of credit of
5 \$150,000,000 for funding urgent and critical repairs as well as for interim capital
6 improvement expenses, and as of June 30, 2025, the outstanding (borrowing)
7 balance was \$15,000,000.⁴⁴

8 Finally, as recommended in the direct testimony of I&E witness Vanessa
9 Okum,⁴⁵ normalization of equipment costs for shorter life capital equipment over
10 the anticipated equipment life also provides an ongoing level of funding in base
11 rates that is intended to fund these needs prospectively, thereby invalidating the
12 need for an increase in DSIC rate.

13
14 **Q. ARE THERE ANY OTHER REASONS TO DENY THE REQUESTED**
15 **DSIC RATE INCREASE?**

16 A. Yes. As discussed above, considering the historic five-year average of 35.24%
17 underspending of the budgeted capital expenditures, it is speculative to assume
18 that Pittsburgh Water would spend the FPFTY budgeted/planned capital
19 expenditures of \$344,200,122⁴⁶ in its entirety. Considering the above and in

⁴³ I&E Exhibit No. 1, Schedule 3, p. 1.

⁴⁴ I&E Exhibit No. 1, Schedule 3, pp. 2-3.

⁴⁵ I&E Statement No. 2.

⁴⁶ Pittsburgh Water 2025 Cost of Service Study 6.4.25, FR-VII.8 tab (Excel file).

1 fairness to ratepayers, I recommend that the Commission reject Pittsburgh Water's
2 request to increase the DSIC rate from 5.0% to 7.50% for its water and wastewater
3 services in this proceeding.

4
5 **MINIMUM CHARGE**

6 **Q. EXPLAIN PITTSBURGH WATER'S PROPOSAL TO ELIMINATE**
7 **THE MINIMUM CHARGE FOR WATER AND WASTEWATER**
8 **SERVICES STARTING IN FY 2027.**

9 A. Mr. Barca explains that Pittsburgh Water is proposing to eliminate the minimum
10 water and wastewater charges and shift the recovery of those costs to volumetric
11 rates starting in FY 2027,⁴⁷ which is the year after the FPFTY.

12
13 **Q. WHAT IS THE BASIS FOR PROPOSED ELIMINATION OF THE**
14 **MINIMUM CHARGE FOR WATER AND WASTEWATER SERVICES IN**
15 **FY 2027?**

16 A. Mr. Barca states that Pittsburgh Water is making this proposal to comply with a
17 settlement term from the prior rate case.⁴⁸ He states that removing the water and
18 wastewater minimum charges will overhaul Pittsburgh Water's entire rate
19 structure. A change of this magnitude will require Pittsburgh Water to perform

⁴⁷ Pittsburgh Water Statement No. 2, p. 66, lines 7-9.

⁴⁸ Pittsburgh Water Statement No. 2, p. 66, lines 9-10.

1 public outreach in FY 2026 to inform customers of what the change is, when it
2 will become effective, why it is being implemented, and the potential benefits.⁴⁹

3 Julie A. Mechling states that consistent with the last (2023) rate case
4 settlement commitment,⁵⁰ Pittsburgh Water has engaged the CIS support vendor to
5 evaluate logic in the billing system software and to make the determination that it
6 can be updated to accommodate removal of the minimum charges.⁵¹ She claims
7 that removing the minimum charge effective in FY 2027 will help to smooth out
8 rate adjustments for customers in a more reasonable manner.⁵²

9
10 **Q. WHAT WILL BE THE REVENUE IMPACT DUE TO ELIMINATION OF**
11 **MINIMUM CHARGE?**

12 A. Ms. Mechling states that currently as a part of rate structure design, most
13 residential customers are billed a minimum charge for up to 1,000 gallons of usage
14 and for every full 1,000 gallons over the minimum, they are assessed a
15 consumption charge.⁵³ She states that removing the minimum charge does not
16 effectively result in receiving more money from ratepayers, however, it does shift
17 the cost responsibility among customers so that some customers will see increases
18 while some will not.⁵⁴

⁴⁹ Pittsburgh Water Statement No. 2, p. 66, lines 14-18.

⁵⁰ *Pa. Pub. Util. Comm'n v. Pittsburgh Water and Sewer Authority*; Docket Nos. R-2023-3039920 (water), R-2023-3039921 (Wastewater), R-2023-3039919 (Stormwater), Recommended Decision dated November 28, 2023; Terms and Conditions of Settlement, Section 9.A.3.a.ii at p. 26.

⁵¹ Pittsburgh Water Statement No. 6, p. 25, lines 13-15.

⁵² Pittsburgh Water Statement No. 6, p. 30, lines 8-10.

⁵³ Pittsburgh Water Statement No. 6, p. 25, lines 6-8.

⁵⁴ Pittsburgh Water Statement No. 6, p. 25, lines 17-20.

1 **Q. DO YOU ACCEPT PITTSBURGH WATER'S PROPOSAL TO CHANGE**
2 **FROM BILLING CUSTOMERS USING A MINIMUM CHARGE TO A**
3 **BASE CHARGE IN FY 2027?**

4 A. Yes. Despite I&E's recommendation to deny the MYRP, the elimination of the
5 minimum charge should occur on the first day of FY 2027 on a revenue neutral
6 basis. This means that, despite the rate change, customers would be generating the
7 same level of revenue in FY 2027 that may be approved for the FPFTY ending
8 December 31, 2026, but under a different rate structure.

9
10 **Q. WHY DO YOU ACCEPT PITTSBURGH WATER'S PROPOSAL THAT**
11 **THE CHANGE FROM A MINIMUM CHARGE TO A BASE CHARGE BE**
12 **DELAYED UNTIL FY 2027?**

13 A. When eliminating a minimum charge, and more specifically a minimum usage
14 allowance, in favor of a fixed monthly charge such as a customer charge or base
15 charge, the average bill of certain customers can be negatively impacted by the
16 additional usage accounted for in their bills. This negative impact would be
17 exacerbated by any additional revenue added to increase rates. Therefore, despite
18 I&E's recommendation to deny the base rate increases proposed for FY 2027, it is
19 reasonable to change from a minimum charge to a base charge at that time to
20 lessen the impact on customers' average bills.

1 **CREDIT RATING AGENCIES**

2 **Q. HAVE YOU REVIEWED THE MOST RECENT REPORTS FROM**
3 **CREDIT RATING AGENCIES REGARDING THE FINANCIAL**
4 **POSITION OF PITTSBURGH WATER?**

5 A. Yes. I have reviewed Moody’s Investors Service (Moody’s) Credit Opinion
6 reports dated May 29, 2023 and December 16, 2024, as well as the S&P Global
7 Ratings (S&P) report dated December 19, 2024⁵⁵ for Pittsburgh Water, which are
8 the most recent rating agency reports included in the filing.

9

10 **Q. PLEASE SUMMARIZE THE MOODY’S INVESTORS SERVICE**
11 **REPORTS REGARDING PITTSBURGH WATER.**

12 A. Moody’s credit rating for the Pittsburgh Water is upgraded from “A3 positive” to
13 “A2 stable” and it notes that: (1) the stable outlook reflects the likelihood that a
14 strong management team will prevent the authority’s credit profile from
15 deteriorating from the current level;⁵⁶ (2) Pittsburgh Water's service area
16 consisting largely of the City of Pittsburgh is an important strength overall, as the
17 City is a regionally significant economy with a substantial educational and
18 medical presence;⁵⁷ and (3) while Pittsburgh Water's management has done good
19 work in stabilizing the utility's financial position at an adequate level, the
20 Authority is likely to report narrow coverage and hold weaker liquidity than peers

⁵⁵ Pittsburgh Water Exhibits CF-8, CF-9, and CF-10 (Moody’s and S&P Global Credit Opinion).

⁵⁶ Pittsburgh Water Exhibit CF-9 (Moody’s Credit Opinion, December 16, 2024), p. 2.

⁵⁷ Pittsburgh Water Exhibit CF-9 (Moody’s Credit Opinion, December 16, 2024), p. 4.

1 for the foreseeable future.⁵⁸ The “A2 stable” rating falls into the category of upper
2 medium grade obligations and is considered to have low credit risk. The large
3 size, considerable assets, diverse service area, “significant” recent rate increases,
4 and Commission oversight are considered to be the Authority’s credit strengths,
5 while the substantial debt burden, projected capital needs to be funded with debt,
6 and narrow liquidity versus similarly sized peers are among the credit challenges.
7 Moody’s further notes that Authority’s stable service area in regionally significant
8 economy, much-improved governance, and strong financial management,
9 including long-range planning are credit strength, while coverage and liquidity
10 lower than peers, history of deferred investment, and significant capital plan
11 implies increasing debt going forward are credit challenges.⁵⁹

12
13 **Q. PLEASE SUMMARIZE THE S&P GLOBAL RATING REPORT**
14 **REGARDING PITTSBURGH WATER.**

15 A. As of the December 19, 2024, report,⁶⁰ S&P has affirmed Pittsburgh Water’s 2025
16 first-lien revenue bonds “A+” rating, and its 2025 subordinate-lien revenue bonds
17 “A” rating, both with a stable outlook. The investment grade “A” rating implies a
18 strong capacity to meet its financial obligations. Similar to Moody’s, S&P notes a
19 good operational management assessment despite the challenges, strong coverage
20 levels of all-in debt service historically and projected, strong on-balance-sheet

⁵⁸ Pittsburgh Water Exhibit CF-9 (Moody’s Credit Opinion, December 16, 2024), p. 5.

⁵⁹ Pittsburgh Water Exhibit CF-9 (Moody’s Credit Opinion, December 16, 2024), p. 2.

⁶⁰ Pittsburgh Water Exhibit CF-10 (S&P Global Ratings, December 19, 2024), p. 2.

1 liquidity supported further by the available credit line, and good financial
2 management practices and policies support the current rating.⁶¹ However, S&P
3 expresses concerns over the Authority's high leverage and future capital
4 commitments resulting in pressure on its overall financial profile.⁶²

5
6 **Q. WHAT ARE YOUR COMMENTS REGARDING THE CREDIT RATING**
7 **AGENCIES' REPORTS?**

8 A. Both credit rating agencies continue to express concern over Pittsburgh Water's
9 increasing debt burden related to its significant capital plan, yet both appear
10 confident that the Authority's recently established (April 1, 2018) relationship
11 with the Commission and being subjected to regulatory oversight will yield
12 positive results in strengthening its financial position. Sound financial
13 management remains essential going forward, especially considering the large
14 amount of planned future debt issuances for capital improvement projects.
15 Notably, the Authority's financial position has been trending favorably since
16 coming under the Commission's jurisdiction, which is illustrated by the improving
17 financial metrics and both Moody's and S&P's bond rating upgrades. The DSCR
18 and DCOH metrics mentioned in these credit reports are discussed below.

⁶¹ Pittsburgh Water Exhibit CF-10 (S&P Global Ratings, December 19, 2024), p. 3.

⁶² Pittsburgh Water Exhibit CF-10 (S&P Global Ratings, December 19, 2024), p. 3.

1 **Q. PLEASE SUMMARIZE THE MOODY’S AND S&P GLOBAL HISTORIC**
2 **RATINGS FOR PITTSBURGH WATER.**

3 A. Historically, the credit rating agencies did not downgrade Pittsburgh Water’s long-
4 term bond ratings since 2013 as shown in the table below:⁶³

Moody’s Underlying Rating		S&P Global Underlying Rating	
Effective Date	Rating	Effective Date	Rating
12/16/2024	A2	12/19/2024	A+
10/5/2020	A3	10/12/2022	A+
6/4/2019	A3	10/10/2020	A
10/15/2018	A3	6/6/2019	A
1/17/2018	A2	10/20/2017	A
9/18/2017	A2	12/12/2013	A
11/20/2013	A2	-	-

5
6 Therefore, Mr. Barca and Ms. Fay’s concerns about a potential downgrade in
7 ratings due to changes in Pittsburgh Water’s financial metrics is speculative.

⁶³ Pittsburgh Water responses to filing requirements, Tab 10, Rate of Return, VII.17.

1 **DAYS CASH ON HAND**

2 **Q. PLEASE EXPLAIN THE DCOH METRIC.**

3 A. The DCOH metric represents the number of days a company can pay its current
4 level of operating expenses with the amount of cash it has available. The formula
5 to calculate DCOH is as follows:

6
$$\text{Year-end Cash Balance} \div ((\text{Operating Expenses} - \text{Non-cash Expenses}) \times 365).$$

7
8 **Q. WHAT IS PITTSBURGH WATER'S TESTIMONY REGARDING DCOH?**

9 A. Mr. Barca opines that at present rates, the DCOH is projected to be 118 days in the
10 FPFTY, followed by dramatic declines to 42 days in the FY 2027. He attributes
11 the substantial drop in DCOH to increases in operations and capital spending
12 without rate relief to keep up with these additional obligations.⁶⁴ He also states
13 that Pittsburgh Water has set a goal of maintaining a 100 DCOH level with the
14 target of 300 DCOH over the next five years.⁶⁵

15 Similar to Mr. Barca, Ms. Fay asserts that without an appropriate rate
16 increase, the DCOH metric at present rates will cause significant concerns with the
17 rating agencies and result in rating downgrades.⁶⁶ She also alleges that the FPFTY
18 DCOH of 118 days and FY 2027 DCOH of 116 days at proposed rates are lower
19 than Pittsburgh Water's financial policy target, rating agencies' median DCOH,
20 and the majority of peer utilities' DCOH.⁶⁷

⁶⁴ Pittsburgh Water Statement No. 2, p. 48, lines 18-21 and Exhibit EB-1.

⁶⁵ Pittsburgh Water Statement No. 2, p. 48, line 23 and p. 49, line 1.

⁶⁶ Pittsburgh Water Statement No. 7, p. 15, lines 13-17.

⁶⁷ Pittsburgh Water Statement No. 7, p. 16, lines 1-6 and Exhibit EB-2.

1 **Q. WHAT IMPACTS DOES MS. FAY IMPLY WOULD RESULT FROM A**
2 **DECLINING DCOH AND DEBT SERVICE COVERAGE?**

3 A. Ms. Fay opines that if Pittsburgh Water's proposed rate increase is denied, she
4 estimates that the corresponding sharp declines in both total debt service coverage
5 and DCOH, as well as deteriorating assessments of rate management and
6 oversight, would cause Pittsburgh Water's scorecard ratings to drop four notches
7 by Moody's, from A2 to Baa3, and four or five notches by S&P, from A+ to BBB
8 or BBB- by FY 2027.⁶⁸

9
10 **Q. WHAT ARE THE RANGES OF DCOH DESCRIBED BY MOODY'S IN ITS**
11 **RATING METHODOLOGY?**

12 A. Moody's sets the following ranges for each rating categories:⁶⁹

Aaa	Greater than 250 days
Aa	Greater than 150 days but less than or equal to 250 days
A	Greater than 35 days but less than or equal to 150 days
Baa	Greater than 15 days but less than or equal to 35 days
Ba	Greater than 7 days but less than or equal to 15 days
B and Below	Equal to or less than 7 days

13

⁶⁸ Pittsburgh Water Statement No. 7, p. 17, lines 22-25 and p. 18, lines 1-2.

⁶⁹ Pittsburgh Water Exhibit CF-6 (Moody's Investors Service, Rating Methodology, US Municipal Utility Revenue Debt, March 7, 2024), p. 16.

1 **Q. WHAT ARE THE RANGES OF DCOH DESCRIBED BY S&P GLOBAL IN**
2 **ITS RATING METHODOLOGY?**

3 A. S&P Global does not specify DCOH for each rating category similar to Moody's.
4 However, S&P Global does Liquidity and Reserves Preliminary Evaluation for
5 rating assessment as shown in the table below:⁷⁰

Preliminary Assessment	Day's Cash on Hand	Available Reserves
1	Greater than 150 days	More than \$75 million
2	90-150 days	\$20 million - \$75 million
3	60-90 days	\$5 million - \$20 million
4	30-60 days	\$1 million - \$5 million
5	15-30 days	\$500,000 - \$1 million
6	Less than 15 days	Less than \$500,000

6

7

8 **Q. WHAT WOULD PITTSBURGH WATER'S DCOH BE AT I&E'S**
9 **PROPOSED RATES?**

10 A. I&E's proposed rates would result in approximately 245 DCOH.⁷¹ This metric
11 falls within Moody's range for the 'Aa' rating category, which is notably higher
12 than Moody's current 'A2' rating for Pittsburgh Water. The DCOH metric, as
13 well as the annual debt service coverage as discussed below, are subfactors of the
14 "Financial Strength" factor used in Moody's "US Municipal Utility Revenue Debt

⁷⁰ Pittsburgh Water Exhibit CF-7 (S&P Global Ratings, April 14, 2022), pp. 21-22.

⁷¹ I&E Exhibit No. 1, Schedule 1, p. 1.

1 Scorecard Overview.” The “Financial Strength” total weighting factor is 40%
2 when considering a utility’s credit profile, which is broken down as 15% for
3 DCOH, 15% for annual debt service coverage ratio, and 10% for debt to operating
4 revenues ratio.⁷²

5 Additionally, the 245 DCOH resulting from I&E’s recommendation
6 exceeds Pittsburgh Water’s FPFTY claim of 204 DCOH and the 100 DCOH lowest
7 target level while it is well on its way to reaching Pittsburgh Water’s five-year
8 target goal of 300 DCOH asserted in its Financial Management Policy. Pittsburgh
9 Water’s Financial Management Policy dictates “to maintain cash reserves,
10 including the operating reserves, rate stabilization fund, and revenue fund at a
11 level of 100 days cash on hand with the goal of increasing to over 300 days over
12 the next five years.”⁷³ Again, it is also important to recognize that Pittsburgh
13 Water has only recently come under the Commission’s jurisdiction, and as
14 indicated by Moody’s and S&P Global and cited above, the DCOH has been
15 steadily improving ever since. Consequently, any fear of a credit downgrade
16 regarding the level of cash on hand is unjustified.

⁷² Pittsburgh Water Exhibit CF-6, p. 16.

⁷³ Pittsburgh Water Exhibit EB-5, p. 2.

1 **DEBT SERVICE COVERAGE RATIO**

2 **Q. WHAT IS THE DEBT SERVICE COVERAGE RATIO?**

3 A. The DSCR is a commonly used indicator that gauges an entity's ability to pay its
4 outstanding loan principal and interest in full and on time. The DSCR calculation
5 includes dividing the annual net operating income by the entity's annual debt
6 service payments. This calculation is often done on two levels, once to include
7 only senior debt service, and again to cover the entire (total) debt service
8 payments.

9

10 **Q. WHAT IS PITTSBURGH WATER'S CLAIMED DSCR FOR THE FPFTY?**

11 A. Pittsburgh Water provides a calculation illustrating that at proposed rates, the
12 DSCR for senior debt service would be 1.85x for the FPFTY. Additionally, the
13 DSCR for total debt service coverage would be 1.42x for the FPFTY.⁷⁴

14 Mr. Barca expresses concern that at present rates the FPFTY DSCR of
15 1.22x for senior debt and 0.94x for the total debt service would fall well below the
16 legal minimum requirement (rate covenant) of 1.25x for senior debt service and
17 1.10x for total debt service.⁷⁵ He then opines that Pittsburgh Water would not be
18 able to fully pay its senior debt obligations and other financial obligations.⁷⁶

19 Additionally, Mr. Barca argues that a failure to improve these results with
20 additional revenues would prevent Pittsburgh Water from issuing additional bonds

⁷⁴ Pittsburgh Water Statement No. 2, p. 52, lines 4-6 and Exhibit EB-2.

⁷⁵ Pittsburgh Water Statement No. 2, p. 45, lines 24-26 and p. 46, line 1 and Exhibit EB-1.

⁷⁶ Pittsburgh Water Statement No. 2, p. 46, lines 2-3.

1 in the FPFTY due to its failure to meet the Additional Bonds Test, and almost
2 certainly result in a bond rating downgrade. He claims that without the
3 appropriate rate increase, the costs of borrowing would increase and limit
4 Pittsburgh Water's access to capital markets for many years.⁷⁷ Further, he claims
5 that any profit or excess of revenues over expenses is invested back into the
6 system, which will benefit ratepayers because it offsets future revenue
7 requirements that would otherwise be recovered through rates.⁷⁸

8 Ms. Fay states that Pittsburgh Water's Amended and Restated Trust
9 Indenture includes a Rate Covenant with bondholders that requires Pittsburgh
10 Water to maintain an annual debt service coverage ratio at 1.25x for senior lien
11 debt service and 1.10x for total debt service.⁷⁹ She then explains that Pittsburgh
12 Water's Financial Management Policy is more stringent than the legal rate
13 covenant and states that if the five-year average senior lien debt service coverage
14 is to be less than 1.35x or less than 1.15x on a total debt service coverage basis,
15 the Board will implement a plan, which include increasing rates, reducing
16 expenses or other means to achieve a 1.35x senior debt service coverage level and
17 a 1.15x total debt service coverage level.⁸⁰

18 She suggests that the target of 1.35x should not be viewed as a goal, but as
19 the minimum.⁸¹ Ms. Fay further rationalizes that it is important for Pittsburgh
20 Water to increase its debt service coverage over time, which will grow its financial

⁷⁷ Pittsburgh Water Statement No. 2. p. 51, lines 9-14.

⁷⁸ Pittsburgh Water Statement No. 2, p. 46, lines 8-11.

⁷⁹ Pittsburgh Water Statement No. 7, p. 10, lines 20-23.

⁸⁰ Pittsburgh Water Statement No. 7, p. 11, lines 3-8.

⁸¹ Pittsburgh Water Statement No. 7, p. 11, lines 16-17.

1 resources to fund targeted internally generated funding levels with less reliance on
2 using debt.⁸² Finally, Ms. Fay claims that it is extremely important to establish
3 rates that also generate coverage at a level to protect against any unforeseen
4 additional expenses or decreases in expected revenues, particularly in the current
5 environment of heightened uncertainty due to tariffs and a softening economy.⁸³

6
7 **Q. WHAT ARE PITTSBURGH WATER’S DSCR CLAIMS FOR THE FPFTY?**

8 A. At the proposed rate increase, Pittsburgh Water’s claim for the FPFTY debt
9 service coverage exceeds the minimum coverage requirements set forth in
10 Pittsburgh Water’s bond covenants as shown below:⁸⁴

	FY 2024 (Actual)	FY 2025 (Budgeted)	FPFTY (FY 2026)
Senior Debt Service Coverage Ratio	1.82x	1.57x	1.85x
Total Debt Service Coverage Ratio	1.40x	1.22x	1.42x

11
12
13 **Q. WHAT DOES MOODY’S INDICATE ABOUT PITTSBURGH WATER’S**
14 **DSCR?**

15 A. The Moody’s Credit Opinion of December 16, 2024 states,⁸⁵

16 The Pittsburgh Water and Sewer Authority, PA (A2 stable)
17 will for the foreseeable future report weak but stable coverage
18 (coverage of all debt service including subordinate liens is
19 likely to stay in a 1.2x to 1.4x range on a Moody's-adjusted

⁸² Pittsburgh Water Statement No. 7, p. 12, lines 5-7.

⁸³ Pittsburgh Water Statement No. 7, p. 12, lines 16-19.

⁸⁴ Pittsburgh Water Statement No. 7, p. 13, lines 18-20 and p. 14, lines 1-3 and Exhibit EB-2.

⁸⁵ Pittsburgh Water Exhibit CF-9, p. 1.

1 basis) and liquidity (days cash on hand is forecast to be roughly
2 190 as of 2024). While weaker than most peers, this represents
3 a substantial improvement from its history, when coverage was
4 several times below 1.0x and liquidity was very low.

5 Finally, the rating acknowledges the solid service area
6 consisting mainly of the City of Pittsburgh (A1 stable), which
7 is a regionally significant economy with a number of
8 substantial employers, particularly in the eds and meds
9 categories.

10 Moody's report notes that the DSCR consistently exceeding 1.5x and
11 liquidity (DCOH) consistently exceeding 200 days could lead to a ratings
12 upgrade. Similarly, DSCR below 1.1x and liquidity (DCOH) below 100
13 days could lead to rating downgrade.⁸⁶ Moody's also notes,⁸⁷

14 While Pittsburgh Water's management has done good work in
15 stabilizing the utility's financial position at an adequate level,
16 the authority is likely to report narrow coverage and hold
17 weaker liquidity than peers for the foreseeable future.
18 Coverage is unlikely to improve by much from here. The
19 authority is going to be issuing significant debt to fund its CIP,
20 meaning debt service will be increasing. Debt service on the
21 authority's existing debt escalates, so some rate increases are
22 necessary just to keep coverage at existing levels.

23 This report clearly indicates that although Moody's acknowledges
24 Pittsburgh Water's need to maintain appropriate coverage levels, the credit
25 rating agency is aware of Pittsburgh Water's legal covenants as well as its
26 steadily improving DSCRs that are well above the legal requirements. It
27 also exhibits confidence in the Commission's oversight.

⁸⁶ Pittsburgh Water Exhibit CF-9, p. 2.

⁸⁷ Pittsburgh Water Exhibit CF-9, p. 5.

1 **Q. WHAT ARE THE RANGES OF ANNUAL DEBT SERVICE COVERAGE**
2 **DESCRIBED BY MOODY’S IN ITS RATING METHODOLOGY?**

3 A. Moody’s sets the following ranges for each rating categories and assigns 15%
4 weighting under financial strength weighting of 40% in its overall rating
5 numerical score assessment:⁸⁸

Aaa	Greater than 2.00x
Aa	Greater than 1.70x but less than or equal to 2.00x
A	Greater than 1.25x but less than or equal to 1.70x
Baa	Greater than 1.00x but less than or equal to 1.25x
Ba	Greater than 0.70x but less than or equal to 1.00x
B and Below	Equal to or less than 0.70x

6
7

8 **Q. WHAT DOES S&P SAY ABOUT PITTSBURGH WATER’S DSCR?**

9 A. The S&P Global Ratings (December 19, 2024) credit profile identifies “[s]trong
10 coverage levels of all-in debt service historically and projected” as one of the
11 factors that support its current rating.⁸⁹ S&P further notes that Pittsburgh Water
12 maintains many best practices that S&P believes are critical to supporting credit
13 quality, particularly in the finance department as well as the credit supportive
14 relationship with the Commission.⁹⁰

⁸⁸ Pittsburgh Water Exhibit CF-6, p. 16.

⁸⁹ Pittsburgh Water Exhibit CF-10, p. 3.

⁹⁰ Pittsburgh Water Exhibit CF-10, pp. 3-5.

1 **Q. WHAT WOULD PITTSBURGH WATER’S DSCR’S BE AT I&E**
2 **RECOMMENDED RATES?**

3 A. I&E’s recommended rates would result in DSCRs of 1.86x for senior debt service
4 and 1.37x for total debt service coverage.⁹¹ These ratios exceed both the legal
5 covenant requirements of 1.25x for senior debt service and 1.10⁹² for total debt
6 service as well as the requirement from Pittsburgh Water’s Financial Management
7 Policy as mentioned above. I&E’s recommendation for senior debt service and
8 total debt service coverage falls under Moody’s “Aa” and “A” ratings respectively
9 and would be considered ‘Strong’ for senior debt service and ‘Adequate’ for total
10 debt service coverage by S&P Global. This allows Pittsburgh Water to at least
11 maintain, if not provide support for the consideration to upgrade its current credit
12 rating.

13
14 **Q. ARE THERE ADDITIONAL REQUESTS TO CONSIDER THAT WILL**
15 **AFFECT THE REQUESTED REVENUE INCREASE OTHER THAN**
16 **STANDARD OPERATING EXPENSES AND DEBT SERVICE?**

17 A. Yes. Pittsburgh Water is claiming continued financing of its Rate Stabilization
18 Fund (RSF) discussed below. Additionally, Pittsburgh Water is requesting an
19 increase in the current DSIC rate from 5.0% to 7.5%, which is discussed above.

⁹¹ I&E Exhibit No. 1, Schedule 1, p. 1.

⁹² Pittsburgh Water Filing Requirement Response VII.7, Amended and Restated Trust Indenture Between The Pittsburgh Water and Sewer Authority and The Bank of New York Mellon Trust Company, N.A., Amended and Restated as of November 1, 2017, Article VII.7, Section 7.01(c)(ii), p. 58.

1 **RATE STABILIZATION FUND**

2 **Q. WHAT IS PITTSBURGH WATER’S CLAIM FOR THE RSF?**

3 A. Pittsburgh Water proposes to allocate \$3,000,000 in the FPPTY to its RSF,⁹³
4 which is currently funded at \$24,700,000.⁹⁴

5
6 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S RSF CLAIM?**

7 A. Mr. Barca explains that this fund is a standard feature of municipal ratemaking and
8 is designed to provide flexibility to meet minimum DSCRs and demonstrate
9 financial stability to the financial community.⁹⁵ He then states that Pittsburgh
10 Water’s RSF policy calls for the RSF balance to be evaluated annually with the
11 goal of increasing the balance to not less than 10%, with a goal of 15% of
12 operating revenues (excluding ALCOSAN revenues). The minimum 10% and
13 goal of 15% RSF were decided after reviewing the negative revenue impacts of
14 the COVID-19 pandemic and these levels are adequate to maintain financial
15 solvency during an unforeseen event like the recent pandemic.⁹⁶ Lastly, he states
16 that at proposed rates, the RSF balance is projected to be 8.9% in the FPPTY and
17 9.2% in FY 2027, both years still falling short of Pittsburgh Water’s policy
18 goals.⁹⁷

⁹³ Pittsburgh Water Statement No. 2, p. 50, lines 3-5.

⁹⁴ Pittsburgh Water Statement No. 2, p. 49, lines 14-15.

⁹⁵ Pittsburgh Water Statement No. 2, p. 49, lines 23-25.

⁹⁶ Pittsburgh Water Statement No. 2, p. 49, lines 15-21.

⁹⁷ Pittsburgh Water Statement No. 2, p. 49, lines 21-23.

1 Ms. Fay opines that given the significant uncertainty in the economic
2 outlook with the application of tariffs and the potential impact on operating and
3 capital costs, it is increasingly important for municipal utilities to bolster reserves
4 to protect against such future uncertainties.⁹⁸ She also opines that strengthening
5 the RSF would be better positioned for potential future cost pressures and perhaps
6 even receive a ratings upgrade.⁹⁹

7
8 **Q. DO YOU ACCEPT PITTSBURGH WATER'S CLAIM FOR A**
9 **CONTRIBUTION OF \$3,000,000 TO THE RSF IN THIS PROCEEDING?**

10 A. No. It is reasonable for Pittsburgh Water to maintain a small RSF as a financial
11 cushion to deal with unforeseen circumstances and potential debt service
12 deficiencies that could result from those circumstances. Pittsburgh Water's RSF
13 is currently funded at comfortable level of \$24,775,633,¹⁰⁰ which is approximately
14 9.33% of I&E's recommended total operating revenues.¹⁰¹ Therefore, there is no
15 need to make an additional contribution of \$3,000,000 to the RSF in the FPPTY.

16 As discussed in Pittsburgh Water's previous rate cases, I continue to
17 recommend that the funding of Pittsburgh Water's RSF be reevaluated in each of
18 Pittsburgh Water's subsequent rate cases to determine whether it is prudent and
19 reasonable to make a contribution to the RSF as Pittsburgh Water's operations

⁹⁸ Pittsburgh Water Statement No. 7, p. 16, lines 10-13.

⁹⁹ Pittsburgh Water Statement No. 7, p. 25, lines 11-12.

¹⁰⁰ I&E Exhibit No. 1, Schedule 4, p. 2.

¹⁰¹ I&E Exhibit No. 1, Schedule 1.

1 evolve under the Commission’s jurisdiction. Notably, Pittsburgh Water projects
2 an \$83,729,892 unrestricted cash balance at the beginning of the FPFTY (before
3 any potential rate increase), which can be used to support debt service coverage
4 deficiencies, fund capital projects, assist with unexpected increases in operating
5 expenses, etc.¹⁰²

7 **OVERALL RECOMMENDATION**

8 **Q. WHAT IS I&E’S RECOMMENDATION FOR PITTSBURGH WATER’S** 9 **DSCR, DCOH, AND OVERALL REVENUE REQUIREMENT?**

10 A. As a result of my recommended adjustments as discussed above and adjustments
11 recommended by I&E witnesses Vanessa Okum,¹⁰³ Esyan Sakaya,¹⁰⁴ and Ethan
12 Cline,¹⁰⁵ I&E recommends an increase of \$17,247,097 (\$259,069,715 –
13 \$241,822,618) in revenues from the FPFTY revenues at present rates, which
14 results in DSCRs of 1.86x on senior debt and 1.37x on total debt, and 245
15 DCOH.¹⁰⁶ I&E’s recommendation yields a revenue surplus of \$62,049, which
16 contributes to an ending unrestricted cash balance of \$83,791,941¹⁰⁷ that can be
17 used for operating expenses as well as for capital expenditures.

¹⁰² Pittsburgh Water Exhibit WJP-1, p. 1.

¹⁰³ I&E Statement No. 2.

¹⁰⁴ I&E Statement No. 3.

¹⁰⁵ I&E Statement No. 4.

¹⁰⁶ I&E Exhibit No. 1, Schedule 1, p. 1.

¹⁰⁷ I&E Exhibit No. 1, Schedule 1, p. 1.

1 **Q. WHAT IS THE BASIS OF I&E'S RECOMMENDATION?**

2 A. The most significant impacts on the recommended revenue requirement are I&E
3 adjustments mentioned above, which are largely due to Pittsburgh Water's
4 historically continued variances between projected and actual capital expenditures.

5 Pittsburgh Water's bond covenant requires DSCRs of 1.25x on senior debt
6 service and 1.10x on total debt service while Pittsburgh Water's Financial
7 Management Policy requires coverage of 1.35x for senior debt and 1.15x for total
8 debt. I&E's recommended coverage ratios exceed both the bond covenant
9 requirements and Pittsburgh Water's Financial Management Policy goal and
10 provide Pittsburgh Water the opportunity to build financial stability to lessen risks
11 associated with being highly leveraged, increase liquidity and maintain credit
12 quality. The I&E recommended FPFTY revenue increase of \$17,247,097 results
13 in a total revenue requirement of \$259,069,715.¹⁰⁸

14 As previously indicated, this revenue increase should be allocated 65.67%
15 to water operations, 21.28% to wastewater operations, and 13.05% to stormwater
16 operations. Therefore, the I&E recommendation corresponds to revenue increase
17 of \$11,326,169 to water operations ($\$17,247,097 \times 65.67\%$), an increase of
18 \$3,670,182 to wastewater operations ($\$17,247,097 \times 21.28\%$), and an increase of
19 \$2,250,746 to stormwater operations ($\$17,247,097 \times 13.05\%$).

20 Finally, the DSCRs and DCOH will afford Pittsburgh Water the
21 opportunity to cover necessary expenses, pay its debt, and continue to improve its

¹⁰⁸ I&E Exhibit No. 1, Schedule 1, p. 1.

1 current financial position and credit ratings. As evidenced by the credit rating
2 agencies discussed above, Pittsburgh Water's recently established relationship
3 with the Commission as well as its strengthened management team have allowed it
4 to make notable improvements to these financial metrics in working towards
5 putting it more in line with its peer utilities.

6
7 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

8 A. Yes. However, I reserve the right to supplement my testimony or to revise
9 recommendations if additional issues or facts arise during this proceeding.

D. C. PATEL

PROFESSIONAL EXPERIENCE AND EDUCATION

EXPERIENCE:

- Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania
June 2015 to Present
Fixed Utility Financial Analyst, Bureau of Investigation and Enforcement
- Pennsylvania Insurance Department, Harrisburg, Pennsylvania
March 2013 - June 2015
Insurance Company Financial Analyst, Bureau of Company Licensing & Financial Analysis
- Pennsylvania Department of Revenue, Harrisburg, Pennsylvania
November 2010 - March 2013
Accounting Assistant, Bureau of Corporation Taxes (Accounting)
- Hersha Hospitality Management, Harrisburg, Pennsylvania
June 2007 - November 2010
Staff Accountant (Taxes), Accounting Department
- Corporate Experience-India
February 1987 - April 2007
Worked as Company Secretary for three different companies during this period, which were listed on the Stock Exchanges.

EDUCATION/CERTIFICATION:

- Gujarat State University, Ahmedabad, India:
 - Bachelor of Commerce (Major concentration: Accounting)
June 1980 - April 1983
 - Bachelor of Law
June 1983 - December 1988
- The Institute of Company Secretaries of India, New Delhi, India:
Post Graduate Professional Degree: Company Secretary
June 1983 - December 1985

RATE CASE TRAINING:

- Attended SURFA - 56th Financial Forum (ROR) in April 2025
- Attended SURFA - 54th Financial Forum (ROR) in April 2023
- Attended 37th Western NARUC Utility Rate School in May 2016

D. C. PATEL

PROFESSIONAL EXPERIENCE AND EDUCATION

WORKED ON THE FOLLOWING CASES (Testimony not required):

- R-2025-3053663 - Columbia Gas of Pennsylvania, Inc. (1307(f))
- R-2024-3049248 et al. City of Lock Haven - Water Department
- R-2024-3048767 - PECO Energy Co. - Gas Operations (1307(f))
- R-2024-3047014 - Columbia Gas of Pennsylvania, Inc. (1307(f))
- R-2022-3032167 - Columbia Gas of Pennsylvania, Inc. (Green Path Rider)
- R-2022-3031172 - Columbia Gas of Pennsylvania, Inc. (1307(f))
- M-2018-2640802 and 2640803 - Pittsburgh Water and Sewer Authority (Compliance Plan Stage 2)
- R-2021-3024349 - Columbia Gas of Pennsylvania, Inc. (1307(f))
- M-2018-2640802 and 2640803 - Pittsburgh Water and Sewer Authority (Compliance Plan Stage 2)
- R-2021-3023541 - National Fuel Gas Distribution Corporation (§ 1307(f))
- A-2020-3020178 - PA American Water Co.-Valley Township-Wastewater (1329)
- A-2020-3019859 - PA American Water Co.-Valley Township-Water (1329)
- A-2020-3021460 - PA American Water Co.-Upper Pottsgrove-Wastewater (1329)
- U-2020-3015258 - Pittsburgh Water and Sewer Authority
- R-2020-3019661 - PECO Energy Co. - Gas Operations (1307(f))
- R-2019-3008255 - Columbia Gas of Pennsylvania, Inc. (1307(f))
- R-2018-3001568 - PECO Energy Co. - Gas Operations (1307(f))
- R-2018-3000253 - Columbia Gas of Pennsylvania, Inc. (1307(f))
- A-2017-2629534 - PPL Electric Utilities (Restructuring Plan)
- R-2017-2631441 - Reynolds Water Co.
- R-2017-2602611 - PECO Energy Co. - Gas Operations (1307(f))
- R-2016-2567893 - Andreassi Gas Co.
- R-2016-2525128 - Columbia Water Co. - Marietta Division
- R-2015-2479962 - Corner Water Supply and Service Corporation
- R-2015-2479955 - Allied Utility Services, Inc.
- R-2015-2493905 - Sands, Inc.

SUBMITTED TESTIMONY IN THE FOLLOWING CASES:

- R-2025-3053499 Columbia Gas of Pennsylvania, Inc.
- R-2025-3053112 Philadelphia Gas Works
- R-2024-3052359 Pike County Light & Power Company - Electric
- P-2024-3050549 Deer Haven, LLC. (529)
- R-2024-3050208 The Newtown Artesian Water Company

D. C. PATEL

PROFESSIONAL EXPERIENCE AND EDUCATION

- R-2024-3047068 First Energy Pennsylvania Electric Company
- R-2024-3046931 PECO Energy Co. - Electric Operations
- R-2024-3046519 Columbia Gas of Pennsylvania, Inc.
- R-2024-3045192 et al. Veolia Water Pennsylvania, Inc.
- R-2023-3042804 et al. Community Utilities of Pennsylvania , Inc.
- R-2023-3043189 et al. PA American Water Co.
- R-2023-3038630 Columbia Gas of Pennsylvania, Inc. (1307(f))
- R-2023-3037933 Philadelphia Gas Works
- R-2022-3037368 UGI Electric, Inc. - Electric Division
- A-2022-3034143 Aqua Pennsylvania, Inc. - Borough of Shenandoah (Water System) (1329)
- R-2022-3031672 and R-2022-3031673 - PA American Water Co.
- R-2022-3031211 - Columbia Gas of Pennsylvania, Inc.
- A-2021-3024681 - PA American Water Co. - York City Sewer Authority/City of York Wastewater (1329)
- A-2021-3024267 - Aqua Pennsylvania Wastewater, Inc. - Lower Makefield (WW) (1329)
- R-2021-3024601 - PECO Energy Co. - Electric Operations
- R-2021-3024773 et al. - Pittsburgh Water and Sewer Authority
- M-2018-2640802 and M-2018-2640803 - Pittsburgh Water and Sewer Authority (Compliance Plan – II)
- A-2020-3019634 - PA American Water Co. - Royersford Wastewater (1329)
- R-2020-3018921 - PECO Energy Co. - Gas Operations
- R-2020-3017951 et al. - Pittsburgh Water and Sewer Authority
- R-2020-3018993 - Columbia Gas Pennsylvania, Inc. (1307(f))
- R-2019-3008208 - Wellsboro Electric Company
- R-2019-3008212 - Citizens Electric Company of Lewisburg, PA
- A-2019-3008491 - Aqua Pennsylvania Wastewater, Inc.
- R-2018-3006814 - UGI Utilities, Inc. (Gas Division)
- M-2018-2640802 and 2640803 - Pittsburgh Water and Sewer Authority
- R-2018-3002645 and 3002647 - Pittsburgh Water and Sewer Authority
- R-2018-3000834 - Suez Water Pennsylvania, Inc.
- R-2018-2647577 - Columbia Gas of Pennsylvania, Inc.
- R-2017-2595853 - Pennsylvania American Water Co.
- P-2016-2526627 - PPL Electric Utilities Corp. (DSP IV)
- R-2016-2529660 - Columbia Gas of Pennsylvania, Inc.
- R-2016-2554150 - City of DuBois - Bureau of Water
- R-2016-2580030 - UGI Penn Natural Gas, Inc.

**I&E Exhibit No. 1
Witness: D. C. Patel**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

THE PITTSBURGH WATER & SEWER AUTHORITY

D/B/A PITTSBURGH WATER

Docket Nos. R-2025-3055010, R-2025-3055011, & R-2025-3055012

Exhibit to Accompany

the

Direct Testimony

of

D. C. Patel

Bureau of Investigation & Enforcement

Concerning:

**Revenue Requirement
Multi-Year Rate Plan
Debt Service Expense
DSIC Increase
Minimum Charge
Credit Rating Agencies
Days Cash on Hand
Debt Service Coverage Ratio
Rate Stabilization Fund**

TABLE - I
PITTSBURGH WATER & SEWER AUTHORITY - d/b/a PITTSBURGH WATER

FPFTY 2026 - INCOME SUMMARY

Docket Nos.:R-2025-3055010; R-2025-3055011; R-2025-3055012

I&E Modified Rate Case Table - I

	(A)	(B)	(C)	(D)	(E)
	FPFTY 2026				
	PWSA	PWSA	PWSA	I&E	I&E
	Revenue at Current Rates	Rate Increase to Meet Revenue Requirements	Revenue At Proposed Rates	Adjustments	Revenue At Adjusted Rates
INCOME SUMMARY	\$	\$	\$	\$	\$
Beginning Unrestricted Cash	83,729,892		83,729,892	0	83,729,892
Revenues:					
User Charge Revenues	235,552,228	37,386,548	272,938,776	(41,791,940) A	231,146,836
Pennvest Surcharge	0	17,579,103	17,579,103	0	17,579,103
DSIC Revenues	10,216,225	8,682,319	18,898,544	(6,395,429) B	12,503,115
Other Misc. Revenues	2,541,190	1,786,497	4,327,687	0	4,327,687
Subtotal: Total Revenues	248,309,643		313,744,110		265,556,741
Less: Uncollectible Revenues	(6,199,010)	0	(6,199,010)	0	(6,199,010)
Less: Stormwater Credit Program Cost	(288,016)	0	(288,016)	0	(288,016)
Total Revenues Net of Uncollectible	241,822,618	65,434,467	307,257,084	(48,187,369)	259,069,715
Revenue Requirements:					
O & M Expense	152,096,214		152,096,214	(24,739,686) C	127,356,528
Senior Lien Debt Service (2)	84,927,686		84,927,686	(11,241,803) D	73,685,883
All Other Debt Service (2)	26,098,253		26,098,253		26,098,253
Debt Coverage Capital (5)	21,231,922		21,231,922	(2,810,451) E	18,421,471
Cash-Financed Capital (DSIC)	18,898,544		18,898,544	(6,395,429) B	12,503,115
Restricted Reserve Contributions (RSF)	3,000,000		3,000,000	(3,000,000) F	0
Operating Reserve Contribution	0		0	0	0
Other Expenses (3)					
Water and Wastewater Leak Credit	662,322		662,322	0	662,322
Arrearage Funding	280,094		280,094	0	280,094
Total Revenue Requirements	307,195,035		307,195,035	(48,187,369)	259,007,666
Revenue Surplus / (Deficit)	(65,372,417)		62,049	(0)	62,049
Fund Balance Transactions from Surplus					
Contributions (to)/from Operations	0		62,049	0	62,049
Contributions (to)/from Rate Stabilization Fund	0		0	0	0
Contributions (to)/from Operating Reserve	0		0	0	0
Ending Unrestricted Cash Balance	18,357,475		83,791,941		83,791,941
KEY FINANCIAL METRICS			<u>PWSA filing</u>		<u>I&E</u>
Debt Service Coverage					
Senior (1.25 Requirement)	1.08		1.85		1.86
Total (1.10 Requirement)	0.83		1.42		1.37
Days Cash on Hand (4)	44.8		204.3		244.7
Days Cash on Hand with ALCOSAN (4)	25.88		118.1		130.6

(1) Company Main Brief

- (2) Includes Principal and Interest payments on existing and proposed debt.
(3) Several programs funded, including assistance with sewer laterals and components of the customer assistance program.
(4) Calculated using Operating & Maintenance Expenses (excludes non-operating expenses).
(5) Additional revenue required to meet senior and total debt service coverage ratio requirements

I&E Notes:

A = C + D + E + F.

B = Adjustment for DSIC rate decrease from 7.5% to 5.0% is discussed in I&E Statement No. 1.

C = O&M expense adjustments of (\$18,968,686) are addressed in I&E Statement No. 2. Expense adjustment of (\$5,771,000) relating to unaccounted for water (UFW) is addressed in I&E Statement No. 3.

D = Adjustment of (\$11,241,803) for the FPFTY new debt service expense is discussed in I&E Statement No. 1. Refer to Pittsburgh Water 2025 COS supporting rate filing of 6-4-2025, FutureDebt tab, Column P, Line 28 for the dollar amount.

E = Debt Service Capital adjustment of (\$2,810,451) [(\$11,241,803) x 0.25] reflects adjustment to Senior Lien Debt Service Expense as discussed in I&E Statement No. 1.

F = Removal of Restricted Reserve Contribution (RSF) of \$3,000,000 is discussed in I&E Statement No. 1.

TABLE - I(A)
PITTSBURGH WATER & SEWER AUTHORITY - d/b/a PITTSBURGH WATER
FPFTY 2026

Docket Nos.:R-2025-3055010; R-2025-3055011; R-2025-3055012

I&E Modified Rate Case Table - I(A)

	(A)	(B)	(C)
	FPFTY 2026		
	PWSA	PWSA	I&E
	Revenue at Current Rates	Revenue At Proposed Rates	Revenue At Adjusted Rates
Key Ratio Breakdown	\$	\$	\$
Debt Service Coverage			
Operating Revenues	248,309,643	313,744,110	265,556,741
Less:			
Bad Debt Expenses	(6,487,025)	(6,487,025)	(6,487,025)
Net Collected Revenues	241,822,618	307,257,084	259,069,715
Less:			
Current Expenses	(152,096,214)	(152,096,214)	(127,356,528)
Adjustments:			
City Services	6,000,000	6,000,000	6,000,000
Other Transfers to Reserves	(3,000,000)	(3,000,000)	0 ^A
Water and Wastewater Leak Credit	(662,322)	(662,322)	(662,322)
Arrearage Funding	(280,094)	(280,094)	(280,094)
Revenues Available for Debt Service	91,783,988	157,218,454	136,770,771
Senior Lien Debt Service	84,927,686	84,927,686	73,685,883
All Other Debt Service	26,098,253	26,098,253	26,098,253
Total Debt Service	111,025,939	111,025,939	99,784,136
Senior Lien Debt Service Coverage	1.08	1.85	1.86
Total Debt Service Coverage	0.83	1.42	1.37
Days Cash on Hand			
Ending Cash Balance	18,357,475	83,791,941	83,791,941
Operating Expenses	152,096,214	152,096,214	127,356,528
Adjustments:			
(Loss) / Gain on ALCOSAN Billings	(2,383,047)	(2,383,047)	(2,383,047)
Add: Adjustments to ALCOSAN Placeholder	0	0	0
Net Operating Expenses	149,713,166	149,713,166	124,973,480
Days Cash on Hand (x 365)	44.8	204.3	244.7
Including ALCOSAN			
Add: ALCOSAN Charges	109,172,088	109,172,088	109,172,088
Days Cash on Hand (x 365)	25.9	118.1	130.6

(1) Company Main Brief

(2) Revenue adjusted to meet to Revenue Requirements.

A = I&E recommends removal of Restricted Reserve Contribution (RSF) of \$3,000,000 reflected in Table - I.

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RR
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: RR-I-11-D Reference the Pittsburgh Water Statement No. 2, p. 29, lines 10-11 concerning the capital improvement budget. Provide the following:

- A. A comparative summary showing budgeted vs. actual historic capital expenditures by year for the fiscal years 2020, 2021, 2022, 2023, and 2024.
- B. A breakdown of actual capital expenditures by funding sources (long-term debt/bonds, DSIC, IGF, short term borrowing, PENNVEST loan, federal loans, and grants) by year for the fiscal years 2020, 2021, 2022, 2023, and 2024.
- C. A breakdown of budgeted expenditures by funding sources (long-term debt/bonds, DSIC, IGF, short term borrowing, PENNVEST loan, federal loans, and grants) for the FPPTY and FY 2027.

Response:

- A. See **Attachment I&E-RR-11**. Note that Pittsburgh Water did not report the “Water Reliability Plan” projects as a separate expense line until FY 2025. However, expenses from the Water Reliability Plan projects are included in the total for FY 2020-FY 2024.
- B. See **Attachment I&E-RR-11**.
- C. See pages 19 and 20 of the 2025-2029 CIP, Exhibit EB-4 also available at: https://www.pgh2o.com/sites/default/files/2025-05/2025-2029%20CIP_FINAL_5_7_25%20GFOA%20%28002%29.pdf

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 18, 2025

Capital Improvement Plan Expenses FY 2020 - FY 2024

	Budget FY 2020	Actual FY 2020	Budget FY 2021	Actual FY 2021	Budget FY 2022	Actual FY 2022	Budget FY 2023	Actual FY 2023	Budget FY 2024	Actual FY 2024
Capital Requirements										
Small Diameter Water Main Replacement	\$ 13,459,161	21,467,388	45,838,708	39,993,476	23,802,324	16,762,881	83,515,129	19,875,755	23,318,760	58,361,262
Lead Service Line Replacement	40,780,128	30,168,074	4,611,200	2,162,480	1,774,537	5,346,818	13,582,757	12,336,590	14,272,348	21,455,708
Wastewater	35,140,573	8,767,047	35,741,675	14,206,474	41,130,789	25,473,651	50,634,240	18,088,222	41,501,076	43,166,301
Water Distribution	23,357,846	18,403,491	25,795,644	25,612,308	30,764,791	26,132,329	46,204,641	31,842,150	15,729,555	12,598,458
Water Treatment Plant	16,884,025	8,959,256	15,112,066	15,946,283	6,253,411	3,858,912	16,030,211	2,326,519	8,604,812	3,689,673
Stormwater	29,927,774	15,791,622	34,696,272	15,614,923	21,424,273	11,733,927	29,822,932	12,291,912	25,998,656	14,833,091
Miscellaneous	16,650,000	16,446,590	14,670,000	5,875,126	500,000	249,090	11,439,316	8,227,096	15,246,992	15,152,342
Water Pumping and Storage	31,065,447	7,304,722	56,863,770	11,241,184	55,208,438	38,289,171	55,304,597	26,141,063	39,891,833	34,260,894
Total	\$ 207,264,954	127,308,190	233,329,335	130,652,254	180,858,563	127,846,779	306,533,823	131,129,307	184,564,032	203,517,728

	Budget FY 2020	Actual FY 2020	Budget FY 2021	Actual FY 2021	Budget FY 2022	Actual FY 2022	Budget FY 2023	Actual FY 2023	Budget FY 2024	Actual FY 2024
Funding Sources										
Debt (Revenue Bonds)	\$ 149,026,299	72,156,356	169,262,753	82,891,153	119,603,457	87,101,311	122,335,310	47,811,256	119,703,939	52,562,150
Debt (Project Fund)	-	-	17,219,270	-	-	-	-	-	-	-
DSIC - Water	-	-	4,904,302	4,934,059	5,986,230	5,621,274	6,028,526	6,167,204	7,184,925	7,275,191
DSIC - Wastewater	-	-	4,904,302	3,023,407	2,630,630	3,008,873	2,359,691	2,469,507	2,914,372	2,744,861
PAYGO	29,977,306	9,215,236	-	1,001,523	-	-	164,400	2,525,631	-	-
ARPA	-	-	-	-	-	-	10,582,756	9,713,256	3,633,297	2,455,236
PENNVEST	28,261,349	45,936,598	37,038,708	38,802,112	52,638,246	32,115,321	127,409,339	57,611,523	37,798,382	115,211,253
WIFIA/PENNVEST	-	-	-	-	-	-	35,113,456	-	6,086,859	-
WIFIA	-	-	-	-	-	-	2,540,345	-	205,250	20,056,507
WIFIA/Pittsburgh Water	-	-	-	-	-	-	-	-	3,478,694	-
Cost Shares or Grants	-	-	-	-	-	-	-	4,830,930	3,558,314	3,212,530
Total	\$ 207,264,954	127,308,190	233,329,335	130,652,254	180,858,563	127,846,779	306,533,823	131,129,307	184,564,032	203,517,728

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RR
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RR-21 Reference the Pittsburgh Water response to I&E-RR-11-D concerning the budgeted vs. actual historic capital expenditures by year for the fiscal years 2020, 2021, 2022, 2023, and 2024. Provide the following:

- A. Actual capital expenditures incurred for the FY 2025 as of June 30, 2025.
- B. Funding sources (long-term debt/bonds, DSIC, IGF, short term borrowing, PENNVEST loan, federal loans, and grants) used for the capital expenditures incurred for the FY 2025 as of June 30, 2025.

Response:

See attachment I&E-RR-21. The information being provided is through 8/4/2025 in order to provide the most recent information. However, capital expenditures through 6/30/2025 can be calculated within the report.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date: August 5, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RR
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)
List of Attachments**

#	Attachment	Responsive Document
21	I&E-RR-21	Actual Capital Expenditures and Funding Sources through Aug 4 2025 (excel)

All discovery responses and attachments are available at Eckert password protected ShareFile site at <https://eckertseamans.sharefile.com/f/fo86ffe3-22bf-452b-ba22-a5f17778a828>. To gain access, please contact Deanne O’Dell at 717-255-3744 or dodell@eckertseamans.com.

The 2025 Cost of Service excel model available at is available at:
<https://eckertseamans.sharefile.com/f/fo86ffe3-22bf-452b-ba22-a5f17778a828>.

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RR
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: RR-I-7-D Reference Pittsburgh Water Statement No. 2, p. 43, lines 9-18 concerning the 2025 PENNVEST funding applications for \$25.5 million and \$77.7 million. Provide the following:

- A. Updates on the status of funding application approvals throughout this proceeding.
- B. FPFTY and FY 2027 dollar amounts included under the PENNVEST debt service revenue requirement with the associated revenues to be recovered through the PENNVEST charge for this funding.

Response:

- A. PENNVEST funding update:
 - \$25.5 million: PENNVEST awarded a \$14,214,403 grant and \$11,275,597 loan for a total amount of \$25,490,000 to Pittsburgh Water on July 16, 2025.
 - \$77.7 million: PENNVEST has not awarded this yet. It is anticipated that this award will be announced during the October 15, 2025 PENNVEST Board meeting.
- B. FPFTY and FY 2027 dollar amounts included under the PENNVEST debt service revenue requirement is below. Note that these are estimates before the funding was (in the case of the \$25.5 million award) or will be awarded (in the case of the \$77.7 million request) and represents interest only costs while the loans are being drawn down during construction.
 - \$25.5 million:
 - i. FPFTY: \$32,500
 - ii. FY 2027: \$92,500
 - \$77.7 million:
 - i. FPFTY: \$225,000
 - ii. FY 2027: \$512,000

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 18, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RR
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: RR-I-15-D Reference Pittsburgh Water Statement No. 7, p. 15, lines 19-20. Provide the dollar amount of the capital line of credit facility and the average monthly outstanding balance by month for the FY 2023, FY 2024, and the FY 2025 through June.

Response:

The credit limit of the capital line of credit is \$150 million. Draws on this line can only be used to interim fund capital expenses until the line of credit balance is paydown with bond proceeds.

Attached is the monthly balance of the line of credit from FY 2023 – June FY 2025.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 18, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RR
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: RR-I-8-D Reference Pittsburgh Water Statement No. 2, p. 49, lines 14-25 regarding the Rate Stabilization Fund (RSF).

- A. Provide the basis for setting a goal of increasing the RSF balance between 10% and 15% of the operating revenue.
- B. Explain whether there are any restrictions dictating what the RSF is used for.
- C. Indicate whether it is possible for RSF funds to be used in a similar fashion to IGF/PAYGO funds and vice versa.
- D. Provide the current balance in the RSF account as of June 30, 2025, or the most recent date available.

Response:

- A. The basis for setting a goal of increasing the RSF balance between 10% and 15% is to make sure Pittsburgh Water is prepared for another economic downturn (similar to the COVID-19 pandemic) and the fact that fund balance will need to continue to grow as revenues and debt service cost increase. As explained below, the purpose of this fund is to support Pittsburgh Water’s debt service coverage ratio. The ratio is negatively impacted by issuing additional debt, thus justifying more RSF dollars as the capital program progresses.
- B. While there is not legal restriction on how the RSF can be used, the purpose of it is to set aside funds that can be used in a future year as a source of revenue when calculating the debt service coverage ratio. The fund itself is named the Rate Stabilization Fund because the monies in the funds can be used to increase the debt service coverage calculation in periods of economic uncertainty – thereby avoiding an emergency rate increase (i.e. “stabilizing” rates).

The mechanics of the fund work like this - amounts transferred into the RSF are **deducted** from revenue when calculating the debt service coverage in that year. Likewise, the amounts transferred out of the RSF are an **addition** to revenues when calculating the debt service coverage.

- C. There is no legal restriction stopping the use of RSF funds to be used in a similar fashion to IGF/PAYGO. However, it would completely invalidate the purpose of fund and would put Pittsburgh Water in a worse position.

Think of it like this – if Pittsburgh Water transferred \$1 million from the RSF in FY 2026 and also increased IGF/PAYGO by the same amount, the net result is \$0 additional

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RR
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

dollars being added to revenue when calculating the debt service coverage ratio in the FY because both the revenue and expense are increasing by the same amount. In contrast, if only \$1 million was transferred from the RSF in FY 2026 with no subsequent IGF/PAYGO increase, an additional \$1 million would be added to the debt service coverage ratio, thus increasing the ratio.

D. The Rate Stabilization Fund balance as of June 30, 2025 was \$24,775,633.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 18, 2025

**I&E Statement No. 2
Witness: Vanessa Okum**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PITTSBURGH WATER AND SEWER AUTHORITY

D/B/A PITTSBURGH WATER

Docket Nos. R-2025-3055010, R-2025-3055011 & R-2025-3055012

Direct Testimony

of

Vanessa Okum

Bureau of Investigation and Enforcement

Concerning:

OPERATING AND MAINTENANCE EXPENSES

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Vanessa Okum, and my business address is Pennsylvania Public
4 Utility Commission, Commonwealth Keystone Building, 400 North Street,
5 Harrisburg, PA 17120.

6

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am employed by the Pennsylvania Public Utility Commission (Commission) in
9 the Bureau of Investigation & Enforcement (I&E) as a Fixed Utility Financial
10 Analyst.

11

12 **Q. WHAT IS YOUR EDUCATION AND EMPLOYMENT BACKGROUND?**

13 A. An outline of my education and employment background is set forth in the
14 attached Appendix A.

15

16 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

17 A. I&E is responsible for representing the public interest in rate and other
18 proceedings before the Commission. I&E's analysis in the proceeding is based on
19 its responsibility to represent the public interest. This responsibility requires the
20 balancing of the interests of the ratepayers, the regulated utility, and the regulated
21 community as a whole.

1 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

2 A. The purpose of my direct testimony is to review the base rate filing of the
3 Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water (Pittsburgh Water)
4 and make recommended adjustments to Pittsburgh Water's proposed operating
5 and maintenance (O&M) expense claims for the fully projected future test year
6 (FPFTY) ending December 31, 2026.

7

8 **Q. DOES YOUR DIRECT TESTIMONY INCLUDE AN EXHIBIT?**

9 A. Yes. I&E Exhibit No. 2 contains schedules that support my direct testimony.

10

11 **Q. DO YOU HAVE ANY COMMENTS REGARDING THE OVERALL SCOPE**
12 **OF YOUR DIRECT TESTIMONY?**

13 A. Yes. In this testimony, I address some of the issues from the instant base rate case
14 filing. However, with respect to issues I have not addressed, I&E does not waive its
15 right to address those issues in future base rate proceedings or in any other
16 proceeding. Further, issues not addressed in this proceeding should not be construed
17 as I&E's agreement with Pittsburgh Water's position on those issues. Lastly, I&E
18 reserves the right to make further recommendations in future proceedings for any
19 issue addressed in this testimony.

1 **Q. WHAT TEST YEARS DOES PITTSBURGH WATER USE IN THIS**
2 **PROCEEDING?**

3 A. Pittsburgh Water uses the calendar year ended December 31, 2024 as the historic
4 test year (HTY), the year ending December 31, 2025 as the future test year (FTY),
5 and the year ending December 31, 2026 as the FPFTY in this rate case proceeding.
6 Pittsburgh Water claims a multi-year rate increase, also referring to the forecasted
7 year ending December 31, 2027 as Fiscal Year (FY) 2027.¹

8
9 **Q. WHAT IS PITTSBURGH WATER’S REQUESTED REVENUE INCREASE**
10 **IN THIS PROCEEDING?**

11 A. Pittsburgh Water has requested a total multi-year revenue increase of \$84.4 million
12 over a two-year period. This includes an increase of \$63.7 million or 25.9% in the
13 FPFTY, and \$20.7 million or 6.7% in FY 2027.²

14 It should be noted that I&E witness D. C. Patel is addressing I&E’s overall
15 recommended revenue requirement and the multi-year rate increase request in this
16 proceeding.³ I&E witness Ethan Cline also addresses the multi-year rate request.⁴

¹ Pittsburgh Water Statement No. 2, p. 8.

² Pittsburgh Water Statement No. 2, p. 4.

³ I&E Statement No. 1.

⁴ I&E Statement No. 4.

1 **SUMMARY OF RECOMMENDED ADJUSTMENTS**

2 **Q. PLEASE SUMMARIZE YOUR RECOMMENDED ADJUSTMENTS.**

3 A. The following table summarizes my recommended O&M expense adjustments in
 4 the FPFTY for the combined water, wastewater, and stormwater operations:

	Pittsburgh Water FPFTY Claim	I&E Allowance	I&E Adjustment
Payroll	\$42,767,628	\$39,093,889	(\$3,673,739)
Benefits	\$13,100,420	\$11,975,094	(\$1,125,326)
Computers & Peripherals	\$721,500	\$321,500	(\$400,000)
Lab Equipment	\$168,000	\$96,000	(\$72,000)
Vehicles	\$3,000,000	\$1,424,346	(\$1,575,654)
Annual Sewer Contract	\$7,800,000	\$6,820,188	(\$979,812)
Emergency Waterline Repairs	\$7,000,000	\$5,159,215	(\$1,840,785)
Manhole & Point Repair	\$3,000,000	\$1,575,224	(\$1,424,776)
Field Inspection	\$3,094,282	\$2,390,576	(\$703,706)
Concrete Repairs	\$15,000,000	\$11,107,815	(\$3,892,185)
Membership Fees	\$149,038	\$106,038	(\$43,000)
Consultants	\$7,646,744	\$5,364,338	(\$2,282,406)
Construction Management	\$1,923,254	\$1,562,800	(\$360,454)
Consulting Engineers	\$196,684	\$83,139	(\$113,545)
Legal	\$2,417,700	\$2,329,500	(\$88,200)
Payroll Services	\$243,000	\$149,628	(\$93,372)
Water Liens	\$105,000	\$76,371	(\$28,629)
Uniforms	\$243,500	\$154,299	(\$89,201)
TE Training	\$303,985	\$142,089	(\$161,896)
Fines and Penalties	\$20,000	\$0	(\$20,000)
Total O&M Adjustments			(\$18,968,686)

5

6 It is I&E’s position that a multi-year increase should not be approved,
 7 which is further explained in the testimonies of D. C. Patel⁵ and Ethan Cline.⁶
 8 However, since Pittsburgh Water’s claim for O&M expense does not change from
 9 the FPFTY to FY 2027,⁷ I will not be addressing the second year throughout my

⁵ I&E Statement No. 1.
⁶ I&E Statement No. 4.
⁷ Pittsburgh Water Exhibit EB-2.

1 testimony as I explain my recommended adjustments. It can be assumed that all
 2 of my recommendations apply to both the FPFTY and FY 2027.

3
 4 **Q. HOW DO YOU ALLOCATE YOUR EXPENSE ADJUSTMENTS**
 5 **BETWEEN THE WATER, WASTEWATER, AND STORMWATER**
 6 **SYSTEMS?**

7 A. I allocate the above O&M expense adjustments among water, wastewater, and
 8 stormwater using ratios from Pittsburgh Water’s 2025 Cost of Service Study
 9 spreadsheet as shown in the table below:⁸

	FPFTY			
		Water	Wastewater	Stormwater
	Total adj.	65.67%	21.28%	13.05%
Total Payroll Expense	(3,673,739)	(2,412,545)	(781,772)	(479,423)
Total Benefits Expense	(1,125,326)	(739,002)	(239,469)	(146,855)
Computers & Peripherals	(400,000)	(262,680)	(85,120)	(52,200)
Lap Equipment	(72,000)	(47,282)	(15,322)	(9,396)
Vehicles	(1,575,654)	(1,034,732)	(335,299)	(205,623)
Manhole & Point Repair Contract	(1,424,777)	(935,651)	(303,192)	(185,933)
Emergency Sewer Repairs	(979,812)	(643,443)	(208,504)	(127,865)
Emergency Water Repairs	(1,840,785)	(1,208,844)	(391,719)	(240,222)
Field Inspections	(703,706)	(462,123)	(149,749)	(91,834)
Concrete Repairs	(3,892,185)	(2,555,998)	(828,257)	(507,930)
Membership Fees	(43,000)	(28,238)	(9,150)	(5,612)
Consultants	(2,282,406)	(1,498,856)	(485,696)	(297,854)
Construction Management	(360,454)	(236,710)	(76,705)	(47,039)
Consulting Engineers	(113,545)	(74,565)	(24,162)	(14,818)
Legal - Lobbying Expense	(88,200)	(57,921)	(18,769)	(11,510)
Payroll Services	(93,372)	(61,317)	(19,870)	(12,185)
Water Liens	(28,629)	(18,800)	(6,092)	(3,736)
Uniforms	(89,201)	(58,578)	(18,982)	(11,641)
TE Training	(161,896)	(106,317)	(34,451)	(21,127)
Fines and Penalties	(20,000)	(13,134)	(4,256)	(2,610)
Total O&M Expense Adjustments	(18,968,686)	(12,456,736)	(4,036,536)	(2,475,413)

⁸ Pittsburgh Water 2025 Cost of Service Study, RevReq Allocation tab, Column T, lines 25-27.

1 **PAYROLL EXPENSE**

2 **Q. WHAT IS INCLUDED IN PITTSBURGH WATER’S CLAIM FOR**
3 **PAYROLL EXPENSE?**

4 A. Pittsburgh Water’s payroll expense claim includes salaries and wages for regular
5 payroll, overtime premium pay, bonus pay, vacation pay, holiday pay, and other
6 pay/compensation as shown in the breakdown provided in the filing.⁹

7
8 **Q. WHAT IS PITTSBURGH WATER’S CLAIM FOR PAYROLL EXPENSE?**

9 A. Pittsburgh Water is claiming total payroll expense of \$42,767,628 in the FPFTY.¹⁰

10

11 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S CLAIM?**

12 A. Per Pittsburgh Water’s response to I&E-RE-7-D, the year-over-year increases in
13 budgeted payroll expense claims are due to annual cost-of-living increases as well
14 as increased overtime needs.¹¹ Pittsburgh Water did not provide the calculations
15 used to determine the claim in response to this discovery request.

16

17 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S PAYROLL EXPENSE**
18 **CLAIM?**

19 A. No.

⁹ Pittsburgh Water Volume I, FR-III.1.

¹⁰ I&E Exhibit No. 2, Schedule 1, p. 1.

¹¹ I&E Exhibit No. 2, Schedule 2.

1 **Q. WHAT DO YOU RECOMMEND FOR PAYROLL EXPENSE?**

2 A. I recommend an allowance of \$39,093,889 in the FPFTY for payroll expense, or a
3 reduction of \$3,673,739 (\$42,767,628 - \$39,093,889) to Pittsburgh Water's claim
4 in the FPFTY.

5

6 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

7 A. My recommendation is based on an adjustment for average historic vacancy levels
8 to reflect a more accurate employee count in the FPFTY. Based on Pittsburgh
9 Water's historic vacancy records (budgeted headcount compared to actual
10 headcount), it is unreasonable to assume that it will hire all of the budgeted
11 positions and maintain 100% full staffing during the FPFTY. Since there will
12 always be search and placement time involved in filling vacancies, as well as
13 processing and approval time for new positions, there will always be a certain
14 level of vacancies on a day-to-day operating basis that should be reflected in the
15 payroll allowance. It is apparent from the headcount data provided in response to
16 I&E-RE-4-D that Pittsburgh Water expects to reach 100% staffing in the
17 FPFTY.¹²

18

19 **Q. EXPLAIN HOW YOU CALCULATED YOUR RECOMMENDATION.**

20 A. First, I reviewed Pittsburgh Water's history of budgeted positions versus actual
21 headcount for the three most recent full years of data, or the fiscal years ended

¹² I&E Exhibit No. 2, Schedule 3.

1 December 31, 2022, 2023, and 2024 as provided in response to I&E-RE-4-D.¹³

2 Since the vacancy rate trends downward over this period of time as shown in the
3 chart below, I used the vacancy rate from the most recent full year of data, which
4 is also the lowest rate of the three years, or 8.59%. This vacancy rate is supported
5 by actual data while minimizing my adjustment and, therefore, minimizing the
6 impact to the revenue requirement in order to moderate my recommended
7 adjustment.

	2022	2023	2024
1. Average Vacancies	75	48	38
2. Budgeted Headcount	459	445	446
Vacancy Rate (1 / 2)	16.30%	10.69%	8.59%

8
9 Next, I applied the vacancy rate to Pittsburgh Water's FPFTY payroll
10 expense claim of \$42,767,628 to calculate my recommended adjustment of
11 \$3,673,739 ($\$42,767,628 \times 8.59\%$). This reduction yields my recommended
12 allowance of \$39,093,889 ($\$42,767,628 - \$3,673,739$).

13
14 **EMPLOYEE BENEFITS EXPENSE**

15 **Q. WHAT IS INCLUDED IN PITTSBURGH WATER'S CLAIM FOR**
16 **EMPLOYEE BENEFITS EXPENSE?**

17 A. Pittsburgh Water's employee benefits expense claim includes payroll taxes,
18 insurance and disability benefits, retirement benefits, and other miscellaneous

¹³ I&E Exhibit No. 2, Schedule 3.

benefits as shown in the breakdown provided in the filing.¹⁴

Q. WHAT IS PITTSBURGH WATER’S CLAIM FOR EMPLOYEE BENEFITS EXPENSE?

A. Pittsburgh Water is claiming total employee benefits expense of \$13,100,420 in the FPFTY.¹⁵

Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S CLAIM?

A. Pittsburgh Water’s claim for employee benefits expense is based on historic costs with adjustments for known and expected cost increases to insurance benefits as well as increases to total payroll costs.¹⁶

Q. DO YOU AGREE WITH PITTSBURGH WATER’S EMPLOYEE BENEFITS EXPENSE CLAIM?

A. No.

Q. WHAT DO YOU RECOMMEND FOR EMPLOYEE BENEFITS EXPENSE?

A. I recommend an allowance of \$11,975,094 in the FPFTY for employee benefits expense, or a reduction of \$1,125,326 (\$13,100,420 - \$11,975,094) to Pittsburgh

¹⁴ Pittsburgh Water Volume I, FR-III.1.

¹⁵ I&E Exhibit No. 2, Schedule 1, p. 1.

¹⁶ I&E Exhibit No. 2, Schedule 2.

1 Water's claim.

2

3 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

4 A. I recommend adjusting employee benefits expense to align with my payroll
5 expense adjustment. Since employee benefits expense is largely based on
6 employee count and payroll expense, it is necessary to calculate a corresponding
7 decrease in employee benefits. I calculated the adjustment by applying the same
8 vacancy rate to Pittsburgh Water's total employee benefits expense claim of
9 \$13,100,420 resulting in a reduction of \$1,125,326 ($\$13,100,420 \times 8.59\%$). This
10 reduction yields my recommended allowance of \$11,975,094 ($\$13,100,420 -$
11 $\$1,125,326$).

12

13 **EQUIPMENT EXPENSE**

14 **Computers and Peripherals**

15 **Q. WHAT IS PITTSBURGH WATER'S CLAIM FOR COMPUTERS AND**
16 **PERIPHERALS EXPENSE?**

17 A. Pittsburgh Water is claiming computers and peripherals expense of \$721,500 in the
18 FPPTY.¹⁷

¹⁷ I&E Exhibit No. 2, Schedule 1, p. 1.

1 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S CLAIM?**

2 A. According to the response to I&E-RE-36, Pittsburgh Water’s claim for computers
3 and peripherals is increasing over the FTY primarily due to the planned purchase
4 of a new network server.¹⁸

5

6 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S CLAIM?**

7 A. No.

8

9 **Q. WHAT DO YOU RECOMMEND FOR COMPUTERS & PERIPHERALS**
10 **EXPENSE?**

11 A. I recommend an allowance of \$321,500 in the FPFTY for computers and
12 peripherals expense, or a reduction of \$400,000 (\$721,500 - \$321,500) to
13 Pittsburgh Water’s claim.

14

15 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

16 A. My recommendation is based on normalizing the expense of the new server over a
17 period consistent with its useful life. In response to I&E-RE-37, Pittsburgh Water
18 estimates that the new server will cost \$500,000 and have a useful life of five
19 years.¹⁹ Since the server has a useful life beyond the FPFTY and is not likely to
20 be replaced within the five-year period identified by Pittsburgh Water, it is

¹⁸ I&E Exhibit No. 2, Schedule 4, p. 2.

¹⁹ I&E Exhibit No. 2, Schedule 5.

1 unreasonable to include the full cost of the server in the FPFTY. Doing so would
2 excessively burden ratepayers since the benefits of the server will continue to be
3 experienced over its useful life, a period longer than the FPFTY, while the full cost
4 of replacing the server in its entirety would continue to be embedded in rates each
5 year using Pittsburgh Water's method.

6
7 **Q. HOW DID YOU CALCULATE YOUR ADJUSTMENT?**

8 A. I calculated the adjustment by first removing the budgeted amount for the new
9 server to isolate the server expense as shown below. Then, I divided the server
10 expense by five years to spread the cost over its useful life. Finally, I added the
11 appropriate portion of the server expense to the adjusted annual expense to
12 calculate my total recommended FPFTY amount for computers and peripherals.

Computers & Peripherals Claim	\$721,500
Less Full Server Cost	(\$500,000)
	\$221,500
Add Normalized Server Expense ($\$500,000 / 5$)	\$100,000
I&E Recommended Allowance	\$321,500

13
14
15 **Lab Equipment**

16 **Q. WHAT IS PITTSBURGH WATER'S CLAIM FOR LAB EQUIPMENT?**

17 A. Pittsburgh Water is claiming lab equipment expense of \$168,000 in the FPFTY.²⁰

²⁰ I&E Exhibit No. 2, Schedule 1, p. 1.

1 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S CLAIM?**

2 A. According to the response to I&E-RE-36, Pittsburgh Water’s claim for lab
3 equipment is increasing over the FTY primarily due to the planned purchase of a
4 new ion chromatograph for water quality testing.²¹

5
6 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S CLAIM?**

7 A. No.

8
9 **Q. WHAT DO YOU RECOMMEND FOR LAB EQUIPMENT EXPENSE?**

10 A. I recommend an allowance of \$96,000 in the FPFTY for lab equipment expense,
11 or a reduction of \$72,000 (\$168,000 - \$96,000) to Pittsburgh Water’s claim.

12
13 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

14 A. My recommendation is based on isolating and normalizing the expense of the new
15 ion chromatograph over a period consistent with its useful life. In response to
16 I&E-RE-37, Pittsburgh Water estimates that the ion chromatograph will cost
17 \$80,000 and have a useful life of ten years.²² Since the equipment has a useful life
18 beyond the FPFTY and is not likely to be replaced within the ten-year period
19 identified by Pittsburgh Water, it is unreasonable to include the full cost of the
20 equipment in the FPFTY. Doing so would excessively burden ratepayers since the

²¹ I&E Exhibit No. 2, Schedule 4, p. 2.

²² I&E Exhibit No. 2, Schedule 5.

1 benefits of the chromatograph will continue to be experienced over its useful life,
2 a period longer than the FPFTY, while the cost of replacing it in its entirety would
3 continue to be embedded in rates each year using Pittsburgh Water's method.

4
5 **Q. HOW DID YOU CALCULATE YOUR RECOMMENDED ADJUSTMENT?**

6 A. I calculated the adjustment by first removing the budgeted amount for the ion
7 chromatograph to isolate the new expense as shown below. Then, I divided the
8 chromatograph expense by ten years to spread the cost over its useful life. Finally,
9 I added the appropriate portion of the chromatograph expense to the adjusted
10 annual expense to calculate my total recommended FPFTY amount for lab
11 equipment.

Lab Equipment Claim	\$168,000
Less Full Chromatograph Cost	(\$80,000)
	\$88,000
Add Normalized Chromatograph Expense (\$80,000 / 10)	\$8,000
I&E Recommended Allowance	\$96,000

12
13
14 **Vehicles**

15 **Q. WHAT IS PITTSBURGH WATER'S CLAIM FOR VEHICLES?**

16 A. Pittsburgh Water is claiming vehicles expense of \$3,000,000 in the FPFTY.²³

²³ I&E Exhibit No. 2, Schedule 1, p. 1.

1 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S CLAIM?**

2 A. According to the response to I&E-RE-21, Pittsburgh Water’s claim for vehicles is
3 based on a five-year fleet acquisition plan, which calls for at least 20 vehicles to be
4 purchased annually with a budget of \$3,000,000 per year. Pittsburgh Water states
5 that failure to fund vehicle replacements at this level will result in more expensive
6 repairs, increased vehicle downtime, and difficulties providing a basic level of
7 service to customers.²⁴

8
9 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S CLAIM?**

10 A. No.

11

12 **Q. WHAT DO YOU RECOMMEND FOR VEHICLES EXPENSE?**

13 A. I recommend an allowance of \$1,424,346 in the FPFTY for vehicles expense, or a
14 reduction of \$1,575,654 (\$3,000,000 - \$1,424,346) to Pittsburgh Water’s claim.

15

16 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

17 A. My recommendation is based on a historic average due to Pittsburgh Water’s lack
18 of information to support such a high increase in this expense. Pittsburgh Water
19 has not explained why development of a five-year fleet acquisition plan was
20 deemed necessary rather than continuing with its current level of vehicle
21 replacement. In fact, Pittsburgh Water claims that failure to fund replacements at

²⁴ I&E Exhibit No. 2, Schedule 6, p. 1.

1 this level will result in higher repair costs, yet the cost of vehicle repairs is still
2 forecasted to rise in the FPFTY.²⁵

3

4 **Q. HOW DID YOU CALCULATE YOUR RECOMMENDATION?**

5 A. I calculated my recommendation by normalizing the expense over a three-year
6 period using the three most recent years of complete data, FY 2022, FY 2023, and
7 FY 2024, as shown below.

FY 2022	\$1,571,317
FY 2023	\$1,939,380
FY 2024	\$762,342
Average	\$1,424,346

8

9

10 **OPERATING CONTRACTS EXPENSE**

11 **Annual Sewer Contract**

12 **Q. WHAT IS PITTSBURGH WATER’S CLAIM FOR ANNUAL SEWER
13 CONTRACT EXPENSE?**

14 A. Pittsburgh Water is claiming annual sewer contract expense of \$7,800,000 in the
15 FPFTY.²⁶

16

17 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S CLAIM?**

18 A. According to the response to I&E-RE-24, Pittsburgh Water’s claim for annual

²⁵ I&E Exhibit No. 2, Schedule 1, p. 2.

²⁶ I&E Exhibit No. 2, Schedule 1, p. 2.

1 sewer contract expense includes portions of the FY 2024 and FY 2025 sewer
2 contracts, as well as a projection for the FY 2026 contract.²⁷ Additionally, in
3 response to OSBA-II-12, Pittsburgh Water states that the FY 2026 claim assumes a
4 normal year of expense and is based on historical spending.²⁸

5

6 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S CLAIM?**

7 A. No.

8

9 **Q. WHAT DO YOU RECOMMEND FOR ANNUAL SEWER CONTRACT**
10 **EXPENSE?**

11 A. I recommend an allowance of \$6,820,188 for annual sewer contract expense, or a
12 reduction of \$979,812 (\$7,800,000 - \$6,820,188) in the FPPTY.

13

14 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

15 A. My recommendation is based on normalization of the expense using a historic
16 average of the three most recent years of complete data as shown below.

FY 2022	\$7,955,492
FY 2023	\$5,867,527
FY 2024	\$6,637,545
Average	\$6,820,188

17

²⁷ I&E Exhibit No. 2, Schedule 7.

²⁸ I&E Exhibit No. 2, Schedule 8.

1 I disagree that Pittsburgh Water based its claim on historical spending, as
2 the claim amount is significantly above the two previous years' spending, as well
3 as the historic three-year average. Pittsburgh Water has not provided any
4 documentation to support this increase; therefore, a three-year historic average is
5 appropriate to forecast this expense.

6
7 **Emergency Waterline Repairs**

8 **Q. WHAT IS PITTSBURGH WATER'S CLAIM FOR EMERGENCY**
9 **WATERLINE REPAIRS?**

10 A. Pittsburgh Water is claiming emergency waterline repairs of \$7,000,000 in the
11 FPFTY.²⁹

12
13 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER'S CLAIM?**

14 A. According to the response to I&E-RE-24, Pittsburgh Water's claim for emergency
15 waterline repairs includes portions of the FY 2024 and FY 2025 waterline
16 contracts, as well as a projection for the FY 2026 contract.³⁰ Additionally, in
17 response to OSBA-II-13, Pittsburgh Water states that the FY 2026 claim assumes a
18 normal year of expense and is based on historical spending.³¹

²⁹ I&E Exhibit No. 2, Schedule 1, p. 2.

³⁰ I&E Exhibit No. 2, Schedule 7.

³¹ I&E Exhibit No. 2, Schedule 9.

1 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S CLAIM?**

2 A. No.

3

4 **Q. WHAT DO YOU RECOMMEND FOR EMERGENCY WATERLINE**
5 **REPAIRS?**

6 A. I recommend an allowance of \$5,159,215 for emergency waterline repairs, or a
7 reduction of \$1,840,785 (\$7,000,000 - \$5,159,215) in the FPPTY.

8

9 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

10 A. My recommendation is based on normalization of the expense using a historic
11 average of the three most recent years of complete data as shown below.

FY 2022	\$4,963,764
FY 2023	\$4,491,287
FY 2024	\$6,022,594
Average	\$5,159,215

12

13 I disagree that Pittsburgh Water based its claim on historical spending, as
14 the claim amount is significantly above the three previous years’ spending, as well
15 as the historic three-year average. Pittsburgh Water has not provided any
16 documentation to support this increase; therefore, a three-year historic average is
17 appropriate to forecast this expense.

1 **Manhole and Point Repair Contract**

2 **Q. WHAT IS PITTSBURGH WATER’S CLAIM FOR MANHOLE AND POINT**
3 **REPAIR CONTRACT EXPENSE?**

4 A. Pittsburgh Water is claiming manhole and point repair contract expense of
5 \$3,000,000 in the FPFTY.³²

6
7 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S CLAIM?**

8 A. In response to I&E-RE-46, Pittsburgh Water states that this expense is based on a
9 portion of the FY 2025 contract and also includes the full amount of the FY 2026
10 contract, which is estimated to be comparable to prior contract amounts.³³

11 Additionally, in response to OSBA-II-14, Pittsburgh Water states that this account
12 was added in FY 2023 for reporting purposes, explaining why no data was
13 recorded in this account prior to FY 2023.³⁴

14
15 **Q. DO YOU AGREE WITH PUTTSBURGH WATER’S CLAIM?**

16 A. No.

17
18 **Q. WHAT DO YOU RECOMMEND FOR MANHOLE AND POINT REPAIR**
19 **CONTRACT EXPENSE?**

20 A. I recommend an allowance of \$1,575,224 for manhole and point repair contract

³² I&E Exhibit No. 2, Schedule 1, p. 2.

³³ I&E Exhibit No. 2, Schedule 10.

³⁴ I&E Exhibit No. 2, Schedule 11.

1 expense, or a reduction of \$1,424,776 (\$3,000,000 - \$1,575,224) in the FPFTY.

2
3 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

4 A. My recommendation is based on normalizing the expense using a historic average
5 of the two most recent years of completed data as shown below.

FY 2023	\$1,534,899
FY 2024	\$1,615,548
Average	\$1,575,224

6
7 Two years of data are used since only two years of complete data exist for
8 this expense account. It is clear from Pittsburgh Water’s response to I&E-RE-23
9 that annual contracts are not necessarily expensed entirely in the year in which
10 they are entered, therefore it is unreasonable to expense the entirety of the FY
11 2026 contract in the FPFTY. Additionally, the contract amount is speculative as no
12 contract has yet been signed.³⁵ Therefore, it is appropriate to use historic data to
13 estimate this expense.

14
15 **Field Inspections**

16 **Q. WHAT IS PITTSBURGH WATER’S CLAIM FOR FIELD INSPECTIONS?**

17 A. Pittsburgh Water is claiming field inspection expenses of \$3,094,282 in the
18 FPFTY.³⁶

³⁵ I&E Exhibit No. 2, Schedule 10.

³⁶ I&E Exhibit No. 2, Schedule 1, p. 2.

1 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S CLAIM?**

2 A. In response to I&E-RE-25, Pittsburgh Water states that there is a construction
3 inspection contract associated with every urgent water repair, urgent sewer repair,
4 manhole and point repair, and surface restoration contract. Pittsburgh Water adds
5 that it expects FY 2024 and FY 2025 contracts to be completed within the FPFTY,
6 and FY 2026 contracts to begin in the first quarter of the FPFTY.³⁷

7
8 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S CLAIM?**

9 A. No.

10

11 **Q. WHAT DO YOU RECOMMEND FOR FIELD INSPECTIONS EXPENSE?**

12 A. I recommend an allowance of \$2,390,576 for field inspections expense, or a
13 reduction of \$703,706 (\$3,094,282 - \$2,390,576) in the FPFTY.

14

15 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

16 A. My recommendation is based on normalizing the expense using a historic average
17 of the three most recent years of completed data as shown below.

FY 2022	\$2,806,286
FY 2023	\$2,239,888
FY 2024	\$2,125,554
Average	\$2,390,576

18

³⁷ I&E Exhibit No. 2, Schedule 12.

1 This adjustment corresponds to the adjustments I am recommending for
2 each of the four categories noted by Pittsburgh Water that require field inspections.
3 I have already addressed the water and sewer repair contracts in the above sections
4 as well as the manhole and point repair contract. In the following section of my
5 testimony, I will address surface restoration, also known as concrete repair. I am
6 recommending in each of these four instances that the FPFTY allowance be based
7 on historic data, and in turn, I am recommending this account be based on historic
8 data as well.

9
10 **CONCRETE REPAIRS (SURFACE RESTORATION)**

11 **Q. WHAT IS PITTSBURGH WATER’S CLAIM FOR CONCRETE REPAIRS?**

12 A. Pittsburgh Water is claiming concrete repairs expense of \$15,000,000 in the
13 FPFTY.³⁸

14
15 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S CLAIM?**

16 A. Pittsburgh Water witness Edward Barca states that there is a backlog of 1,022 open
17 sites that need to be paved as a result of lead line replacements.³⁹

18
19 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S CLAIM?**

20 A. No.

³⁸ I&E Exhibit No. 2, Schedule 1, p. 2.

³⁹ Pittsburgh Water Statement No. 2, p. 17.

1 **Q. WHAT DO YOU RECOMMEND FOR CONCRETE REPAIRS EXPENSE?**

2 A. I recommend an allowance of \$11,107,815 for concrete repairs expense, or a
3 reduction of \$3,892,185 (\$15,000,000 - \$11,107,815) in the FPFTY.

4
5 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

6 A. My recommendation is based on normalizing the expense using a three-year
7 historic average of concrete repair expenses as shown below.

FY 2022	\$8,409,527
FY 2023	\$12,677,855
FY 2024	\$12,236,064
Average	\$11,107,815

8
9 Mr. Barca states in his direct testimony that the increase in budget to
10 \$15,000,000 is enough funding to allow Pittsburgh Water to eliminate the backlog,
11 as well as manage new sites in the future. He also claims that failure to fund the
12 full amount will result in reputational issues, potentially hazardous road
13 conditions, and a poor level of service.⁴⁰ However, in response to I&E-RE-20, Mr.
14 Barca states that an additional \$19,000,000 would be needed to eliminate the
15 backlog, admitting that the requested \$15,000,000 does not reduce the number of
16 backlog sites.⁴¹

17 Additionally, in direct testimony Mr. Barca states that the rate of lead line
18 replacements has outpaced the paving contractor's ability to keep up with the

⁴⁰ Pittsburgh Water Statement No. 2, p. 17.

⁴¹ I&E Exhibit No. 2, Schedule 14, p. 1.

1 paving sites.⁴² An increase in funding does not necessarily address this issue.
2 Pittsburgh Water has not demonstrated an ability to use the requested increase in
3 funds, and in fact has estimated a decrease in this expense from the HTY to the
4 FTY. Therefore, I recommend using a three-year historic average to forecast this
5 expense in the FPFTY.

6
7 **MEMBERSHIP FEES**

8 **Q. WHAT IS PITTSBURGH WATER'S CLAIM FOR MEMBERSHIP FEES?**

9 A. Pittsburgh Water is claiming membership fees of \$149,038 in the FPFTY.⁴³

10
11 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER'S CLAIM?**

12 A. In response to I&E-RE-43, Pittsburgh Water includes a breakdown of projected
13 membership fees by organization and dollar amount which sum to the total
14 claim.⁴⁴

15
16 **Q. DO YOU AGREE WITH PITTSBURGH WATER'S CLAIM?**

17 A. No.

18
19 **Q. WHAT DO YOU RECOMMEND FOR MEMBERSHIP FEES?**

20 A. I recommend an allowance of \$106,038, or a reduction of \$43,000 (\$149,038 -

⁴² Pittsburgh Water Statement No. 2, p. 17.

⁴³ I&E Exhibit No. 2, Schedule 1, p. 3.

⁴⁴ I&E Exhibit No. 2, Schedule 15, p. 2.

1 \$106,038) for membership fees.

2

3 **Q. WHAT IS THE BASIS OF YOUR RECOMMENDATION?**

4 A. My recommendation is based on disallowance of the amount projected to be paid
5 to Pittsburgh Downtown Partnership, or \$43,000. This expense should not be
6 funded by ratepayers because, based on an analysis of the organization's website,⁴⁵
7 it appears this expense is not necessary for the provision of safe and reliable
8 service to customers.

9

10 **PROFESSIONAL SERVICES**

11 **Consultants**

12 **Q. WHAT IS PITTSBURGH WATER'S CLAIM FOR CONSULTANTS**
13 **EXPENSE?**

14 A. Pittsburgh Water is claiming consultants expense of \$7,646,744 in the FPFTY.⁴⁶

15

16 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER'S CLAIM?**

17 A. According to the response to I&E-RE-26, Pittsburgh Water's claim for consultants
18 includes several active contracts and several potential contracts that would be bid
19 out and finalized in FY 2026 assuming the funds are approved in the rate case.⁴⁷

⁴⁵ <https://downtownpittsburgh.com/>, accessed August 27, 2025.

⁴⁶ I&E Exhibit No. 2, Schedule 1, p. 3.

⁴⁷ I&E Exhibit No. 2, Schedule 16.

1 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S CLAIM?**

2 A. No.

3

4 **Q. WHAT DO YOU RECOMMEND FOR CONSULTANTS?**

5 A. I recommend an allowance of \$5,364,338 for consultants expense, or a reduction
6 of \$2,282,406 (\$7,646,744 - \$5,364,338) in the FPFTY.

7

8 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

9 A. My recommendation is based on normalizing the expense using a historic average
10 of the three most recent years of complete data as shown below.

FY 2022	\$6,105,716
FY 2023	\$5,402,344
FY 2024	\$4,584,954
Average	\$5,364,338

11

12 Pittsburgh Water’s claim is largely speculative in nature since the contracts
13 not labeled as active are estimates and have not been executed or even solicited.

14 Pittsburgh Water states that these contracts would be finalized in FY 2026,

15 however, it is uncertain whether the full amount of any contract would be

16 completely expensed within FY 2026. The FPFTY expenses related to these

17 contracts are unknown and Pittsburgh Water has not provided sufficient

18 documentation to support the requested increase. Therefore, a three-year average

19 of actual data is appropriate to forecast this expense in the FPFTY.

1 **Construction Management**

2 **Q. WHAT IS PITTSBURGH WATER’S CLAIM FOR CONSTRUCTION**
3 **MANAGEMENT EXPENSE?**

4 A. Pittsburgh Water is claiming construction management expense of \$1,923,254 in
5 the FPFTY.⁴⁸

6
7 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S CLAIM?**

8 A. According to the response to I&E-RE-45, Pittsburgh Water’s claim reflects
9 expanded construction management related to efforts to address the backlog of
10 surface restoration sites and compliance with evolving standards outlined in the
11 city of Pittsburgh’s right-of-way procedures manual.⁴⁹

12
13 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S CLAIM?**

14 A. No.

15
16 **Q. WHAT DO YOU RECOMMEND FOR CONSTRUCTION**
17 **MANAGEMENT?**

18 A. I recommend an allowance of \$1,562,800 for construction management, or a
19 reduction of \$360,454 (\$1,923,254 - \$1,562,800) in the FPFTY.

⁴⁸ I&E Exhibit No. 2, Schedule 1, p. 3.

⁴⁹ I&E Exhibit No. 2, Schedule 17.

1 **Q. WHAT IS THE BASIS FOR THIS RECOMMENDATION?**

2 A. My recommendation is based on normalization of the expense using the two most
3 recent years of completed data since only two years of complete data exist for this
4 expense account. Pittsburgh Water has not provided any supporting
5 documentation or calculations to support this claim; therefore the claim is
6 speculative, and a two-year average is appropriate to estimate this expense as
7 shown below:

FY 2023	\$1,809,926
FY 2024	\$1,315,674
Average	\$1,562,800

8

9

10 **Consulting Engineers**

11 **Q. WHAT IS PITTSBURGH WATER’S CLAIM FOR CONSULTING**
12 **ENGINEERS EXPENSE?**

13 A. Pittsburgh Water is claiming consulting engineers expense of \$196,684 in the
14 FPFTY.⁵⁰

15

16 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S CLAIM?**

17 A. According to the response to I&E-RE-45, Pittsburgh Water’s claim is driven by the
18 return of required site visits as part of the required annual report.⁵¹

⁵⁰ I&E Exhibit No. 2, Schedule 1, p. 3.

⁵¹ I&E Exhibit No. 2, Schedule 17, p. 1.

1 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S CLAIM?**

2 A. No.

3

4 **Q. WHAT DO YOU RECOMMEND FOR CONSULTING ENGINEERS**
5 **EXPENSE?**

6 A. I recommend an allowance of \$83,139 for consulting engineers expense, or a
7 reduction of \$113,545 (\$196,684 - \$83,139) in the FPFTY.

8

9 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

10 A. My recommendation is based on normalizing the expense using a historic average
11 of the three most recent years of completed data. Pittsburgh Water has not
12 provided any supporting documentation or calculations to support this claim;
13 therefore the claim is speculative, and a three-year average is appropriate to
14 estimate this expense as shown below:

FY 2022	\$52,859
FY 2023	\$139,138
FY 2024	\$57,419
Average	\$83,139

15

16

17 **Legal**

18 **Q. WHAT IS PITTSBURGH WATER’S CLAIM FOR LEGAL EXPENSE?**

19 A. Pittsburgh Water is claiming legal expense of \$2,417,700 in the FPFTY.⁵²

⁵² I&E Exhibit No. 2, Schedule 1, p. 3.

1 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S CLAIM?**

2 A. According to the response to I&E-RE-45, Pittsburgh Water’s claim is driven by
3 increased legal expenses related to rate case activities and continuous wet weather
4 consent decree negotiations.⁵³

5

6 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S CLAIM?**

7 A. No.

8

9 **Q. WHAT DO YOU RECOMMEND FOR LEGAL EXPENSE?**

10 A. I recommend an allowance of \$2,329,500 for legal expense, or a reduction of
11 \$88,200 (\$2,417,700 - \$2,329,500) in the FPFTY.

12

13 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

14 A. In response to I&E-RE-12-D, Pittsburgh Water has identified \$88,200 as lobbying
15 expense budgeted under the legal expense account.⁵⁴ I am advised by counsel that
16 no public utility may charge to its consumers, as a permissible operating expense
17 for ratemaking purposes, any direct or indirect expenditure by the utility for
18 political advertising.⁵⁵ Political advertising includes money spent for lobbying
19 unless it is spent for appearances before regulatory or other governmental bodies

⁵³ I&E Exhibit No. 2, Schedule 17, p. 2.

⁵⁴ I&E Exhibit No. 2, Schedule 18.

⁵⁵ 66 Pa. C. S. § 1316(a).

1 in connection with a public utility's existing or proposed operations.⁵⁶ Although
2 Mr. Barca points out that this work results in benefits for ratepayers,⁵⁷ lobbying
3 expenses are not necessary for the utility to provide safe and reliable service, and
4 therefore, should not be funded by ratepayers. Thus, I recommend disallowing the
5 entire amount of lobbying expense.

6
7 **Payroll Services**

8 **Q. WHAT IS PITTSBURGH WATER'S CLAIM FOR PAYROLL SERVICES?**

9 A. Pittsburgh Water is claiming payroll services expense of \$243,000 in the FPFTY.⁵⁸

10
11 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER'S CLAIM?**

12 A. According to the response to I&E-RE-45, Pittsburgh Water's claim is driven by
13 anticipated changes to the payroll system, either through an upgrade to the existing
14 system or implementation of a new payroll platform.⁵⁹

15
16 **Q. DO YOU AGREE WITH PITTSBURGH WATER'S CLAIM?**

17 A. No.

⁵⁶ 66 Pa. C. S. § 1316(d).

⁵⁷ I&E Exhibit No. 2, Schedule 18.

⁵⁸ I&E Exhibit No. 2, Schedule 1, p. 3.

⁵⁹ I&E Exhibit No. 2, Schedule 17, p. 2.

1 **Q. WHAT DO YOU RECOMMEND FOR PAYROLL SERVICES EXPENSE?**

2 A. I recommend an allowance of \$149,628 for payroll services expense, or a
3 reduction of \$93,372 (\$243,000 - \$149,628) in the FPFTY.
4

5 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

6 A. My recommendation is based on normalization of the expense using the three most
7 recent years of completed data. Pittsburgh Water has not provided any supporting
8 documentation or calculations to support this claim; therefore the claim is
9 speculative and a three-year average is appropriate to estimate this expense as
10 shown below:

FY 2022	\$135,758
FY 2023	\$160,940
FY 2024	\$152,186
Average	\$149,628

11

12

13 **Water Liens**

14 **Q. WHAT IS PITTSBURGH WATER’S CLAIM FOR WATER LIENS?**

15 A. Pittsburgh Water is claiming water liens expense of \$105,000 in the FPFTY.⁶⁰
16

17 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S CLAIM?**

18 A. In response to I&E-RE-46, Pittsburgh Water states that there was no cost
19 associated with the expense in the FTY, because it was projected that the “court

⁶⁰ I&E Exhibit No. 2, Schedule 1, p. 3.

1 account” maintained sufficient funds during the development of the FTY budget.
2 However, Pittsburgh Water states that the account is forecasted to be depleted in
3 January 2026 and will need replenished at that time.⁶¹
4

5 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S CLAIM?**

6 A. No.
7

8 **Q. WHAT DO YOU RECOMMEND FOR WATER LIENS EXPENSE?**

9 A. I recommend an allowance of \$76,371 for water liens expense, or a reduction of
10 \$28,629 (\$105,000 - \$76,371) in the FPFTY.
11

12 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

13 A. My recommendation is based on normalizing the expense using the three most
14 recent years of completed data. Pittsburgh Water has not provided any supporting
15 documentation to support this claim; therefore the claim is speculative, and a
16 three-year average is appropriate to estimate this expense as shown below:

FY 2022	\$60,114
FY 2023	\$70,000
FY 2024	\$99,000
Average	\$76,371

17
18 Additionally, Pittsburgh Water stated that it uses a specific “court account”
19 to fund lien expenses, so the amount shown annually for this expense does not

⁶¹ I&E Exhibit No. 2, Schedule 19.

1 necessarily represent the cost of the liens in that year, but rather the amount
2 contributed to the fund. Pittsburgh Water contributed more than enough to the
3 account throughout those years as the excess amount is expected to cover the
4 expense in the FTY. Thus, my recommendation is more than fair.

5
6 **UNIFORMS**

7 **Q. WHAT IS PITTSBURGH WATER'S CLAIM FOR UNIFORMS EXPENSE?**

8 A. Pittsburgh Water is claiming \$243,500 for uniforms expense in the FPFTY.⁶²

9
10 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER'S CLAIM?**

11 A. In response to I&E-RE-47, Pittsburgh Water states that additional safety uniforms
12 such as chemical resistant, flame-retardant security guard vests and gas masks
13 need replenished in the FPFTY.⁶³

14
15 **Q. DO YOU AGREE WITH PITTSBURGH WATER'S CLAIM?**

16 A. No.

17
18 **Q. WHAT DO YOU RECOMMEND FOR UNIFORMS EXPENSE?**

19 A. I recommend an allowance of \$154,299 for uniforms expense, or a reduction of
20 \$89,201 (\$243,500 - \$154,299) in the FPFTY.

⁶² I&E Exhibit No. 2, Schedule 1, p. 4.

⁶³ I&E Exhibit No. 2, Schedule 20.

1 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

2 A. My recommendation is based on the HTY amount, as Pittsburgh Water has not
3 provided any supporting documentation or calculations to support this increase. In
4 this instance, I am not using a three-year average because the FY 2022 data seems
5 to be an extremely low outlier as shown below. FY 2023 and FY 2024 are fairly
6 consistent; therefore I selected the most recent full year of data to form my
7 recommendation.

FY 2022	\$20,556
FY 2023	\$191,769
FY 2024 (HTY)	\$154,299

8

9

10 **TRAVEL AND ENTERTAINMENT (TE) TRAINING**

11 **Q. WHAT IS PITTSBURGH WATER’S CLAIM FOR TE TRAINING?**

12 A. Pittsburgh Water is claiming TE training expense of \$303,985 in the FPPTY.⁶⁴

13

14 **Q. WHAT IS THE BASIS FOR PITTSBURGH WATER’S CLAIM?**

15 A. In response to I&E-RE-48, Pittsburgh Water states that leadership has actively
16 encouraged staff to attend seminars and conferences, which broaden staff expertise
17 and enhance organizational performance for the benefit of ratepayers.⁶⁵

⁶⁴ I&E Exhibit No. 2, Schedule 1, p. 4.

⁶⁵ I&E Exhibit No. 2, Schedule 21.

1 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S CLAIM?**

2 A. No.

3

4 **Q. WHAT DO YOU RECOMMEND FOR TE TRAINING EXPENSE?**

5 A. I recommend an allowance of \$142,089 for TE training expense, or a reduction of
6 \$161,896 (\$303,985 - \$142,089) in the FPFTY.

7

8 **Q. WHAT IS THE BASIS OF YOUR RECOMMENDATION?**

9 A. My recommendation is based on normalizing the expense using the three most
10 recent years of completed data. Pittsburgh Water has not provided any supporting
11 documentation or calculations to support this claim; therefore the claim is
12 speculative, and a three-year average is appropriate to estimate this expense as
13 shown below:

FY 2022	\$207,803
FY 2023	\$110,885
FY 2024	\$107,579
Average	\$142,089

14

15

16 **FINES AND PENALTIES**

17 **Q. WHAT IS PITTSBURGH WATER’S CLAIM FOR FINES AND**
18 **PENALTIES?**

19 A. Pittsburgh Water is claiming fines and penalties of \$20,000 in the FPFTY.⁶⁶

⁶⁶ I&E Exhibit No. 2, Schedule 1, p. 4.

1 **Q. WHAT TYPES OF FINES AND PENALTIES HAS PITTSBURGH WATER**
2 **PREVIOUSLY INCURRED?**

3 A. The majority of fines and penalties incurred from FY 2022 through year-to-date
4 2025 are labeled by Pittsburgh Water as line strikes or parking fines.⁶⁷

5
6 **Q. DO YOU AGREE WITH PITTSBURGH WATER'S FINES AND**
7 **PENALTIES CLAIM?**

8 A. No.

9
10 **Q. WHAT DO YOU RECOMMEND FOR FINES AND PENALTIES?**

11 A. I recommend disallowance of the entire claim for fines and penalties in the
12 FPPTY, or a reduction of \$20,000 to Pittsburgh Water's claim.

13
14 **Q. WHAT IS THE BASIS OF YOUR RECOMMENDATION?**

15 A. Fines and penalties are avoidable expenses and are not necessary for the safe and
16 reliable provision of service. Ratepayers should not be expected to fund a utility's
17 failure to comply with regulatory standards; therefore, these expenses are not
18 recoverable through rates.

⁶⁷ I&E Exhibit No. 2, Schedule 22, p. 2.

1 **RATE CASE EXPENSE**

2 **Q. WHAT IS PITTSBURGH WATER’S CLAIM FOR RATE CASE**
3 **EXPENSE?**

4 A. Pittsburgh Water is claiming rate case expense of \$604,825 in the FPFTY.⁶⁸

5

6 **Q. DOES PITTSBURGH WATER HAVE A SEPARATE ACCOUNT**
7 **DEDICATED TO TRACKING RATE CASE EXPENSE?**

8 A. No. Pittsburgh Water has identified two accounts that contain rate case related
9 expenses: legal (7370) and consultants (7323).⁶⁹

10

11 **Q. IS IT APPROPRIATE FOR PITTSBURGH WATER TO INCLUDE RATE**
12 **CASE EXPENSE IN THESE ACCOUNTS RATHER THAN TRACKING IT**
13 **SEPARATELY?**

14 A. No. There is a lack of transparency surrounding rate case expense when it is
15 embedded within accounts containing non-rate case related expenses.

16

17 **Q. DO YOU PROPOSE AN ADJUSTMENT TO RATE CASE EXPENSE?**

18 A. No, I am not recommending an adjustment to rate case expense. However, I do
19 recommend that Pittsburgh Water be required in all future base rate proceedings to
20 account for rate case expense in a separate account to provide the needed

⁶⁸ I&E Exhibit No. 2, Schedule 23, p. 1.

⁶⁹ I&E Exhibit No. 2, Schedule 23, p. 1.

1 transparency around this expense and to establish an appropriate normalized
2 expense for prospective recovery of future rate case activities.

3
4 **CHARITABLE CONTRIBUTIONS**

5 **Q. WHAT IS PITTSBURGH WATER'S CLAIM FOR CHARITABLE**
6 **CONTRIBUTIONS?**

7 A. Pittsburgh Water is not claiming any charitable contributions in the FPFTY;⁷⁰
8 however, Pittsburgh Water shows spending of \$13,750 in the HTY.⁷¹

9
10 **Q. DO YOU HAVE ANY COMMENTS OR CONCERNS ABOUT**
11 **PITTSBURGH WATER'S CHARITABLE CONTRIBUTIONS SPENDING?**

12 A. Yes. Although Pittsburgh Water does not claim charitable contributions expense in
13 the FPFTY, it shows a history of spending in this category. Any charitable
14 contributions made by Pittsburgh Water, regardless of whether they are claimed in
15 rates or not, would come from ratepayer money, given the cash flow nature of the
16 rate filing. Ratepayers have no input regarding which charities or causes are
17 supported. Additionally, charitable contributions are not necessary to provide safe
18 and reliable service to customers and applying ratepayer money in this manner
19 does not comport with Pittsburgh Water's contention that any extra revenues
20 received are applied for the ratepayers' benefit.⁷²

⁷⁰ I&E Exhibit No. 2, Schedule 24.

⁷¹ Pittsburgh Water Volume I, FR-III.13.

⁷² Pittsburgh Water Statement No. 2, p. 46.

1 **Q. ARE YOU RECOMMENDING AN ADJUSTMENT FOR CHARITABLE**
2 **CONTRIBUTIONS?**

3 A. No. Since Pittsburgh Water has not claimed charitable contributions expense in
4 the FPFTY, I am not recommending a dollar adjustment. However, if Pittsburgh
5 Water chooses to continue making charitable contributions in the future, the
6 Commission should require such funding to come from voluntary employee
7 contributions.

8

9 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

10 A. Yes.

Vanessa Okum

Professional and Educational Background

Experience:

Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania

June 2022 – Present

Fixed Utility Financial Analyst, Bureau of Investigation and Enforcement

Magnolia Realty Services, Elizabethville, Pennsylvania

February 2016 – May 2024

Realtor

May 2015 – May 2019

Business Manager

The Vanguard Group, Malvern, Pennsylvania

October 2011 – December 2014

Financial Administrator, Corporate Financial Services

March 2010 – October 2011

Financial Analyst, Fund Financial Services

June 2008 – March 2010

Financial Associate, Fund Financial Services

Education/Professional Development:

NARUC Rate School, Clearwater, Florida, October 16-20, 2023

University of Massachusetts – Amherst, Amherst, Massachusetts, 2012

Master of Business Administration

Elizabethtown College, Elizabethtown, Pennsylvania, 2008

Bachelor of Science in International Business

Concentration in Finance

Testimony Submitted:

I have submitted testimony in the following proceedings:

R-2025-3053112 – Philadelphia Gas Works

R-2024-3050208 – Newtown Artesian Water Company

R-2024-3047068 – FirstEnergy Pennsylvania Electric Company

R-2024-3045192 at al. – Veolia Water Pennsylvania, Inc.

R-2023-3043189 et al. – Pennsylvania-American Water Company

R-2023-3039919 et al. – Pittsburgh Water and Sewer Authority

R-2023-3037428 – National Fuel Gas Distribution Corporation (1307(f))

R-2022-3037368 – UGI Utilities, Inc. – Electric Division

I have assisted with testimony in the following proceedings:

R-2022-3031704 – Borough of Ambler Water Department

R-2022-3032764 – Leatherstocking Gas Company, LLC

Casework not requiring testimony:

R-2025-3052742 – National Fuel Gas Distribution Corporation (1307(f))

R-2024-3049248 – City of Lock Haven Water Department

R-2024-3045177 – National Fuel Gas Distribution Corporation (1307(f))

**I&E Exhibit No. 2
Witness: Vanessa Okum**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PITTSBURGH WATER AND SEWER AUTHORITY

D/B/A PITTSBURGH WATER

Docket Nos. R-2025-3055010, R-2025-3055011 & R-2025-3055012

Exhibit to Accompany

the

Direct Testimony

of

Vanessa Okum

Bureau of Investigation and Enforcement

Concerning:

OPERATING AND MAINTENANCE EXPENSES

Pittsburgh Water
 FPFTY 2026 COS & Rate Design Model
 FR III.1

Pittsburgh Water
Operating Expenses by Account

Direct Operating Expenses	12 Months	12 Months	HTY	FTY	Difference	FPFTY	Difference	FTY 2027
	Ended 12/31/2022	Ended 12/31/2023	12 Months Ended 12/31/2024	12 Months Ended 12/31/2025		12 Months Ended 12/31/2026		12 Months Ended 12/31/2027
<u>Wages & Salaries</u>								
4001 Salary Wages	\$ 22,881,649.26	\$ 25,131,045.50	\$ 26,961,791.06	\$ 31,192,917.70	\$ 2,556,736.14	\$ 33,749,653.84	\$ -	\$ 33,749,653.84
4005 OT Premium Pay	1,846,867.87	1,885,415.38	2,074,918.84	2,018,400.00	187,484.04	2,205,884.04	-	2,205,884.04
4010 Shift Differential	127,550.53	135,212.56	138,231.96	135,300.00	5,600.00	140,900.00	-	140,900.00
4015 Semi Skill	-	-	-	-	-	-	-	-
4025 Bonus	242,062.50	262,556.02	197,550.00	85,457.12	(41,673.38)	43,783.74	-	43,783.74
4030 Holiday Pay	1,296,285.94	1,443,374.39	1,585,847.00	1,815,816.49	148,833.93	1,964,650.42	-	1,964,650.42
4031 Mental Health Day Pay	-	46,373.34	56,534.56	-	-	-	-	-
4032 Volunteer Time Off	-	4,007.17	8,686.31	-	-	-	-	-
4035 Vacation Pay	1,676,066.45	1,842,314.85	2,224,844.66	2,612,537.70	327,866.61	2,940,404.31	-	2,940,404.31
4040 Other	-	1,787.29	-	-	-	-	-	-
4045 Sick Pay	35,234.85	8,750.67	5,829.98	-	-	-	-	-
4050 Personal Time Pay	988,078.29	1,353,912.98	1,286,659.23	1,519,356.66	124,534.49	1,643,891.15	-	1,643,891.15
4065 Jury Duty	5,022.11	2,081.86	3,116.43	-	-	-	-	-
4070 Military Leave	342.46	12,968.15	10,335.83	-	-	-	-	-
4075 Supper Pay	31,900.00	25,941.00	27,075.00	28,500.00	9,520.00	38,020.00	-	38,020.00
4080 Bereavement	37,146.37	43,948.57	137,013.85	-	-	-	-	-
4081 Paid Parental Leave	53,634.48	83,124.68	151,827.63	-	-	-	-	-
4082 Safe Leave	-	2,623.46	3,076.96	-	-	-	-	-
4085 Special	27,000.00	35,500.00	39,885.00	40,440.00	-	40,440.00	-	40,440.00
4090 Admin Leave	210,455.80	19,089.60	911.09	-	-	-	-	-
4095 Severance	-	-	-	-	-	-	-	-
Total Wages & Salaries	\$ 29,461,084.20	\$ 32,338,240.18	\$ 34,914,135.39	\$ 39,448,725.67	\$ 3,318,901.83	\$ 42,767,627.50	\$ -	\$ 42,767,627.50
<u>Employee Benefits</u>								
4110 Fed Ins Contr Act Tx	1,769,655.55	1,935,261.50	2,080,843.52	2,379,397.78	205,867.39	2,585,265.17	-	2,585,265.17
4115 Medicare	422,495.36	462,851.34	499,667.05	570,786.90	48,596.52	619,383.42	-	619,383.42
4125 State Unemploy Tax	27,684.54	33,217.83	31,273.33	35,000.00	-	35,000.00	-	35,000.00
4135 Med Health Ins	4,862,522.32	5,422,381.66	5,840,719.82	6,740,595.76	681,279.04	7,421,874.80	-	7,421,874.80
4140 Med Hlth Ins Waiver	58,124.42	63,353.90	64,287.24	60,099.24	2,100.00	62,199.24	-	62,199.24
4145 Short Term Disability	341,290.95	376,306.47	413,300.33	329,366.86	38,903.44	368,270.30	-	368,270.30
4150 Long Term Disability	21,846.71	38,622.78	52,901.90	50,321.44	6,454.32	56,775.76	-	56,775.76
4155 Life Ins <50K	45,852.14	49,041.54	58,391.38	39,977.30	3,385.55	43,362.85	-	43,362.85
4160 Accident Death Dismember	6,113.68	6,538.90	7,785.53	8,439.65	715.21	9,154.86	-	9,154.86
4165 Dental Ins	180,775.10	178,549.53	191,738.03	220,583.36	10,197.68	230,781.04	-	230,781.04
4170 Vision Insur	24,791.46	26,050.27	27,891.08	30,418.88	2,150.94	32,569.82	-	32,569.82
4175 Uniforms	151,226.52	(1,595.03)	-	-	-	-	-	-
4180 Tuition Reimburse	37,288.71	34,876.75	74,062.72	116,710.01	(32,692.01)	84,018.00	-	84,018.00
4185 Retirement Benefit	332,800.56	546,090.69	917,804.49	1,306,003.96	302,880.62	1,608,884.58	-	1,608,884.58
4195 Misc Benefits	(43,091.00)	(56,290.00)	(59,517.00)	(57,120.00)	-	(57,120.00)	-	(57,120.00)
4199 Payroll Upload Except	-	-	-	-	-	-	-	-
Total Employee Benefits	8,239,377.02	9,115,258.13	10,201,149.42	11,830,581.14	1,269,838.70	13,100,419.84	-	13,100,419.84
TOTAL SALARIES & BENEFITS	\$ 37,700,461.22	\$ 41,453,498.31	\$ 45,115,284.81	\$ 51,279,306.81	\$ 4,588,740.53	\$ 55,868,047.34	\$ -	\$ 55,868,047.34
<u>Chemicals</u>								
5005 Alum	385,881.30	556,991.00	497,530.08	548,536.70	1,463.30	550,000.00	-	550,000.00
5010 Boiler Chemicals	44,907.67	46,994.85	29,417.42	40,000.00	2,000.00	42,000.00	-	42,000.00
5015 Calcium Hypochlorite	-	-	-	-	-	-	-	-
5020 Cat Flocc TL	91,395.33	84,644.49	101,633.66	100,000.00	10,000.00	110,000.00	-	110,000.00
5025 Caustic Soda	692.11	690.40	-	-	1,000.00	1,000.00	-	1,000.00
5030 Chlorine Cylinders	77,095.13	4,422.56	2,203.50	-	11,000.00	11,000.00	-	11,000.00
5035 Chlorine Rail Car	345,902.22	730,433.24	489,951.00	497,000.00	3,000.00	500,000.00	-	500,000.00
5040 Citric Acid	25,041.80	-	-	-	-	-	-	-
5050 Ferric Chloride	2,476,475.56	3,111,018.94	2,976,557.75	3,200,000.00	76,000.00	3,276,000.00	-	3,276,000.00
5055 Hydrofluorosilic Acid	173,067.36	181,070.48	200,036.48	202,800.00	8,112.00	210,912.00	-	210,912.00
5060 Lime	617,865.47	468,015.79	377,794.26	410,000.00	16,400.00	426,400.00	-	426,400.00
5065 Potassium Permanganate	-	-	-	-	-	-	-	-
5070 Powdered Active Carbon	-	-	-	-	-	-	-	-
5075 Soda Ash	552,444.27	1,139,880.25	1,093,526.76	1,200,000.00	89,600.00	1,289,600.00	-	1,289,600.00
5080 Sodium Hypochlorite	821,696.59	1,942,801.58	1,186,240.55	1,098,800.00	1,200.00	1,100,000.00	-	1,100,000.00
5085 Sodium Carbonate Peroxyhy	21,600.00	23,760.00	-	25,000.00	1,000.00	26,000.00	-	26,000.00
Chemicals	\$ 5,634,064.81	\$ 8,290,723.58	\$ 6,954,891.46	\$ 7,322,136.70	\$ 220,775.30	\$ 7,542,912.00	\$ -	\$ 7,542,912.00
<u>Equipment</u>								
5120 Computer & Peripherals	404,354.91	719,435.60	434,672.00	176,049.00	545,451.00	721,500.00	-	721,500.00
5125 Computers Networking	4,756,653.33	150,794.30	642,291.36	287,453.00	(287,453.00)	-	-	-
5140 Furniture Fixture	98,026.39	67,481.99	55,715.90	26,750.00	14,000.00	40,750.00	-	40,750.00
5145 Grounds Maint	450,837.68	470,710.54	881,592.82	218,818.00	181,482.00	400,300.00	-	400,300.00
5147 Lab Equip	99,966.89	33,883.73	123,149.62	70,000.00	98,000.00	168,000.00	-	168,000.00
5150 Machinery	559,546.72	345,130.51	171,565.53	288,000.00	170,000.00	458,000.00	-	458,000.00
5160 Office Equipment	2,096.33	18,472.21	4,917.47	-	-	-	-	-
5170 Pumps & Motors	32,141.98	218,864.06	85,903.78	80,000.00	-	80,000.00	-	80,000.00
5180 SCADA Equipment	32,655.60	259,858.58	60,051.33	208,869.56	60,630.44	269,500.00	-	269,500.00
5190 Vehicles	1,571,317.00	1,939,379.53	762,341.52	930,000.00	2,070,000.00	3,000,000.00	-	3,000,000.00
Equipment	\$ 8,007,596.83	\$ 4,224,011.05	\$ 3,222,201.33	\$ 2,285,939.56	\$ 2,852,110.44	\$ 5,138,050.00	\$ -	\$ 5,138,050.00
<u>Materials</u>								
5205 Asphalt Cold Patch	90,661.89	102,741.89	118,025.91	120,000.00	-	120,000.00	-	120,000.00
5220 Asphalt Hotmix	16,333.04	9,097.46	8,188.02	12,000.00	2,000.00	14,000.00	-	14,000.00
5227 Brick	-	-	1,352.16	1,500.00	-	1,500.00	-	1,500.00
5230 Cement Bagged	4,500.56	4,140.84	3,023.68	5,000.00	-	5,000.00	-	5,000.00

6420	Backhoe	-	-	-	-	-	-	-	-
	Inventory - Heavy Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>Inventory - Miscellaneous</u>								
6500	Inventory-Misc	25,902.39	93,902.80	46,764.99	51,600.00	(4,000.00)	47,600.00	-	47,600.00
6506	Batteries	545.28	-	-	-	-	-	-	-
6515	Cleaning	5,306.81	-	-	-	-	-	-	-
6530	FirstAid	500.88	-	-	-	-	-	-	-
6544	Lubricating Oil	1,365.12	-	-	-	-	-	-	-
6548	Paint Oils Putty Glass	1,625.12	-	-	-	-	-	-	-
6565	Sewer Matls Supplies	-	-	-	-	-	-	-	-
6570	Testing Dyes	3,645.44	-	-	-	-	-	-	-
6580	Vehicle Oil	-	-	-	-	-	-	-	-
6585	Welding Supplies-Inventory	-	-	-	-	-	-	-	-
	Inventory - Miscellaneous	\$ 38,891.04	\$ 93,902.80	\$ 46,764.99	\$ 51,600.00	\$ (4,000.00)	\$ 47,600.00	\$ -	\$ 47,600.00
	<u>Inventory - Parts</u>								
6645	Parts Other	35,251.92	37,256.10	30,236.49	33,200.00	800.00	34,000.00	-	34,000.00
6680	Yard	105,087.33	-	-	-	-	-	-	-
	Inventory - Parts	\$ 140,339.25	\$ 37,256.10	\$ 30,236.49	\$ 33,200.00	\$ 800.00	\$ 34,000.00	\$ -	\$ 34,000.00
	<u>Inventory - Pipe</u>								
6705	Pipe	254,405.11	359,713.33	322,022.40	327,900.00	25,500.00	353,400.00	-	353,400.00
6710	Pipe Ductile	440,996.43	-	-	-	-	-	-	-
6755	Pipe Plastic	6,184.74	-	-	-	-	-	-	-
6765	Pipe Service Line	7,900.90	-	-	-	-	-	-	-
	Inventory - Pipe	\$ 709,487.18	\$ 359,713.33	\$ 322,022.40	\$ 327,900.00	\$ 25,500.00	\$ 353,400.00	\$ -	\$ 353,400.00
	<u>Inventory - Valves</u>								
6825	Valves Misc	308,513.16	408,358.06	307,533.75	343,000.00	-	343,000.00	-	343,000.00
	Inventory - Valves	\$ 308,513.16	\$ 408,358.06	\$ 307,533.75	\$ 343,000.00	\$ -	\$ 343,000.00	\$ -	\$ 343,000.00
	INVENTORY TOTAL	\$ 2,090,510.07	\$ 2,354,194.88	\$ 2,227,361.10	\$ 2,176,740.00	\$ 14,300.00	\$ 2,191,040.00	\$ -	\$ 2,191,040.00
	DIRECT OPERATING TOTAL	\$ 90,975,712.89	\$ 94,742,024.21	\$ 99,265,778.30	\$ 111,476,467.94	\$ 10,366,810.60	\$ 121,843,278.54	\$ -	\$ 121,843,278.54
	<u>Fees</u>								
7003	Bank Fees	317,538.04	39,191.67	17,569.76	10,000.00	40,000.00	50,000.00	-	50,000.00
7005	Certification Fees	2,650.68	18,189.45	7,216.53	11,565.00	(1,585.00)	9,980.00	-	9,980.00
7010	Membership Fees	127,425.00	95,216.00	102,639.27	101,892.50	47,145.50	149,038.00	-	149,038.00
7015	Permits	1,480,029.44	1,200,498.05	341,396.90	446,247.00	3,881,003.00	4,327,250.00	-	4,327,250.00
7020	Registration Fees	9,093.32	7,312.44	8,212.44	4,500.00	(2,000.00)	2,500.00	-	2,500.00
7030	Licenses	-	800.00	796.40	2,200.00	4,700.00	6,900.00	-	6,900.00
7035	Customer CC Fees	435,201.87	465,961.79	516,773.35	508,040.00	(508,040.00)	-	-	-
	Total Fees	\$ 2,371,938.35	\$ 1,827,169.40	\$ 994,604.65	\$ 1,084,444.50	\$ 3,461,223.50	\$ 4,545,668.00	\$ -	\$ 4,545,668.00
	<u>Freight and Postage</u>								
7110	Freight Shipping	4,452.12	3,626.20	5,319.03	3,360.00	290.00	3,650.00	-	3,650.00
7115	Postage	483,688.20	579,049.79	740,157.53	597,960.00	100,296.00	698,256.00	-	698,256.00
	Total Freight and Postage	\$ 488,140.32	\$ 582,675.99	\$ 745,476.56	\$ 601,320.00	\$ 100,586.00	\$ 701,906.00	\$ -	\$ 701,906.00
	<u>Leases & Rents</u>								
7210	Copier Fax Machine	59,644.15	54,965.47	56,644.00	57,600.00	2,150.00	59,750.00	-	59,750.00
7215	Equip Rental	115,836.28	97,263.78	220,221.52	68,013.50	4,053.50	72,067.00	-	72,067.00
7255	Office Rent	910,359.42	1,165,271.23	1,077,179.12	1,064,122.01	1,787,698.87	2,851,820.88	-	2,851,820.88
7260	Pagers	-	60,400.00	65,010.00	70,000.00	(16,000.00)	54,000.00	-	54,000.00
	Total Leases & Rents	\$ 1,085,839.85	\$ 1,377,900.48	\$ 1,419,054.64	\$ 1,259,735.51	\$ 1,777,902.37	\$ 3,037,637.88	\$ -	\$ 3,037,637.88
	<u>Professional Services</u>								
7305	Advertising	14,266.76	14,399.74	94,378.10	144,196.04	(121,486.04)	22,710.00	-	22,710.00
7306	Annual Report	-	-	-	-	-	-	-	-
7310	Annual Audit	53,632.37	56,723.32	51,939.48	51,000.00	8,740.00	59,740.00	-	59,740.00
7315	Billing Contract	303,632.73	265,537.16	336,514.66	277,000.00	12,250.00	289,250.00	-	289,250.00
7323	Consultants	6,105,715.51	5,402,344.33	4,584,954.30	6,340,878.99	1,305,865.01	7,646,744.00	-	7,646,744.00
7325	Annual Report	-	-	818.00	-	-	-	-	-
7328	Contingencies	-	-	-	-	-	-	-	-
7330	Construction Management	-	1,809,926.09	1,315,673.55	1,672,136.52	251,117.48	1,923,254.00	-	1,923,254.00
7332	Consulting Engineers	52,858.82	139,137.61	57,419.06	53,279.66	143,404.32	196,683.98	-	196,683.98
7335	Non Capital Engineering Services	2,291,326.00	284,718.61	233,583.06	280,000.00	45,000.00	325,000.00	-	325,000.00
7345	Ins Auto	68,166.00	78,485.00	82,938.00	140,605.00	4,395.00	145,000.00	-	145,000.00
7348	Ins Commercial Prop	286,159.00	316,231.00	418,374.00	407,282.00	62,718.00	470,000.00	-	470,000.00
7353	Ins Gen Liability	77,234.00	21,213.00	25,526.00	31,308.00	692.00	32,000.00	-	32,000.00
7359	Ins Officers Director	140,923.00	166,746.00	95,053.00	82,794.00	22,206.00	105,000.00	-	105,000.00
7365	Ins WorkersComp	447,152.00	338,447.00	327,748.00	367,577.00	22,423.00	390,000.00	-	390,000.00
7366	Ins Cyber	19,488.34	16,625.96	16,625.96	17,000.00	3,000.00	20,000.00	-	20,000.00
7368	Internet Connection Serv	-	70,912.00	58,378.00	63,767.00	6,233.00	70,000.00	-	70,000.00
7370	Legal	2,210,514.48	2,762,620.25	1,727,883.95	2,566,466.01	(148,766.01)	2,417,700.00	-	2,417,700.00
7375	Meter Services	772,653.44	754,159.18	758,667.03	762,281.40	3,458.73	765,740.13	-	765,740.13
7382	Payroll Services	135,757.90	160,939.73	152,186.18	158,000.00	85,000.00	243,000.00	-	243,000.00
7383	Prof Service Other	5,024,765.38	3,417,876.73	3,114,647.87	3,056,210.97	433,419.24	3,489,630.21	-	3,489,630.21
7389	Trust Admin	60,485.00	59,810.00	75,760.00	70,000.00	10,000.00	80,000.00	-	80,000.00
7390	Water Liens	60,114.00	70,000.00	99,000.00	-	105,000.00	105,000.00	-	105,000.00
	Total Professional Services	\$ 18,124,844.73	\$ 16,206,852.71	\$ 13,628,068.20	\$ 16,541,782.59	\$ 2,254,669.73	\$ 18,796,452.32	\$ -	\$ 18,796,452.32
	<u>Supplies</u>								
7405	Computer Software Supplies	92,217.88	1,497.26	86.08	-	-	-	-	-
7422	Fuel-Gasses	874,187.11	441,644.83	429,121.00	433,800.00	23,700.00	457,500.00	-	457,500.00
7423	Fuel Kerosene	503.58	-	-	-	-	-	-	-

7424	Fuel Propane	1,173.74	1,293.19	2,028.00	2,700.00	(900.00)	1,800.00	-	1,800.00
7435	GIS Plotter Xerox	-	-	-	-	-	-	-	-
7440	Grounds & Maint Supp	572,335.77	535,738.65	431,776.34	512,450.00	(6,800.00)	505,650.00	-	505,650.00
7445	Lab Chemicals	2,054.39	1,686.92	-	2,000.00	-	2,000.00	-	2,000.00
7447	Lab Supplies	139,294.67	142,240.01	184,889.92	150,000.00	30,000.00	180,000.00	-	180,000.00
7450	Office Supplies	33,850.56	33,911.25	26,361.47	31,453.98	9,050.02	40,504.00	-	40,504.00
7460	Uniforms	20,555.93	191,768.93	154,299.23	160,200.00	83,300.00	243,500.00	-	243,500.00
7490	Welding Supplies	26,719.93	17,668.03	6,770.78	12,000.00	-	12,000.00	-	12,000.00
	Total Supplies	\$ 1,762,893.56	\$ 1,367,449.07	\$ 1,235,332.82	\$ 1,304,603.98	\$ 138,350.02	\$ 1,442,954.00	\$ -	\$ 1,442,954.00
	Travel & Entertainment								
7505	TE Airfare	-	-	-	-	1,550.00	1,550.00	-	1,550.00
7510	TE Auto Rentals	-	-	10.60	-	825.00	825.00	-	825.00
7540	TE Lodging	115.36	-	-	-	2,575.00	2,575.00	-	2,575.00
7545	TE Meals	2,670.65	8,591.85	1,119.81	-	-	-	-	-
7550	TE Mileage	-	-	9.70	-	1,200.00	1,200.00	-	1,200.00
7555	TE Seminars/Conferences	1,380.00	4,500.00	6,150.00	3,540.00	53,885.00	57,425.00	-	57,425.00
7560	TE Training	207,803.33	110,884.75	107,578.90	193,500.00	110,485.00	303,985.00	-	303,985.00
7575	TE Travel Misc	68,710.66	105,083.79	136,484.50	195,530.00	(41,280.00)	154,250.00	-	154,250.00
	Total Travel & Entertainment	\$ 280,680.00	\$ 229,060.39	\$ 251,353.51	\$ 392,570.00	\$ 129,240.00	\$ 521,810.00	\$ -	\$ 521,810.00
	Utilities								
7605	Electric	5,558,804.37	6,373,825.90	5,394,093.58	6,190,000.00	537,000.00	6,727,000.00	-	6,727,000.00
7650	Natural Gas City	370,174.69	356,779.39	292,921.90	421,043.96	6,016.32	427,060.28	-	427,060.28
7675	Telemeter	289,803.66	172,523.38	119,480.10	64,000.00	-	64,000.00	-	64,000.00
7680	Cellular Phone	203,634.28	204,355.07	217,309.04	229,200.00	19,800.00	249,000.00	-	249,000.00
7681	Local Phones	183,587.28	117,945.52	43,589.96	45,600.00	5,400.00	51,000.00	-	51,000.00
7682	Long Distance	-	-	-	-	-	-	-	-
7683	Internet	37,324.86	36,383.83	38,213.68	74,871.60	10,128.40	85,000.00	-	85,000.00
	Total Utilities	\$ 6,643,329.14	\$ 7,261,813.09	\$ 6,105,608.26	\$ 7,024,715.56	\$ 578,344.72	\$ 7,603,060.28	\$ -	\$ 7,603,060.28
	Miscellaneous Admin								
7701	Capital Project Clearing	-	-	-	-	-	-	-	-
7710	Capital Asset Reclss	(10,010,402.15)	(5,572,588.97)	(9,695,773.89)	(11,245,807.15)	(4,147,960.65)	(15,393,767.80)	-	(15,393,767.80)
7712	Cash Discount Taken	(3,105.00)	(2,698.96)	(177.42)	-	-	-	-	-
7715	Claims Deductibles	505,097.83	398,291.30	739,495.55	600,000.00	400,000.00	1,000,000.00	-	1,000,000.00
7720	Customer Refund CSM	-	-	-	-	-	-	-	-
7721	Customer Refund AP	786,109.44	895,476.09	707,759.46	480,000.00	270,000.00	750,000.00	-	750,000.00
7730	Fines Penalties	28,026.00	20,085.00	74,889.25	20,000.00	-	20,000.00	-	20,000.00
7742	Education & Outreach	59,723.77	110,872.40	139,704.41	135,430.00	69,770.00	205,200.00	-	205,200.00
7750	Inv Adjustments	120,359.75	4,616.01	31,396.09	-	-	-	-	-
7760	Misc General Administrative Expense	-	27,376.95	1,169,872.49	100,000.00	(100,000.00)	-	-	-
7761	Misc General Administrative Expense	3,184.24	9,088.48	(1,150.52)	-	900,000.00	900,000.00	-	900,000.00
7765	One Call	17,668.85	25,098.63	27,825.02	24,000.00	6,000.00	30,000.00	-	30,000.00
7770	Publication Subscription	17,515.12	27,642.51	12,149.06	17,605.00	3,321.00	20,926.00	-	20,926.00
8005	City Indirect Costs (Pension & Taxes)	3,969,375.66	4,073,028.00	3,190,542.04	3,500,000.00	-	3,500,000.00	-	3,500,000.00
8180	Non.City Water Reimburse	172,433.95	165,757.32	164,628.41	173,081.08	14,960.00	188,041.08	-	188,041.08
	Total Miscellaneous Admin	\$ (4,334,012.54)	\$ 182,044.76	\$ (3,438,840.05)	\$ (6,195,691.07)	\$ (2,583,909.65)	\$ (8,779,600.72)	\$ -	\$ (8,779,600.72)
	DIRECT OPERATING EXPENSES	\$117,399,366.30	\$123,776,990.10	\$120,206,436.89	\$133,489,949.01	\$ 16,223,217.29	\$149,713,166.30	\$ -	\$149,713,166.30

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: RE-7-D Reference Pittsburgh Water Volume I, FR-III.5d concerning increases to salaries, wages, and benefits expense. Provide the basis and calculation for the FTY and FPFTY increases in each category (salary and wages, overtime, other compensation, benefits).

Response:

Salaries and wages:

- FTY: A 5% cost of living increase was budgeted for the PJCBC and AFSCME 2037 collective bargaining units. Note the most recent PJCBC and AFSCME 2037 contracts were finalized after the FTY budget was approved. That is the reason there is a discrepancy between the wages listed in RE-6-D and the 5% budgeted amount. A 3% cost of living increase was budgeted for non-union and AFSCME 2719 employees.
- FPFTY: A 3% cost of living increase was budgeted for all three union groups and a 5% cost of living increase for non-union employees.

Overtime:

- FTY: The FY 2025 overtime budget of \$2,018,400 assumes a slight decrease as compared to the FY 2024 actual amount of \$2,074,919.
- FPFTY: An increase of approximately 9% or \$2,205,884 was budgeted for overtime in FY 2026. This is the result of higher-than-expected overtime costs in FY 2025. \$1,195,359 in overtime costs have been incurred through 6/30/2025 as compared to \$1,041,726 through 6/30/2024.

Health Insurance:

- FTY: The FY 2025 budget amount included a 4% increase in rates to reflect the actual increase from Pittsburgh Water’s health insurer.
- FPFTY: The assumed FY 2026 increase is 5%.

Dental and Vision:

- FTY: The FY 2025 dental budget amount included a 4% increase in rates to reflect the actual increase from Pittsburgh Water’s dental insurer. No increase was assumed for vision.
- FPFTY: No increase is assumed for dental or vision.

401(a) Retirement Plan:

- FTY: Assumes the maximum 7% employer match based on employee salary costs.
- FPFTY: Assumes the maximum 7% employer match based on employee salary costs.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 22, 2025

	January	February	March	April	May	June	July	August	September	October	November	December
2022												
Budgeted Employee Count	459	459	459	459	459	459	459	459	459	459	459	459
Actual Employee Count	371	372	374	381	383	391	387	386	390	387	393	395
Vacant Positions	88	87	85	78	76	68	72	73	69	72	66	64
New Additions	7	4	12	6	6	8	3	9	4	6	10	5
2023												
Budgeted Employee Count	445	445	445	445	445	445	445	445	445	445	445	445
Actual Employee Count	397	393	391	392	388	391	398	394	401	405	409	410
Vacant Positions	48	52	54	53	57	54	47	51	44	40	36	35
New Additions	7	2	5	3	1	3	10	6	8	7	6	2
2024												
Budgeted Employee Count	446	446	446	446	446	446	446	446	446	446	446	446
Actual Employee Count	410	405	407	401	411	411	405	405	410	410	406	411
Vacant Positions	36	41	39	45	35	35	41	41	36	36	40	35
New Additions	4	4	2	4	10	5	5	9	5	2	5	6
2025												
Budgeted Employee Count	444	444	444	444	444	444	444	444	444	444	444	444
Actual/Projected Employee Count	407	411	413	420	422	418	420	423	427	435	440	442
Vacant Positions	37	33	31	24	22	26	24	21	17	9	4	2
New Additions	8	2	4	6	3	4	2	3	4	8	5	2
2026												
Budgeted Employee Count	460	460	460	460	460	460	460	460	460	460	460	460
Projected Employee Count	444	447	450	453	456	458	460	460	460	460	460	460
Vacant Positions	16	13	10	7	4	2	0	0	0	0	0	0
New Additions	2	3	3	3	3	2	2	0	0	0	0	0
2027												
Budgeted Employee Count	460	460	460	460	460	460	460	460	460	460	460	460
Projected Employee Count	460	460	460	460	460	460	460	460	460	460	460	460
Vacant Positions	0	0	0	0	0	0	0	0	0	0	0	0
New Additions	0	0	0	0	0	0	0	0	0	0	0	0

2026 New Positions	Salary
Associate Project Manager, Cons	93,030
Engineering Technician I	54,371
Financial Analyst	87,273
Green Infrastructure Technician	66,566
Health & Safety Specialist	67,595
Instructional Designer	84,001
Senior PUC Compliance Coordin	97,338
TV Truck Specialist	74,826
Utility Worker I	68,754
Utility Worker I	68,754
Utility Worker I	68,754
Utility Worker II	73,451
Vactor Operator	73,532
Valve & Hydrant Specialist	72,871
Water Quality Data Specialist	89,251
Water Repair Foreman	81,994

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 33 - 49
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-36 Reference Pittsburgh Water’s Excel file attachment accompanying the response to I&E-RE-1-D concerning operating expenses by account. Explain in detail the year-over-year fluctuations in the following Equipment Expense line items from FY 2022 through the FPFTY and provide the detailed basis, calculation, and supporting documentation for these expense projections:

- A. Computer & Peripherals (5120).
- B. Grounds Maint (5145).
- C. Lab Equip. (5147).
- D. Machinery (5150).
- E. SCADA Equipment (5180).

Response:

See attachment I&E-RE-36 excel file containing explanations by GL account and fiscal year.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: August 15, 2025

GL	Description	2022	2023	Change	Explanation
5120	Computer & Peripherals	404,354.91	719,435.60	315,080.69	New server for our Supervisory Control and Data Acquisition (SCADA) system purchased.
5145	Grounds Maint	450,837.68	470,710.54	19,872.86	Consistant from year to year.
5147	Lab Equip	99,966.89	33,883.73	(66,083.16)	Source Water Panel purchase delayed due to length lead time.
5150	Machinery	559,546.72	345,130.51	(214,416.21)	Replacement of a large boiler at a remote field site that supports field operations
5180	SCADA Equipment	32,655.60	259,858.58	227,202.98	SCADA and Programmable Logic Controller (PLC) upgrades
GL	Description	2023	2024	Change	Explanation
5120	Computer & Peripherals	719,435.60	434,672.00	(284,763.60)	SCADA server purchased in 2023.
5145	Grounds Maint	470,710.54	881,592.82	410,882.28	Leak detection logger purchase.
5147	Lab Equip	33,883.73	123,149.62	89,265.89	Source Water Panel paid for.
5150	Machinery	345,130.51	171,565.53	(173,564.98)	Machinery for clarifier at WTP purchased in 2023.
5180	SCADA Equipment	259,858.58	60,051.33	(199,807.25)	Less need for replacement equipment
GL	Description	2024	2025	Change	Explanation
5120	Computer & Peripherals	434,672.00	176,049.00	(258,623.00)	Technology Services determined less computers would reach end of life than usual.
5145	Grounds Maint	881,592.82	218,818.00	(662,774.82)	Leak detection purchased in 2024, additional funds budgeted within 5150 which can be an interchangeable account.
5147	Lab Equip	123,149.62	70,000.00	(53,149.62)	Source Water Panel purchased in 2024.
5150	Machinery	171,565.53	288,000.00	116,434.47	Anticipated switchgear and clarifier replacements.
5180	SCADA Equipment	60,051.33	208,869.56	148,818.23	Continued upgrades and replacements. SCADA equipment and upgrades costs can vary between \$1k and \$100k. Larger upgrades can exceed \$100k.
GL	Description	2025	2026	Change	Explanation
5120	Computer & Peripherals	176,049.00	721,500.00	545,451.00	Server for our business network is due to be replaced.
5145	Grounds Maint	218,818.00	400,300.00	181,482.00	CCTV equipment and machine guarding upgrades.
5147	Lab Equip	70,000.00	168,000.00	98,000.00	Ion Chromatograph purchase for water quality testing
5150	Machinery	288,000.00	458,000.00	170,000.00	Continuation of leak detection loggers across system.
5180	SCADA Equipment	208,869.56	269,500.00	60,630.44	Continued upgrades and replacements. SCADA equipment and upgrades can vary between \$1k and \$100k. Larger upgrades can exceed \$100k.

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 33 - 49
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-37 Reference Pittsburgh Water’s Excel file attachment accompanying the response to I&E-RE-1-D concerning operating expenses by account. List any equipment expenses by account budgeted in the FPPTY that have a useful life of greater than one year. Identify the account, dollar amount, and years of useful life for each expense.

Response:

Account	Description	Dollar Amount	Estimated Useful Life
51500000	Leak Detection Loggers	250,000.00	5 Years
51900000	Various Vehicles and Heavy Equipment	3,000,000.00	7 Years
51200000	Network Server	500,000.00	5 Years
51500000	Sewer CCTV Equipment	50,000.00	5 Years
51470000	Ion Chromatograph	80,000.00	10 Years

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: August 15, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 20 - 32
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-21 Reference Pittsburgh Water Statement No. 2, pp. 17-18 regarding new vehicles. Provide the following:

- A. A detailed analysis to support the statement that “approximately \$2-3 million should be the minimum amount invested annually to keep up with replacement cycles and account for the expansion of operations.”
- B. Expected useful life of each vehicle type planned to be purchased in the FPFTY.

Response:

- A. Attachment I&E-RE-21 (excel) is Pittsburgh Water’s 5-year fleet acquisition plan. The plan calls for at least 20 vehicles to be purchased annually with a total budget of roughly \$3 million per year to keep up with life cycle replacements. Failure to fund vehicle replacements at this level will result in more expensive repairs, increased vehicle downtime, and difficulties providing a basic level of service to customers.
- B. See attached.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date response provided: August 11, 2025

2026 Vehicle Acquisition Plan

VEHICLE TYPE	#UNITS	UNIT COST	TOTAL	ESTIMATED USEFUL LIFE (YEARS)	YEAR REPLACING
Pick up (F150 or similar)	5	\$ 80,000	\$ 400,000	7 to 10	2011-2015
3/4 Ton Service Body Compressor/Generator	2	\$ 175,000	\$ 350,000	8 to 10	2008-2015
Dump Truck (Tandem)	1	\$ 185,000	\$ 185,000	8 to 10	2015
Plumber Van	8	\$ 85,000	\$ 680,000	8	2015-2016
2500 Pickup Manhole	1	\$ 120,000	\$ 120,000	8 to 10	NEW
F-550 Dump Truck	1	\$ 115,000	\$ 115,000	8 to 10	2015
Compact Crossover Hybrid (Escape or equivalent)	5	\$ 50,000	\$ 250,000	5 to 7	2018
CCTV	2	\$ 450,000	\$ 900,000	5 to 7	2017
TOTAL	25		\$ 3,000,000		

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 20 - 32
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-24 Reference Pittsburgh Water Statement No. 2, pp. 19-20 regarding the emergency water line and sewer main repair contracts. Provide copies of the vendor contracts and other documentation necessary to support the projected \$7,000,000 for water and \$7,800,000 for sewer in the FPFTY.

Response:
See I&E-RE-24 Attach A through Attach N and below.

It is assumed that an additional \$1,000,000 will be incurred on both 2025 urgent water contracts before the end of the year. This leaves the remaining amount of \$1,629,284 and \$1,557,488 to be spent in FY 2026

It is assumed that the 2024 urgent water contracts will be fully expended by the end of FY 2025 except for some closeout items. These closeout items represent the \$500,000 for both contracts in FY 2026.

Urgent Water Repair Contracts	Contract Amount Spent through 7/29/2025	FPFTY Revenue Requirement
2026 Urgent Water Contracts	\$ -	3,293,228
2025 Urgent Water Contract - Folino	\$ 97,989	1,629,284
2025 Urgent Water Contract - IEI	\$ 120,952	1,577,488
2024 Urgent Water Contract - IEI	\$ 3,194,685	500,000
2024 Urgent Water Contract - Mele & Mele	\$ 2,731,817	500,000
Total	\$ 3,413,626	\$ 7,000,000

It is assumed that an additional \$1,000,000 will be incurred on both 2025 urgent sewer contracts before the end of the year. This leaves the remaining amount of \$2,589,996 and \$2,489,615 to be spent in FY 2026.

It is assumed that the 2024 urgent sewer contracts will be fully expended by the end of FY 2025 except for some closeout items. These closeout items represent the \$500,000 for both contracts in FY 2026.

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 20 - 32
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Urgent Sewer Repair Contracts	Contract Amount Spent through 7/28/2025	FPPTY Revenue Requirement
2026 Urgent Sewer Contracts	\$ -	2,220,389
2025 Urgent Sewer Contract - Folino	\$ -	2,589,996
2025 Urgent Sewer Contract - IEI	\$ -	2,489,615
2024 Urgent Sewer Contract - IEI	\$ 3,248,672	500,000
2024 Urgent Sewer Contract - Mele & Mele	\$ 1,743,068	500,000
Total	\$ 3,248,672	\$ 7,800,000

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date response provided by: August 11, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Interrogatories of the Office of Small Business Advocate (“OSBA”), Set II
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: OSBA-II-12 Reference the Company’s tab labeled “O&M” in the Company’s Excel Spreadsheet. Annual Sewer Contact expense listed on line 1033 is projected to increase \$1,719,965 in 2025 and decrease \$557,510 in 2026. Provide the following information:

- (a) Provide support for the projected \$1,719,965 increase in expense in 2025.
- (b) Provide support for the projected \$7,800,000 expense in 2026.

Response:

(a) The indefinite delivery/indefinite quantity Annual Sewer Contract is costed to this expense line. This is an on-call contract that is used to repair urgent unexpected sewer collapses or breaks. Below are the actual costs for this contract from FY 2021- FY 2024. The costs for this contract can vary based on sewer repairs needed within the service area. The FY 2025 budget increase is based on urgent sewer repairs that are currently on going.

	FY 2021	FY 2022	FY 2023	FY 2024
Annual Sewer Contact	\$ 13,197,606	7,955,492	5,867,527	6,637,545

(b) The decreased \$7,800,000 claim in FY 2026 assumes a “normal” year of sewer repairs and is an estimate based on historical spending.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 21, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Interrogatories of the Office of Small Business Advocate (“OSBA”), Set II
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: OSBA-II-13 Reference the Company’s tab labeled “O&M” in the Company’s Excel Spreadsheet. Water Line Contact expense listed on line 1035 is projected to increase \$2,705,093 in 2025 and decrease \$1,727,687 in 2026. Provide the following information:

- (a) Provide support for the projected \$2,705,093 increase in expense in 2025.
- (b) Provide support for the projected \$7,000,000 expense in 2026.

Response:

(a) The indefinite delivery/indefinite quantity Annual Water Contract is costed to this expense line. This is an on-call contract that is used to repair urgent unexpected water line breaks. Below are the actual costs for this contact from FY 2021- FY 2024. The costs for this contract can vary based on water repairs needed within the service area. The FY 2025 budget increase is based on urgent water repairs that are currently on going.

	FY 2021	FY 2022	FY 2023	FY 2024
Water Line Contract \$	4,175,951	4,963,764	4,491,287	6,022,594

(b) The decreased \$7,000,000 claim in FY 2026 assumes a “normal” year of water line repairs and is an estimate based on historical spending.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 21, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 20 - 32
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-23 Reference Pittsburgh Water Statement No. 2, p. 19 regarding the manhole repair contract. Provide a copy of the vendor contract and other documentation necessary to support the projected \$3,000,000 in the FPFTY.

Response:

See attachment I&E-RE-23 at page 3 (under Article 5) and below. \$523,369 has been spent on the FY 2025 Manhole and Point Repair contract through 7/15/2025. It is anticipated an additional \$500,000 will be spent by the end of FY 2025, leaving a remaining amount of \$1,232,672 to be spent in FY 2026. In addition, Pittsburgh Water in the process of preparing the solicitation documents for the FY 2026 contract in the amount of \$1,767,328, which is comparable to prior contract amounts.

Manhole and Point Repair	Contract Amount Spent through 7/15/2025	FPFTY Revenue Requirement
2026 Manhole and Point Repair Contract	\$ -	1,767,328
2025 Manhole and Point Repair Contract	\$ 523,369	1,232,672
Total	\$ 523,369	3,000,000

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date response provided: August 11, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Interrogatories of the Office of Small Business Advocate (“OSBA”), Set II
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: OSBA-II-14 Reference the Company’s tab labeled “O&M” in the Company’s Excel Spreadsheet. Manhole and Point Repair Contact expense listed on line 1036 is projected to increase \$884,452 in 2025 and increase \$500,000 in 2026. Provide the following information:

- (a) Explain why the Company did not incur any cost in this category until 2023.
- (b) Provide support for the projected \$884,452 increase in expense in 2025.
- (c) Provide support for the projected \$3,000,000 expense in 2026.

Response:

- (a) This was an account added after migration to SAP for reporting purposes.
- (b) This contract allows for proactive repairs to our sewer system before they become an urgent sewer repair and fall to that more costly contract. Pittsburgh Water plan to gradually increase this contract in an effort to reduce capital costs.
- (c) Please refer to (b).

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 21, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 20 - 32
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-25 Reference Pittsburgh Water Statement No. 2, p. 20 regarding field inspection services. Provide a copy of the vendor contract and other documentation necessary to support the projected \$3,094,282 in the FPFTY.

Response:
Please see I&E-RE-25 Attach A through Attach P and below. There is an associated construction inspection contract associated with every urgent water, urgent sewer, manhole and point repair, and surface restoration contract.

Note that it is assumed that the FY 2024 contracts below will be in closeout in the FPFTY, the FY 2025 contract will finish during the first half of the FPFTY, and the FY 2026 contracts will start in Q1 of the FPFTY.

You will notice that some of the attached contracts have both a formal contract and purchase order or just a task order. Contracts that were bid out under Pittsburgh Water’s pre-approved on-call vendor list results in a task order and contracts that were bid out via a Request for Proposal results in a formal contract and purchase order.

Construction Inspection Contracts	FPFTY Revenue Requirement
2026 Urgent Sewer Contracts	431,525
2026 Urgent Water Contracts	391,525
2026 Manhole and Point Repair Contracts	191,525
2026 Surface Restoration Contracts	699,640
2025 Surface Restoration - Hatch - Mele & Mele Contract	268,655
2025 Surface Restoration - Hatch - Folino Contract	268,655
2025 Manhole and Point Repair - WRA - IEI Contract	120,561
2025 Urgent Water Contract - Hatch - IEI Contract	135,801
2025 Urgent Water Contract - Hatch - Folino Contract	135,801
2025 Urgent Sewer Contract - Hatch - IEI Contract	171,062
2025 Urgent Sewer Contract - Hatch - Folino Contract	171,062
2024 Urgent Water Contract - Hatch - Mele & Mele Contract	23,362
2024 Urgent Water Contract - Hatch - IEI Contract	23,362
2024 Urgent Sewer Contract - Hatch - Mele & Mele Contract	30,872
2024 Urgent Sewer Contract - Hatch - IEI Contract	30,872
Total	\$ 3,094,282

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water
Date response provided by: August 13, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 20 - 32
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-22 Reference Pittsburgh Water Statement No. 2, pp. 18-19 regarding line location services. Provide a copy of the vendor contract and other documentation necessary to support the projected \$1,839,000 in the FPFTY.

Response:

See attachment OSBA-2-5(b) and below.

T2 is the new vendor that Pittsburgh utilizes for line location services. \$849,070 has been spent on that contract through 7/11/2025 with the full contract amount of \$1,298,358 anticipated to be spent when the contract ends in November 2025. Pittsburgh Water is in the process of issuing a Request for Proposals for this service. In addition, the FPFTY revenue requirement amount assumes a 3% increase from the current contract amount.

Pittsburgh Water also plans to launch a new initiative that includes televising 100 miles of sewer lines per year. The first draft of the Wet Weather Consent Decree included a requirement to televise 1,000 miles of sewer lines over a 10-year period. While the Wet Weather Consent Decree is not yet final, Pittsburgh Water would like to be proactive to assist the negotiating process. This initiative would also position Pittsburgh Water for success once the Consent Decree is final.

Line Locating Services	Contract Amount Spent through 7/11/2025	FPFTY Revenue Requirement
T2 Contract	\$ 849,070	1,339,000
Line Televising - 100 miles per year	\$ -	500,000
Total	\$ 849,070	1,839,000

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date response provided: August 11, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 20 - 32
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-20 Reference Pittsburgh Water Statement No. 2, p. 17 regarding surface restoration. Provide the following:

- A. Detailed basis and calculation for the \$15,000,000 projected in the fully projected future test year (FPFTY).
- B. Clarify whether this expense is for a contractor or paving supplies. If this is a contractor expense, provide documentation to support the claim in the form of a contract or invoice.

Response:

- A. See I&E-RE-20 Surface Restoration Projections FPFTY (excel). The estimated FY 2026 paving cost per site is \$16,196, which is a 5% cost increase over the FY 2025 cost per site. Pittsburgh Water will not have final FY 2026 costs per site until the solicitation is released later this year.

It should be noted that Pittsburgh Water estimates starting FY 2026 with a backlog of 1,000 sites that need to be paved. As demonstrated in the attached, the FPFTY revenue requirement of \$15,000,000 does not reduce the number of open sites at the end of FY 2026. The reason for this is Pittsburgh Water is cognizant of the affordability impact of requesting the additional amount of approximately \$19,000,000 needed to eliminate the backlog of sites within one year. Rather, Pittsburgh Water’s plan is to gradually reduce the number of open sites over time.

- B. The expense claimed is for a contractor to do the paving work with their own equipment and supplies. Pittsburgh Water does not have the proper equipment or staff to perform its own paving. Pittsburgh Water will not have a FY 2026 contract with final pricing until the solicitation process is completed later this year. If Pittsburgh Water’s assumed 5% increase is higher than actual FY 2026 bid costs, then it would allow more sites to be eliminated from the back log.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date response provided by: August 13, 2025

Week of:	New Sites Added	Weekly Sites Completed	Running Backlog
			1000
1/5/2026	21	0	1021
1/12/2026	21	0	1042
1/19/2026	21	0	1063
1/26/2026	21	0	1084
2/2/2026	21	0	1105
2/9/2026	21	0	1126
2/16/2026	21	0	1147
2/23/2026	21	0	1168
3/2/2026	21	0	1189
3/9/2026	21	0	1210
3/16/2026	21	0	1231
3/23/2026	21	0	1252
3/30/2026	21	0	1273
4/6/2026	21	24	1270
4/13/2026	21	24	1268
4/20/2026	21	24	1265
4/27/2026	21	24	1262
5/4/2026	21	24	1259
5/11/2026	21	24	1257
5/18/2026	21	24	1254
5/25/2026	21	24	1251
6/1/2026	21	24	1248
6/8/2026	21	24	1246
6/15/2026	21	24	1243
6/22/2026	21	24	1240
6/29/2026	21	24	1237
7/6/2026	21	24	1235
7/13/2026	21	24	1232
7/20/2026	21	24	1229
7/27/2026	21	24	1226
8/3/2026	21	24	1224
8/10/2026	21	24	1221
8/17/2026	21	24	1218
8/24/2026	21	24	1215
8/31/2026	21	24	1213
9/7/2026	21	24	1210
9/14/2026	21	24	1207
9/21/2026	21	24	1204
9/28/2026	21	24	1202
10/5/2026	21	24	1199
10/12/2026	21	24	1196
10/19/2026	21	24	1193
10/26/2026	21	24	1191
11/2/2026	21	24	1188
11/9/2026	21	24	1185
11/16/2026	21	24	1182
11/23/2026	21	24	1180
11/30/2026	21	24	1177
12/7/2026	21	24	1174
12/14/2026	21	24	1171
12/21/2026	21	24	1169
12/28/2026	21	24	1166

FY 2025 Cost Per Site	\$	15,425
FY 2026 Cost Per Site		16,196
Additional Cost to Eliminate Backlog		18,880,166

FPFTY Revenue Requirement	\$	15,000,000
FPFTY Number of Sites to be Completed		926

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 33 - 49
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-43 Reference Pittsburgh Water’s Excel file attached to the response to I&E-RE-1-D concerning operating expenses by account. Explain in detail the year-over-year increases for the following Fees and provide the detailed basis, calculation, and supporting documentation for these expense projections:

- A. Bank Fees (7003) - \$40,000 or 400% from the FTY to FPFTY.
- B. Membership Fees (7010) - \$47,146 or 46% from the FTY to FPFTY. Include a breakdown by organization and dollar amount to support the FPFTY claim of \$149,038.
- C. Permits (7015) - \$3,881,003 or 870% from the FTY to FPFTY.

Response:

A. Pittsburgh Water is forecasting interest rates to drop in the FPFTY. As rates drop the interest earned will decrease accordingly. This interest currently offsets the monthly bank fees charged by PNC bank.

B. See attachment I&E-RE-43b.

C. Pittsburgh Water’s adopted Capital Improvement Plan requires additional right-of-way permits from the City of Pittsburgh’s Department of Mobility and Infrastructure. These expenses are levied by the City of Pittsburgh using the annual fee schedule adopted by Pittsburgh City Council as part of the annual budgeting process. We also are forecasting the pricing for permits to increase. Much of this increase is offset with a corresponding negative amount within Capital Asset Reclass general ledger account (7710).

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: August 15, 2025

Membership	Cost
PWEA-Pennsylvania Water Environment Association	560.00
NIGP:The Institute for Public Procurement	1,000.00
GFOA-Government Finance Officers Association	900.00
Water ISAC	3,850.00
Institute for Sustainable Infrastructure ENV SP Certification and Membership	400.00
NMSA (2 staff)-National Maritime Safety Association	500.00
SWANA-Solid Waste Association of North America	250.00
SWEP-Severe Weather Emergency Protocol	100.00
Allegheny County Bar Association	1,300.00
PA Rural	1,250.00
PA Warn	2,950.00
Association of Metro Water	15,000.00
Allegheny Conference	2,750.00
WEF-Water Environment Federation	675.00
MWDBE Government Committee	250.00
PA Association of Labs	325.00
Society of HR Management	2,112.00
Professional HR Membership	125.00
PA - AWWA	219.00
Society of HR Management Pittsburgh Chapter	139.00
Association for Talent Development	299.00
Pittsburgh Human Resources Association (PHRA)	139.00
PA Municipal Authority	3,200.00
PA Municipal League	75.00
American Water Works Association	17,000.00
Isle Inc	12,750.00
PRSA-Public Relations Society of America	1,300.00
US Water Alliance	17,500.00
IAP2-International Association for Public Participation	350.00
Pittsburgh Downtown Partnership	43,000.00
NACWA-National Association of Clean Water Agencies	9,200.00
African American Chamber of Commerce	5,250.00
NAIOP Public Official	450.00
NAIOP Developing Leader	240.00
3 Rivers Wet Weather	100.00
AWWA Individual Membership Public Affairs	600.00
PA Assoc. Environmental Educators	30.00
Pittsburgh Technology Council	700.00
ASSP (5 @ 240)-American Society of Safety Professionals	1,200.00
ASIS (4 @ 250)-American Society for Information Science	1,000.00
	<u>149,038.00</u>

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
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Bureau of Investigation and Enforcement (I&E”), Set RE 20 - 32
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-26 Reference Pittsburgh Water Statement No. 2, p. 21 regarding consultants. Provide a copy of the vendor contracts and other documentation necessary to support the projected \$7,341,919 in the FPFTY.

Response:

See below and I&E-RE-26 Attach A through Attach H.. The consultants listed without a contract represent an initiative that would be bid out and finalized in FY 2026 assuming the funds are approved in this rate case.

Consultant Contracts	FPFTY Revenue Requirement	Active Contract
Wet Weather Consultant	\$ 4,529,544	X
Obermeier Consulting	67,200	X
Hydraulic Modeling Support	250,000	X
Stormwater Master Plan	500,000	
SCADA Master Plan	300,000	
Business Intelligence Infrastructure	500,000	
SAP Vendor Migration	500,000	
Third Generation Maintenance	33,000	X
Annual Environmental Compliance Assessment	80,000	
Disparity Study	80,000	X
Pittsburgh Futures	129,000	
Ceridian Support	35,000	
Cloud Geshen	75,000	
Graphic Design	21,000	
Customer Survey	40,000	
ReGroup Media	50,000	X
Videography	30,000	
Raftelis (Non Rate Case Expenses)	122,175	X
Total	\$ 7,341,919	

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water
Date response provided by: August 13, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 33 - 49
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-45 Reference Pittsburgh Water’s Excel file attached to the response to I&E-RE-1-D concerning operating expenses by account. Explain in detail the year-over-year increases in the following Professional Services expense lines and provide the detailed basis, calculation, and supporting documentation for these expense projections:

- A. Consultants (7323) - \$1,755,925 or 38% from the HTY to the FPFTY and \$1,305,865 or 21% from the FTY to the FPFTY.
- B. Construction Management (7330) - \$356,463 or 27% from the HTY to FTY and \$251,117 or 15% from the FTY to FPFTY.
- C. Consulting Engineers (7332) - \$143,404 or 269% from the FTY to FPFTY.
- D. Non Capital Engineering Services (7335) - \$46,417 or 20% from the HTY to FTY and \$45,000 or 16% from the FTY to FPFTY.
- E. Ins Auto (7345) - \$57,667 or 70% from the HTY to FTY.
- F. Ins Commercial Property (7348) - \$62,718 from the FTY to the FPFTY.
- G. Ins Workers Comp (7365) - \$39,829 or 12% from the HTY to the FTY and \$22,423 or 6% from the FTY to the FPFTY.
- H. Legal (7370) - \$838,582 or 49% from the HTY to the FTY.
- I. Payroll Services (7382) - \$85,000 or 54% from the FTY to the FPFTY.
- J. Prof Service Other (7383) - \$433,419 or 14% from FTY to FPFTY.

Response: See attachment I&E-RE-45 (excel).

- A. The increase from the HTY to the FTY reflects additional consulting services tied to the upcoming wet weather consent decree and ongoing rate case activities. The rise from the FTY to the FPFTY further accounts for projected costs associated with planned master plans for green infrastructure and SCADA systems, as well as ongoing wet weather initiatives.
- B. The increase from the HTY to the FPFTY reflects efforts to address a growing backlog of surface restoration work sites, expanded construction management activities for those sites, and compliance with evolving standards outlined in the City of Pittsburgh’s DOMI Right-of-Way Procedures Manual.
- C. The increase from the FTY to FPFTY is driven by the return of required site visits as part of the required annual report.

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
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Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

- D. The increase from the HTY to the FTY reflects expanded geotechnical activities in response to landslides associated with service line breaks. The subsequent increase from the FTY to the FPFTY is driven by costs associated with the implementation and use of the project management platform TUC (formerly e-Builder).
- E. The increase from the HTY to the FTY is attributed to Pittsburgh Water’s expanded fleet and rising replacement costs. These increases, compounded by a strengthened market, have resulted in higher expenditures than previously experienced.
- F. The increase from the FTY to the FPFTY reflects a planned property appraisal to align asset values with fair market standards. This includes the anticipated addition of the new Highland Pump Station, scheduled to become operational in mid-2026.
- G. The increase from the FTY to the FPFTY is primarily driven by moderate staffing growth and targeted salary adjustments consistent with industry standards. These investments are intended to enhance recruitment and retention efforts.
- H. The increase from the HTY to the FTY is primarily driven by increased legal expenses related to rate case activities and continues wet weather consent decree negotiations.
- I. The increase from the FTY to the FPFTY is driven by anticipated changes to Pittsburgh Water’s payroll system, either through an upgrade to the existing Ceridian Dayforce system or the implementation of a new payroll platform.
- J. The increase from the FTY to the FPFTY is driven by a planned classification and compensation study for existing positions, anticipated energy efficiency initiatives, and higher annual PUC fees

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: August 15, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: RE-12-D Reference Pittsburgh Water Volume I, FR-III.1 concerning operating expenses by account, provide the following:

- A. Identify all expenses attributable to lobbying by expense account name, expense account number, and dollar amount for the HTY, FTY, FPFTY, and FY 2027.
- B. State whether the Pittsburgh Water is claiming lobbying related expenses in the revenue requirement, and if so, explain the reasoning.

Response:

Cost Center	GL	Description	2024	2025	2026	2027
A. CC100	7370	Legal Services	92,800	84,000	88,200	88,200

B. These expenses are included in the revenue requirement. Pittsburgh Water does not consider these expenses as traditional “lobbying” efforts. The scope of services includes legislative tracking, identifying grant or other funding opportunities, and supporting media strategies. These services provide a benefit to Pittsburgh Water customers and should be an allowable cost in this rate case.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 22, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 33 - 49
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-46 Reference Pittsburgh Water’s Excel file attachment to the response to I&E-RE-1-D concerning water liens (7390):

- A. Explain in detail what causes the need to claim liens for ratemaking and whether it is legal fees for filing the liens or something more.
- B. If liens expense is the result of legal fees, confirm that the expense is not duplicated in legal expense (7370).
- C. Provide a detailed breakdown and explain the reason for the increase from \$60,114 in 2022, to \$70,000 in 2023, to \$99,000 in 2024.
- D. Explain the \$0 claim for liens in the FTY.
- E. Provide a detailed breakdown for the \$105,000 FPFTY claim.

Response:

- A. These fees are imposed by the court for filing liens. Since Pittsburgh Water operates on a cash basis, all related expenses are recognized in the year they are actually paid.
- B. This expense is not duplicated in 7370. Lien fees are singular to account 7390.
- C. Pittsburgh Water has consistently increased the number of liens filed in alignment with PUC guidance. With each lien carrying a filing cost of \$78, total lien-related expenses have risen proportionally.
- D. It was projected that the court account maintained sufficient funds during the development of the 2025 operating budget, eliminating the need for replenishment throughout the year.
- E. The aforementioned account is forecasted to be depleted in January of 2026 and will need replenished at that time.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: August 15, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 33 - 49
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-47 Reference Pittsburgh Water’s Excel file attached to the response to I&E-RE-1-D concerning operating expenses by account. Explain in detail the year-over-year increases for the following Supplies expense lines and provide the detailed basis, calculation, and supporting documentation for the expense projections:

- A. Lab Supplies (7447) - \$30,000 or 20% from the FTY to FPFTY.
- B. Uniforms (7460) - \$83,300 or 52% from the FTY to FPFTY.

Response:

A. Approximately \$185,000 was spent on laboratory supplies during the HTY. Due to existing inventory levels, the Laboratory Department indicated reduced need for the FTY. However, supply levels are expected to increase in the FPFTY to support ongoing operational demands.

B. Additional safety uniforms such as chemical resistant, flame-retardant, security guard vests, and gas masks need replenished in the FPFTY.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: August 15, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 33 - 49
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-48 Reference Pittsburgh Water’s response to I&E-RE-1-D Excel attachment concerning operating expenses by account. Explain in detail the year-over-year fluctuations from FY 2022 through the FPFTY in the following Travel & Entertainment expense lines and provide the detailed basis, calculation, and supporting documentation for the expense projections:

- A. TE Seminars Conferences (7555).
- B. TE Training (7560).
- C. TE Travel Misc (7575)

Response: See attachment I&E-RE-48 (excel)

A.-C.: Fluctuations in accounts 7555, 7560, and 7575 are primarily attributed to Pittsburgh Water staff participation in industry conferences and seminars. These activities support professional development, promote Pittsburgh Water, and ensure alignment with evolving industry standards. Leadership has actively encouraged attendance to broaden staff expertise and enhance organizational performance for the benefit of ratepayers.

Account 7575 specifically reflects payroll reimbursements, encompassing costs related to professional certifications, licensure, travel, and training. Employees typically incur these expenses upfront and are reimbursed upon completion of the event. All reimbursements must be authorized by the department head, department chief, and, when applicable, the CEO.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: August 15, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: RE-15-D Reference Pittsburgh Water Volume I, FR-III.1 concerning operating expenses by account. Provide account names, account numbers, dollar amounts, and detailed descriptions for all fines and penalties levied by state, federal, and other authorities by year in 2022, 2023, and 2024 and projected for the FTY, FPFTY, and FY 2027.

Response:

See **Attachment I&E-RE-15**. For the FTY, FPFTY, and FY 2027, the projected costs are as follows.

Year	Projected
2025	20,000.00
2026	20,000.00
2027	20,000.00

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 22, 2025

Posting Date	Amount in CC Crncy	Jrnl.Entry Item Text	Supplier
7/1/2022	500.00	St. Thomas Line Strike	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
6/1/2022	5,750.00	LINE STRIKE 1942 ARLINGTON AVE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
6/1/2022	200.00	LINE STRIKE 2351 WYLIE AVE FIN	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
5/1/2022	19,776.00	COA CEP CIVIL PENALTY 05.07.21	COMMONWEALTH OF PENNSYLVANIA-SAFE DRINKING W
3/30/2023	1,000.00	03.14.23 ISOLINE ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
6/21/2023	2,000.00	01.13.23 912 N ST CLAIR ST LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
6/21/2023	500.00	05.19.22 1318 5TH AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
6/21/2023	500.00	02.23.22 824 5TH AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
7/18/2023	1,000.00	03.16.22 HAYS ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
9/25/2023	500.00	07.27.22 335 FLOWERS AVE LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
9/25/2023	500.00	09.20.22 4116 GENEVA ST LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
9/25/2023	1,500.00	09.12.22 JANE ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
10/20/2023	1,000.00	06.29.22 257 FISK LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
10/20/2023	5,000.00	04.29.22 4554 CARROLL ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
11/8/2023	750.00	INVOICE 008044-003670-1	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
11/15/2023	585.00	Failure to Notify ABRASIVE BLASTING 40TH ST BRIDGE	10840 (ALLEGHENY COUNTY HEALTH DEPT)
12/5/2023	500.00	06.10.22 523 FREEPORT RD. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
12/5/2023	2,250.00	06.06.22 440 S. AIKEN AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
12/19/2023	2,500.00	05.04.22 1566 CHELTON AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
3/18/2024	500.00	07.22.22 FORT PITT BLVD LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
3/20/2024	10,000.00	06.23 GIRTY'S RUN HYPO SPILL	10060 (COMMONWEALTH OF PENNSYLVANIA)
3/26/2024	2,000.00	PUC FINE -1486 HIGH ST ()	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/5/2024	750.00	09.08.20 MAGDALENE ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/5/2024	750.00	02.27.20 GREYSTONE DR. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/5/2024	4,000.00	08.06.20 CHAUTAUQUA LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/5/2024	1,500.00	09.15.20 FERNWALD RD. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/5/2024	500.00	07.05.22 MONTICELLO LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/5/2024	4,000.00	05.17.22 MEADE PLACE LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/5/2024	1,750.00	10.08.20 SAINT LEO ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/5/2024	500.00	10.05.22 FORBES AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/5/2024	3,250.00	08.11.20 MONASTERY AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/5/2024	2,000.00	03.10.22 FLUERY WAY LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/9/2024	2,500.00	07.18.22 KUNKLE AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/9/2024	250.00	10.27.22 BEECHWOOD BLVD. STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/15/2024	250.00	11.21.22 MEADE PL LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/19/2024	1,500.00	02.27.23 JACKSON ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/22/2024	750.00	06.26.23 FINGAL ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/22/2024	500.00	09.05.23 QUEENSTON ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
5/2/2024	500.00	06.15.23 GRIFFIN ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
5/2/2024	500.00	10.23.23 SUSANNA CT. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
6/4/2024	2,500.00	06.12.23 FUCHSIA WAY. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
6/4/2024	1,250.00	08.07.23 FUCHSIA WAY LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
6/5/2024	250.00	10.02.23 CONOVER RD.LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
6/13/2024	4,000.00	02.15.23 PEARCE RD. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
6/17/2024	229.25	04.05.24 PERSONAL PROLL LATE FUNDING	10051 (CERIDIAN)
7/16/2024	500.00	09.20.22-7128 MEADE ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
7/16/2024	500.00	01.11.24 WEBSTER AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
7/31/2024	1,000.00	06.28.23 WILLIAM PENN PL. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
7/31/2024	1,000.00	12.01.23 1411 COOPER AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
9/10/2024	2,000.00	02.15.24 GEYER AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
10/22/2024	40.00	Parking Fine-MG5213M	10573 (PUBLIC PARKING AUTHORITY OF PITTSBURGH)
10/22/2024	40.00	Parking Fine-MG7047N	10573 (PUBLIC PARKING AUTHORITY OF PITTSBURGH)
11/6/2024	1,500.00	04.16.24 225 MATTHEWS AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
11/6/2024	2,000.00	02.16.23 600 1ST AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
11/6/2024	2,000.00	04.30.24 FERNWALD ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
11/15/2024	40.00	Parking - MG9853H	10573 (PUBLIC PARKING AUTHORITY OF PITTSBURGH)
11/15/2024	40.00	Parking - MG7126L	10573 (PUBLIC PARKING AUTHORITY OF PITTSBURGH)
12/19/2024	500.00	05.24.24-4291 UPVIEW TER. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
12/22/2024	500.00	07.09.24-6419 ADELPHIA ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
12/22/2024	1,000.00	07.29.24-1017 MAIN ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
12/22/2024	1,750.00	04.29.24-1801 FAIRLEE ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
12/22/2024	500.00	05.06.24-138 CLARA ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
12/22/2024	500.00	05.02.24-122 REDLYN ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
12/22/2024	12,500.00	04.18.24-FINLAND ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
12/22/2024	500.00	09.24.24-225 MATTHEWS AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
1/29/2025	1,000.00	09.23.24-PENNSYLVANIA AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
1/29/2025	1,000.00	10.09.24-3224 BRIGHTON RD. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
1/29/2025	1,000.00	10.16.24- E. GNRAL ROBINSON LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
2/4/2025	2,000.00	10.04.24-3297 WINSHIRE ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
2/4/2025	500.00	09.23.24-DEVONSHIRE ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
2/4/2025	2,000.00	10.25.24-HOBART ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
2/26/2025	750.00	10.22.24-IVORY AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
3/4/2025	40.00	Parking MG5233L	10573 (PUBLIC PARKING AUTHORITY OF PITTSBURGH)
3/24/2025	1,000.00	12.16.24-RALEIGH ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
3/24/2025	1,000.00	12.05.24-2124 S. 18TH LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
4/15/2025	55.50	Parking Fine MG5234L	10573 (PUBLIC PARKING AUTHORITY OF PITTSBURGH)
4/22/2025	40.00	MG7047N Parking Fine	10573 (PUBLIC PARKING AUTHORITY OF PITTSBURGH)
5/1/2025	40.00	MG0264M Parking Fine	10573 (PUBLIC PARKING AUTHORITY OF PITTSBURGH)
5/19/2025	1,500.00	02.10.25-1330 GOETTMAN ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
5/23/2025	262.98	State Unemployment Tax LATE PAYMENT	10135 (PA UNEMPLOYMENT COMPENSATION FUND)
6/13/2025	500.00	02.03.25-211 EDMOND ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
6/18/2025	2,000.00	11.06.24-4933 KINCAID ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
6/18/2025	1,000.00	03.10.25-6425 FORBES AVE. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
6/24/2025	1,500.00	12.10.24-WOODMONT ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)
7/15/2025	1,500.00	04.03.25-1400 ROMANHOFF ST. LINE STRIKE	10433 (COMMONWEATH OF PENNSYLVANIA -PUC)

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: RE-2-D Reference Pittsburgh Water Volume I, FR-III.4 concerning rate case expense. Provide the following:

- A. Copies of all current outside service contract agreements for rate case-related services.
- B. Invoices/receipts for the rate case-related expenses incurred to date for the current filing and continue to provide updates for invoices as they are incurred.
- C. Identify the account name(s), number(s), and dollar amounts of all 2025 rate case-related expense items included in the FTY, FPFTY, and FY 2027.
- D. Identify the account name(s), number(s), and dollar amounts of any 2023 rate case-related expense items included in the HTY, FTY, FPFTY, and FY 2027.
- E. Identify the account name(s), number(s), and dollar amounts of any future rate case-related expense items included in Pittsburgh Water’s current filing for the FTY, FPFTY, and FY 2027.
- F. State when Pittsburgh Water intends or expects to file its next base rate case.

Response:

- A. See **Attachment I&E-RE-2A.**
- B. See **I&E-RE-2B Attach A, Attach B and Attach C.**
- C.

	FTY 2025 Rate Case	PFPTY 2026 Rate Case	FY 2027 Rate Case	Account Name	Account Number
Legal Counsel Costs	\$ 385,000.00	\$ 300,000.00	\$ -	Legal Services	105-7370
Other Consultant	\$ 441,354.26	\$ 304,825.00	\$ -	Consultants	103-7323
Total	\$ 826,354.26	\$ 604,825.00	\$ -		

D.

	HTY 2024	Account Name	Account Number
2023 Rate Case			
Legal Counsel Costs	\$ 6,481.83	Legal Services	105-7370
Other Consultant	\$ 1,552.00	Consultants	103-7323
Total	\$ 8,033.83		

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

- E. Future rate case related expense items are not included within these years.
- F. The timing and amount of future base rate filings are dependent on the results of the current rate case.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 22, 2025

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: RE-18-D Reference Pittsburgh Water Volume I, FR-III.13 concerning charitable contributions. Indicate the account names, account numbers, and dollar amounts of all charitable contributions included in the revenue requirement for the FPFTY and FY 2027.

Response:

Charitable contributions are not included in the FPFTY or FY 2027.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 22, 2025

**I&E Statement No. 3
Witness: Esyan A. Sakaya**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

THE PITTSBURGH WATER & SEWER AUTHORITY

D/B/A PITTSBURGH WATER

Docket Nos. R-2025-3055010, R-2025-3055011, & R-2025-3055012

Direct Testimony

of

Esyan A. Sakaya

Bureau of Investigation and Enforcement

Concerning:

**Stormwater Rates
Capital Improvement Projects
Distribution System Improvement Charge
Unaccounted-for Water
Class Cost of Service Study
Water and Wastewater Rate Structure
Scale Back of Rates**

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1 **INTRODUCTION OF WITNESS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Esyan A. Sakaya. My business address is Pennsylvania Public Utility
4 Commission, 400 North Street, Harrisburg, PA 17120.

5

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am employed by the Pennsylvania Public Utility Commission (Commission) in
8 the Bureau of Investigation and Enforcement (I&E) as a Fixed Utility Valuation
9 Engineer.

10

11 **Q. WHAT IS YOUR EDUCATION AND EMPLOYMENT EXPERIENCE?**

12 A. An outline of my education and employment experience is attached as
13 Appendix A.

14

15 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

16 A. I&E is responsible for representing the public interest in rate and other
17 proceedings before the Commission. I&E's analysis in this proceeding is based on
18 its responsibility to represent the public interest. This responsibility requires the
19 balancing of the interests of ratepayers, the utility, and the regulated community as
20 a whole.

1 **Q. WHAT ISSUES ARE YOU ADDRESSING IN YOUR DIRECT**
2 **TESTIMONY?**

3 A. I am addressing Pittsburgh Water and Sewer Authority's (Pittsburgh Water) class
4 cost of service study and providing a scale back recommendation if the
5 Commission grants less than the full requested increase. I am also addressing the
6 proposed rates for water, wastewater, and stormwater, capital improvement
7 projects, unaccounted-for water, the proposed increase to the Distribution System
8 Improvement Charge (DSIC) rate, and the proposed removal of the minimum
9 allowance.

10
11 **Q. DOES YOUR DIRECT TESTIMONY INCLUDE AN EXHIBIT?**

12 A. Yes. I&E Exhibit No. 3 contains schedules relating to my direct testimony.

13
14 **Q. DESCRIBE PITTSBURGH WATER'S FILING.**

15 A. Pittsburgh Water proposes enacting a multi-year rate plan (MYRP) with an overall
16 increase in rates of \$84.4 million, inclusive of an increase in the DSIC rate from
17 5% to 7.5% and the expansion of the PENNVEST surcharge. The revenue
18 breakdown of this \$84.4 million in the MYRP is spread out as a \$63.7 million
19 increase in revenue in the Fully Projected Future Test Year (FPFTY) ending

1 December 31, 2026, and an additional \$20.7 million in revenue for the year ending
2 December 31, 2027 (FY 2027).¹

3
4 **Q. DOES I&E RECOMMEND APPROVAL OF THE PROPOSED MULTI-
5 YEAR RATE PLAN?**

6 A. No. However, that issue is addressed in the direct testimonies of I&E witnesses
7 D.C. Patel² and Ethan Cline.³

8
9 **STORMWATER RATES**

10 **Q. DOES PITTSBURGH WATER CURRENTLY BILL ITS CUSTOMERS
11 FOR STORMWATER SERVICE?**

12 A. Yes. Pittsburgh Water's stormwater tariff and rates were approved by the
13 Commission and became effective in January 2022.⁴ Since then, Pittsburgh Water
14 has been charging customers a stormwater rate.

15
16 **Q. IS PITTSBURGH WATER PROPOSING TO INCREASE ITS
17 STORMWATER RATES IN THE INSTANT PROCEEDING?**

18 A. Yes. Pittsburgh Water proposes to increase its stormwater rates in the FPFTY
19 based on a cost of service study included in Pittsburgh Water Exhibits HJS-1SW

¹ Pittsburgh Water Statement No. 1, pp. 3-4.

² I&E Statement No. 1.

³ I&E Statement No. 4.

⁴ Pittsburgh Water Statement No. 4, p. 27.

1 through HJS-13SW attached to Pittsburgh Water Statement No. 8. Pittsburgh
2 Water is also proposing to increase its stormwater rates in 2026 and 2027 as part
3 of its MYRP proposal.⁵

4
5 **Q. HAVE THERE BEEN ANY RECENT COURT RULINGS THAT MAY**
6 **AFFECT PITTSBURGH WATER’S STORMWATER RATES?**

7 A. Yes. I am advised by counsel that the Pennsylvania Commonwealth Court
8 recently ruled in *The Borough of West Chester v. Pennsylvania State System of*
9 *Higher Education and West Chester University of Pennsylvania of the State*
10 *System of Higher Education* (West Chester Order) that charging a stormwater fee
11 constitutes a tax and not a fee.⁶ I am further advised by counsel that the West
12 Chester Order states that “...the Stormwater Charge constitutes a general tax ...
13 because the work funded thereby does not benefit individual properties, but rather,
14 yields a common benefit shared by residents of the Borough generally.”⁷ Finally,
15 counsel has advised me that the West Chester Order has been appealed to the
16 Pennsylvania Supreme Court and that the Commonwealth Court’s ruling has been
17 stayed. Therefore, this case currently does not affect Pittsburgh Water’s proposals
18 regarding its stormwater fees, but that may change in the future and will need to be

⁵ Pittsburgh Water Statement No. 8, p. 51.

⁶ *The Borough of West Chester v. Pennsylvania State System of Higher Education and West Chester University of Pennsylvania of the State System of Higher Education*, 260 M.D. 2018, 291 A.3d 455 (Pa. Cmwlth. 2023), appeal docketed 9 MAP 2023 (Pa. 2023).

⁷ *West Chester Order*, p. 19.

1 addressed at that point. Any further discussion on this topic will be addressed by
2 the I&E prosecutors in the I&E Briefs.

3
4 **CAPITAL IMPROVEMENT PROJECTS**

5 **Q. WHAT LEVEL OF CAPITAL IMPROVEMENTS IS PITTSBURGH**
6 **WATER PROJECTING FOR THE FPFTY?**

7 A. Pittsburgh Water is projecting a total capital requirement in the FPFTY of
8 \$344,200,122.⁸ This total capital requirement amount is broken out into
9 \$22,116,205 for the water treatment plant, \$97,542,544 for water pumping and
10 storage, \$152,141,343 for water distribution, \$48,569,270 for the wastewater
11 system, \$7,580,760 for stormwater, and \$16,250,000 for miscellaneous.

12
13 **Q. DO YOU AGREE WITH THE LEVEL OF CAPITAL IMPROVEMENT**
14 **PROJECTS THAT PITTSBURGH WATER IS PROJECTING FOR ITS**
15 **FPFTY?**

16 A. No. Pittsburgh Water has historically fallen short of meeting the capital budget
17 that it sets on an annual basis.⁹ In fact, Pittsburgh Water's response to I&E RS-1
18 shows that on average Pittsburgh Water has fallen approximately 35.24% short of
19 its budget projections on a total basis.¹⁰ This shortfall in completing capital
20 projects is significant. As a cash flow utility, Pittsburgh Water recovers the total

⁸ Pittsburgh Water Exhibit No. EB-4, p. 19.

⁹ I&E Exhibit No. 3, Schedule 1, p. 3.

¹⁰ I&E Exhibit No. 3, Schedule 1, p. 3, Column P, line 15.

1 cost of its projected FPFTY capital investments through customer rates via debt
2 financing and internally generated funds, which risks setting these rate
3 requirements too high if capital budgets are consistently overstated relative to
4 actual results. Pittsburgh Water's historical actual capital improvements show that
5 when its capital improvement budget is not met in one year, that does not
6 necessarily translate to additional projects being completed in the next year.
7 Therefore, I believe a more conservative projection of capital improvement
8 projects is warranted.

9
10 **Q. WHAT IS YOUR RECOMMENDED ALLOWANCE FOR FPFTY CAPITAL**
11 **IMPROVEMENT PROJECTS?**

12 A. I recommend an allowance of \$222,903,999 for FPFTY capital improvement
13 projects or a reduction of \$121,296,123 (\$344,200,122 - \$222,903,999) to
14 Pittsburgh Water's claim based on historic average underspending of 35.24%.¹¹

15
16 **Q. HOW DID YOU DETERMINE THIS 35.24% REDUCTION FOR FPFTY**
17 **CAPITAL IMPROVEMENT PROJECTS?**

18 A. The 35.24% reduction was determined by analyzing data provided in response to
19 I&E-RR-11-D.¹² The response to I&E-RR-1-D that listed Pittsburgh Water's
20 actual and budgeted construction expenditures for the past five fiscal years shows

¹¹ I&E Exhibit No. 3, Schedule 1, p. 4, Column C, line 7.

¹² I&E Exhibit No. 1, Schedule 2, p. 2.

1 that Pittsburgh Water consistently overbudgets construction expenditures. The
 2 table below shows the historic five-year average percentage of underspending,
 3 resulting in a 35.24% average.

Fiscal Year	Budgeted Capital Expenditures	Actual Capital Expenditures	(Underspent)/ Overspent	(Underspent)/ Overspent
2020	\$207,264,954	\$127,308,190	(\$79,956,764)	(38.58%)
2021	\$233,329,335	\$130,652,254	(\$102,677,081)	(44.01%)
2022	\$180,858,563	\$127,846,779	(\$53,011,784)	(29.31%)
2023	\$306,533,823	\$131,129,307	(\$175,404,516)	(57.22%)
2024	<u>\$184,564,032</u>	<u>\$203,517,728</u>	<u>\$18,953,696</u>	<u>10.27%</u>
Average	<u>\$222,510,141</u>	<u>\$144,090,852</u>	<u>(\$78,419,290)</u>	<u>(35.24%)</u>

4

5

6 **Q. WHY DO YOU RECOMMEND THIS ADJUSTMENT TO CAPITAL**
 7 **IMPROVEMENT PROJECTS?**

8 A. The \$121,296,123 decrease represents the average yearly underspending of
 9 35.24%, which produces an allowance more reflective of Pittsburgh Water’s
 10 historic budget to actual construction performance. Considering the historic five-
 11 year average 35.24% underspending, it is speculative to assume that Pittsburgh
 12 Water would spend the entire FPFTY budgeted capital improvements of
 13 \$344,200,122.

1 **DISTRIBUTION SYSTEM IMPROVEMENT CHARGE**

2 **Q. WHAT IS A DISTRIBUTION SYSTEM IMPROVEMENT CHARGE?**

3 A. For an investor-owned utility (IOU), a DSIC is a regulatory mechanism that
4 allows utilities to recover costs associated with infrastructure improvements and
5 replacements of eligible plant between rate cases to insure ongoing and
6 accelerated replacement of aging infrastructure. The IOU DSIC allows recovery
7 of the carrying costs of depreciation and return on investment for eligible plant
8 installed between rate cases above the plant included in rates, up to a fixed
9 percentage of revenues. The DSIC for a cash flow municipal utility operates
10 differently in that it operates as a pay as you go fund as a fixed percentage of
11 revenues to provide dollar for dollar recovery of eligible plant above the baseline
12 included in rates.

13

14 **Q. WHAT IS A DSIC RATE?**

15 A. The DSIC rate is expressed as a percentage of the total amount billed to customers
16 under a utility's otherwise applicable rates and charges.

17

18 **Q. WHAT IS PITTSBURGH WATER'S CURRENT DSIC RATE?**

19 A. Pittsburgh Water's current DSIC rate is capped at 5% for both water and
20 wastewater.¹³

¹³ Pittsburgh Water Statement No. 2, p. 63.

1 **Q. WHAT WOULD BE THE REVENUE IMPACT IF THE DSIC RATE IS**
2 **ALLOWED TO BE MODIFIED FROM THE EXISTING 5% DSIC CAP TO**
3 **7.5%?**

4 A. Pittsburgh Water is proposing to increase its existing 5% DSIC cap to 7.5% for
5 both the water DSIC and wastewater DSIC. This would result in water DSIC
6 revenues of \$13.9 million in the FPFTY and \$14.9 million in FY 2027 and, for the
7 wastewater DSIC revenues, \$5.0 million in FPFTY and \$5.4 million in FY 2027.
8 DSIC revenues in the FPFTY at present rates are projected to be \$7.4 million for
9 water and \$2.7 million for wastewater.¹⁴ Even without the DSIC cap increase,
10 Pittsburgh Water will earn higher DSIC revenues as the total revenues subject to
11 the DSIC will increase as a result of any allowed revenue increase.

12
13 **Q. WHAT IS PITTSBURGH WATER'S BASIS FOR THE REQUESTED**
14 **INCREASED CAP ON THE DSIC RATE?**

15 A. Pittsburgh Water claims that its request to increase its present DSIC rate from 5%
16 to 7.5% is to increase the pace at which infrastructure is replaced for projects that
17 are identified within Pittsburgh Water's long-term infrastructure improvement
18 plan (LTIP). This increase would provide Pittsburgh Water with additional
19 revenue of \$8.8 million in the FPFTY and \$1.4 million in FY 2027, which would
20 be used to support capital improvements. Pittsburgh Water claims the increase in

¹⁴ Pittsburgh Water Statement No. 2, p. 63.

1 the DSIC cap would also provide cost savings to ratepayers as well as getting
2 Pittsburgh Water closer to its goal of funding at least 10% of capital improvements
3 with internally generated funds, as measured on a five-year basis.¹⁵
4

5 **Q. DO YOU AGREE WITH PITTSBURGH WATER'S REQUEST TO**
6 **INCREASE THE PRESENT DSIC RATE TO 7.5%?**

7 A. No.
8

9 **Q. WHY DO YOU DISAGREE WITH PITTSBURGH WATER'S REQUEST**
10 **TO INCREASE ITS DSIC RATE TO 7.5%?**

11 A. As stated above, Pittsburgh Water has shown a tendency in both prior and the
12 current proceeding in not meeting its capital budget. The shortfalls associated
13 with not completing scheduled capital projects are significant, so adding additional
14 pay as you go revenues to a revenue requirement that likely already includes
15 funding for capital projects that will not be completed as projected is
16 unreasonable. Because of this, Pittsburgh Water should not be allowed to recover
17 additional revenues from the DSIC cap being increased to 7.5% since it has a
18 documented history of not completing scheduled capital projects on time and as
19 budgeted.

¹⁵ Pittsburgh Water Statement No. 2, p. 63.

1 **UNACCOUNTED-FOR WATER**

2 **Q. WHAT IS UNACCOUNTED-FOR WATER (UFW)?**

3 A. The Commission’s definition of UFW is as follows:

4 *PUC v. Total Environmental Solutions, Inc.*, Docket No. R-
5 00072493, et al., Opinion and Order entered July 30, 2008;
6 2008 Pa. PUC LEXIS 1227: Unaccounted-for-water is the
7 difference between the total system output and the amount of
8 metered water that is billed, plus an estimate used for fire
9 service, testing, main flushing and company use. Unaccounted-
10 for-water is commonly caused by under registration of meters,
11 system leaks, theft, and natural losses. Although the
12 Commission permits a reasonable amount of unaccounted-for-
13 water, its policy statement on water conservation cautions that
14 it has found levels above 20% to be excessive. 52 Pa Code
15 §65.20(4). *See also Pennsylvania Public Utility Commission v.*
16 *Dauphin Consolidated Water Supply Company*, 55 Pa.P.U.C.
17 202 (1981) (Unaccounted-for water is water that is acquired,
18 goes into the distribution plant and never reaches a customer
19 meter).

21 **Q. DOES THE COMMISSION HAVE A STATEMENT OF POLICY**
22 **REGARDING THE LEVEL OF UFW THAT IS ACCEPTABLE?**

23 A. Yes. The Commission policy statement on water conservation is set forth in 52
24 Pa. Code § 65.20(4), which reads as follows:

25 (4) *Unaccounted-for water.* Levels of unaccounted-for water
26 should be kept within reasonable amounts. Levels above 20%
27 have been considered by the Commission to be excessive.

28
29 **Q. WHAT ARE THE CAUSES OF UFW?**

30 A. The primary causes of UFW are: (1) under registration of meters; (2) leaks in
31 mains, hydrants, and services; (3) theft of service; and (4) natural losses.

1 **Q. WHY IS IT IMPORTANT TO REDUCE UFW?**

2 A. A reduction in the amount of UFW reduces the expense incurred by a utility by
3 reducing the amount of water that needs to be pumped, treated, and sent out into
4 the distribution system. It also increases the amount of water available to
5 customers, especially during peak demand periods, and improves overall quality of
6 service.

7

8 **Q. WHAT PERCENTAGE OF UFW WAS REPORTED BY PITTSBURGH**
9 **WATER IN FY 2022?**

10 A. The total amount of unaccounted for water in FY 2022 was 53.0% or
11 (12,354,455,852 / 23,325,850,000 gallons).¹⁶ From a total send out
12 23,325,850,000 gallons in FY 2022, Pittsburgh Water was only able to bill for
13 10,971,396,148 gallons to customers or (23,325,850,000 – 12,354,455,852). The
14 10,971,396,148 gallons of water sold only represents 47.0% of the total amount of
15 water that was available in FY 2022 (10,971,394,148 / 23,325,850,000).

16

17 **Q. WHAT PERCENTAGE OF UFW WAS REPORTED BY PITTSBURGH**
18 **WATER IN FY 2023?**

19 A. The total amount of unaccounted for water in FY 2023 was 44.7% or
20 (9,985,526,803 / 22,357,650,000 gallons).¹⁷ From a total send out 22,357,650,000

¹⁶ I&E Exhibit No. 3, Schedule 3, p. 4, line 35.

¹⁷ I&E Exhibit No. 3, Schedule 3 p. 3, line 35.

1 gallons in FY 2023, Pittsburgh Water was only able to bill for 12,372,123,197
2 gallons to customers or (22,357,650,000 – 9,985,526,803). The 12,372,123,197
3 gallons of water sold only represents 55.3% of the total amount of water that was
4 available in FY 2023 (12,372,123,197 / 22,357,650,000).

5
6 **Q. WHAT PERCENTAGE OF UFW WAS REPORTED BY PITTSBURGH**
7 **WATER IN FY 2024?**

8 A. The total amount of unaccounted for water in FY 2024 was 57.5% or
9 (12,723,416,132 / 22,142,910,000).¹⁸ From a total send out 22,142,910,000
10 gallons in FY 2024, Pittsburgh Water was only able to bill for 9,419,493,868
11 gallons to customers or (22,142,910,000 – 12,723,416,132). The 9,419,493,868
12 gallons of water sold only represents 42.5% of the total amount of water that was
13 available in FY 2024 (9,419,493,868 / 22,142,910,000).

14
15 **Q. WHAT IS PITTSBURGH WATER'S OVERALL UFW LEVEL?**

16 A. Pittsburgh Water's response to I&E-RS-1 indicates the volumes and percentage of
17 unaccounted-for water for the years ending December 31, 2023 and 2024 as also
18 stated above.¹⁹ I also reviewed Pittsburgh Water's response to I&E-RS-1 at
19 Docket R-2023-3039920 for the year ended December 31, 2022.²⁰ The average

¹⁸ I&E Exhibit No. 3, Schedule 3, p. 2, line 35.

¹⁹ I&E Exhibit No. 3, Schedule 3, pp. 2-3.

²⁰ I&E Exhibit No. 3, Schedule 3, p. 4.

1 percentage of unaccounted-for water over these three years was 51.7%.²¹ This
2 51.7% exceeds the level considered by the Commission to be excessive. In
3 summary, Pittsburgh Water has a three-year average of UFW that is above the
4 20% level.

5
6 **Q. HAS PITTSBURGH WATER MADE ADJUSTMENTS TO THE POWER,**
7 **PURIFICATION, AND MATERIALS & SUPPLIES EXPENSES**
8 **ATTRIBUTABLE TO EXCESS UNACCOUNTED-FOR WATER?**

9 A. No.

10
11 **Q. DO YOU RECOMMEND AN EXPENSE ADJUSTMENT TO REMOVE**
12 **THE COST OF THIS EXCESS UFW?**

13 A. Yes. I recommend that Pittsburgh Water's claim for the above expenses be
14 reduced by \$5,771,000 (27,861,230,225 gallons x \$0.207134 per thousand
15 gallons) as shown on I&E Exhibit No. 3, Schedule 6, p. 6, Column E, line 5.

16
17 **Q. HOW DID YOU DETERMINE THE \$0.207134 PER THOUSAND**
18 **GALLONS COST TO PURCHASE OR PRODUCE WATER?**

19 A. Pittsburgh Water incurs \$0.099180 per thousand gallons in purchased power
20 expense to produce water and \$0.107954 per thousand gallons for chemicals to

²¹ I&E Exhibit No. 3, Schedule 3, p. 5, line 15.

1 treat water.²² This results in a total incremental cost to produce and purchase
2 water of \$0.207134 per thousand gallons. To determine these incremental costs to
3 produce or purchase water, I divided the total water production by each 2024 cost
4 on a total Pittsburgh Water basis.²³

5
6 **Q. CAN PITTSBURGH WATER ELIMINATE THE EFFECTS OF THIS**
7 **EXPENSE ADJUSTMENT?**

8 A. Yes. Pittsburgh Water can eliminate the impact of this adjustment by reducing its
9 level of unaccounted-for water below the level that the Commission considers
10 excessive. By doing so, Pittsburgh Water would reduce its power, chemical, and
11 materials and supplies expenses.

12
13 **CLASS COST OF SERVICE STUDY**

14 **Q. WHAT IS A CLASS COST OF SERVICE STUDY?**

15 A. A Class Cost of Service Study (CCOSS) is an analysis of costs that allocates or
16 assigns to each customer or rate class its proportionate share of a utility's total cost
17 of service (i.e., the utility's total revenue requirement).

²² I&E Exhibit No. 3, Schedule 3, p. 6, Columns B-D, line 3.

²³ I&E Exhibit No. 3, Schedule 3, p. 6, Column E, line 3.

1 **Q. DID PITTSBURGH WATER PROVIDE A CLASS COST OF SERVICE**
2 **STUDY IN ITS BASE RATE FILING?**

3 A. Yes. Pittsburgh Water provided a CCOSS in Pittsburgh Water Exhibits HJS-1 and
4 HJS-2, HJS-1W through HJS-25W, HJS-1WW through HJS-24WW and HJS-
5 1SW through HJS-13SW to support its proposed revenue requirement and cost
6 allocations for the water, wastewater, and stormwater systems. The CCOSS is
7 described in Pittsburgh Water Statement No. 8.

8
9 **Q. WHAT METHODOLOGY DID PITTSBURGH WATER USE TO**
10 **DEVELOP ITS CCOSS?**

11 A. As stated by Pittsburgh Water witness Harold J. Smith, Pittsburgh Water used the
12 Base/Extra Capacity cost allocation methodology to determine its water division
13 allocations.²⁴ Mr. Smith described the three steps that Pittsburgh Water uses to
14 allocate wastewater conveyance costs: (1) assigning costs to functional categories;
15 (2) assigning the costs from each functional category to cost categories; and (3)
16 allocating the costs from each cost category to customer classes based on customer
17 class demand patterns.²⁵

²⁴ Pittsburgh Water Statement No. 8, p. 21.

²⁵ Pittsburgh Water Statement No. 8, p. 38.

1 **Q. IS THE BASE/EXTRA CAPACITY A REASONABLE METHODOLOGY**
2 **TO ALLOCATE COSTS IN THIS PROCEEDING?**

3 A. Yes. In general, Pittsburgh Water’s proposal to use the Base/Extra Capacity
4 methodology to develop its CCOSS model is reasonable.²⁶

5
6 **Q. DID PITTSBURGH WATER AGREE TO ADDRESS ADDITIONAL**
7 **ISSUES AS PART OF THE SETTLEMENT OF ITS LAST BASE RATE**
8 **CASE?**

9 A. Yes. As noted by Mr. Smith, part of the resolution of the most recent Pittsburgh
10 Water base rate case was that Pittsburgh Water would:²⁷

- 11 • Include a proposal to remove the minimum allowances and include a customer
12 bill impact analysis that illustrates the effect on customer rates of the rate
13 structure change;²⁸
- 14 • Propose a customer cost analysis and rate proposals that fully eliminate usage
15 allowances;²⁹ and

²⁶ Pittsburgh Water Statement No. 8, p. 21.

²⁷ Pittsburgh Water Statement No. 8, p. 8.

²⁸ *Pennsylvania Public Utility Commission v. Pittsburgh Water and Sewer Authority*, Docket Nos. R-2023-3039920 (Water); R-2023-3039921 (Wastewater); R-2023-3039919 (Stormwater), Recommended Decision dated November 28, 2023, Terms and Conditions of Settlement, Section 9.A.3.a.ii, p. 26.

²⁹ *Pennsylvania Public Utility Commission v. Pittsburgh Water and Sewer Authority*, Docket Nos. R-2023-3039920 (Water); R-2023-3039921 (Wastewater); R-2023-3039919 (Stormwater), Recommended Decision dated November 28, 2023, Terms and Conditions of Settlement, Section 9.A.3.a.iii, p. 26.

- 1 • Removal of the readiness-to-serve component from its monthly water and
2 wastewater conveyance customer charges.³⁰

3

4 **Q. DID PITTSBURGH WATER ADDRESS THE REMOVAL OF MINIMUM**
5 **ALLOWANCES?**

6 A. Yes. Pittsburgh Water witnesses Harold Smith and Julie Mechling indicate that
7 Pittsburgh Water is proposing to eliminate the minimum allowance in FY 2027.
8 But since this is a year beyond the FPFTY, Pittsburgh Water proposes to establish
9 a bill credit in FY 2026 to smooth the transition of qualifying customers to the
10 proposed rate structure in FY 2027.³¹ I will address the proposed elimination of
11 the minimum allowance along with the elimination of both the usage charge and
12 readiness-to-serve component from the water and wastewater conveyance
13 customer charges below.

14

15 **WATER AND WASTEWATER RATE STRUCTURE**

16 **Q. WHAT RATE STRUCTURE IS PITTSBURGH WATER PROPOSING IN**
17 **THIS PROCEEDING FOR WATER AND WASTEWATER CUSTOMERS?**

18 A. Pittsburgh Water’s rate structure for water and wastewater were initially presented
19 on Pittsburgh Water Exhibit Nos. HJS-13W and HJS-11WW. The water and

³⁰ *Pennsylvania Public Utility Commission v. Pittsburgh Water and Sewer Authority*, Docket Nos. R-2023-3039920 (Water); R-2023-3039921 (Wastewater); R-2023-3039919 (Stormwater), Recommended Decision dated November 28, 2023, Terms and Conditions of Settlement, Section 9.A.3.d, p. 27.

³¹ Pittsburgh Water Statement No. 6, pp. 25-26 and Pittsburgh Water Statement No. 8, pp. 31-34.

1 wastewater rates each include a minimum charge determined by meter size and a
2 usage rate that varies based on customer class. The minimum charge includes a
3 water or wastewater allowance that is based upon the size of the meter or
4 connection.³²

5
6 **Q. IS PITTSBURGH WATER PROPOSING TO MAKE CHANGES TO ITS**
7 **EXISTING RATE STRUCTURE?**

8 A. Yes. Pittsburgh Water is proposing to eliminate the minimum water and
9 wastewater charges and shift the recovery of those costs to volumetric rates
10 starting in FY 2027.³³

11
12 **Q. SINCE PITTSBURGH WATER IS PROPOSING TO ELIMINATE THE**
13 **MINIMUM ALLOWANCE CHARGES IN FY 2027, WHAT**
14 **ADJUSTMENTS DID PITTSBURGH WATER INCLUDE IN ITS BASE**
15 **CHARGE CALCULATION?**

16 A. As shown on Pittsburgh Water HJS-21W to 22W, the adjustments for water
17 customers include additions for public fire and for cost of bill discount program
18 foregone revenue or “CAP-BDP” for those specific residential customers. As
19 shown on Pittsburgh Water HJS-20WW to 21WW, the adjustments for wastewater

³² Pittsburgh Water Statement No. 8, pp. 30 and 44.

³³ Pittsburgh Water Statement No. 2, p. 66.

1 customers include only CAP-BDP for the applicable customers. In both above-
2 mentioned exhibits, the customer service charge is separate from the usage charge.

3
4 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S FY 2027 CUSTOMER**
5 **AND USAGE CHARGE BREAKDOWN?**

6 A. Yes.

7
8 **Q. WHAT RATES IS PITTSBURGH WATER PROPOSING IN FY 2027?**

9 A. The present and proposed rates for water and wastewater are shown below:

Table 1: PWSA - Present and Proposed Water Rates			
Meter Size	Present Rate Minimum Charge	Proposed Rate Minimum Charge	PWSA Proposed Service Charge
5/8"	\$31.54	\$34.34	\$18.81
3/4"	\$55.26	\$58.65	\$26.65
1"	\$121.39	\$124.45	\$42.34
1 1/2"	\$240.01	\$246.00	\$81.57
2"	\$401.04	\$409.03	\$128.64
3"	\$911.28	\$918.26	\$254.17
4"	\$1,562.27	\$1,562.04	\$395.39
6"	\$3,774.85	\$3,722.63	\$787.66
8"	\$6,877.76	\$6,727.79	\$1,258.39

10

Table 2: PWSA - Present and Proposed Wastewater			
Meter Size	Present Rate Minimum Charge	Proposed Rate Minimum Charge	PWSA Proposed Service Charge
5/8"	\$8.25	\$8.37	\$3.99
3/4"	\$13.19	\$13.55	\$4.51
1"	\$27.35	\$28.60	\$5.55
1 1/2"	\$52.06	\$54.49	\$8.15
2"	\$90.25	\$90.25	\$11.26
3"	\$205.97	\$205.97	\$19.57
4"	\$335.31	\$355.54	\$28.92
6"	\$817.77	\$872.82	\$54.88
8"	\$1,499.45	\$1,606.34	\$86.04
10" & Above	\$2,500.18	\$2,687.66	\$122.38

1
2
3
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6
7
8

Q. WHY IS PITTSBURGH WATER PROPOSING TO MAKE CHANGES TO ITS EXISTING RATE STRUCTURE IN FY 2027 INSTEAD OF FY 2026?

A. Pittsburgh Water states that it needs to perform a public outreach in FY 2026 to inform customers of the impending changes to their water and wastewater bills and to do so prior to FY 2027 could cause billing errors which could negatively impact to Pittsburgh Water’s reputation.³⁴

³⁴ Pittsburgh Water Statement No. 2, p. 66.

1 **Q. DO YOU ACCEPT WITH PITTSBURGH WATER’S CLAIM THAT THEY**
2 **CANNOT CHANGE THE EXISTING RATE STRUCTURE UNTIL FY**
3 **2027?**

4 A. Yes. When eliminating a minimum charge, and more specifically a minimum
5 usage allowance, in favor of a fixed monthly charge such as a customer charge or
6 base charge, the average bill of certain customers can be negatively impacted by
7 the additional usage accounted for in their bill. This negative impact would be
8 exacerbated by any additional revenue added to increase rates. Despite I&E’s
9 objections to the MYRP, I believe it is reasonable to delay the change from a
10 minimum charge to a base charge in order to lessen the impact on customers’
11 average bill.

12
13 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S PROPOSAL TO**
14 **CHANGE FROM BILLING CUSTOMERS USING A MINIMUM CHARGE**
15 **TO A BASE CHARGE IN FY 2027?**

16 A. Yes. Despite I&E’s recommendation to deny the MYRP, I believe that the change
17 from minimum charge to base charge should occur on the first day of FY 2027 on
18 a revenue neutral basis. This means that, despite the rate change, customers would
19 be generating the same level of revenue in FY 2027 as is approved for the FPFTY
20 ending December 31, 2026, but under a different rate structure.

1 **SCALE BACK OF RATES**

2 **Q. WHAT SCALE BACK DO YOU RECOMMEND IF THE COMMISSION**
3 **GRANTS LESS THAN THE FULL INCREASE?**

4 A. If the Commission grants an increase of less than the full increase requested by
5 Pittsburgh Water in the FPFTY, I recommend that rates be scaled back based on
6 the CCOSS approved by the Commission. Once the revenue level and rates are
7 determined for the FPFTY, then the revenue neutral transition to the base charge
8 and usage rates can be determined for FY 2027.

9

10 **SUMMARY OF RECOMMENDATIONS**

11 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

12 A. My recommendations are summarized as follows:

- 13 • The DSIC should remain capped at 5% and not increased to 7.5%.
- 14 • The capital improvement FPFTY increase should be reduced by \$121,296,123
15 or 35.24%, from \$344,200,122 to \$222,903,999.
- 16 • The \$6,727,000 forecast of purchase power expense (electric) for the FPFTY
17 should be reduced by \$2,763,267 due to the three-year average of 51.7% in
18 unaccounted for water levels.
- 19 • The \$7,322,137 forecast of chemical expense for the FPFTY should be reduced
20 by \$3,007,733 due to the three-year average of 51.7% in unaccounted for water
21 levels.

- 1 • If the Commission grants less than the full increase requested by Pittsburgh
2 Water in the FPFTY, rates should be scaled back based on the CCOSS
3 approved by the Commission.
- 4 • Once the revenue level and rates are determined for the FPFTY, the revenue
5 neutral transition to the base charge and usage rates can be determined for FY
6 2027.

7

8 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

9 A. Yes.

Esyan A. Sakaya

THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
400 North Street
HARRISBURG, PA 17120

EXPERIENCE:

12/2018-Present

Pennsylvania Public Utility Commission-Harrisburg, PA

Fixed Utility Valuation Engineer - Assist in engineering related studies related to valuation, depreciation, cost of service, quality of service as they apply to regulated utilities. Contribute in evaluating, contrasting and conducting performance analyses in distinctive sections of valuation engineering and rate structure involving valuation concepts, original cost, rate base, fixed capital costs, inventory processing, excess capacity, cost of service, and rate design. Provide expert testimony in rate related utility cases.

4/2018-12/2018

Pennsylvania Department of Transportation-Harrisburg, PA

Photogrammetry Technician I - Created three-dimensional mapping layouts of natural and man-made features from stereoscopic images on a computer workstation. Assisted in the field placement of ground based surveyed control-points prior to aerial photography acquisition. Provided field support in the use of laser scans for comprehensive digital surveying data. Operated global positioning satellite surveying equipment to obtain accurate geodetic coordinates of pre-established benchmarks.

8/2017-4/2018

Pennoni and Associates. Consulting Engineers-King of Prussia, PA

Construction Inspector – Provided quality assurance in the onsite material testing of concrete, soils, and asphalt. Read and interpreted construction drawings and specifications of materials and components. Completed daily reports regarding project progress to engineers, project managers/superintendents, contractors, and clients.

EDUCATION:

National Association of Regulatory Utility Commissioners, Clearwater, FL
Utility Rate School; Utility Rate Making Basics, October 2019

Society of Depreciation Professionals, Philadelphia, PA
Introduction to Depreciation; Depreciation Fundamentals, September 2019

Temple University, Philadelphia, PA
Bachelor of Science; Major in Engineering Technology, 2015

Community College of Philadelphia, Philadelphia, PA
Associate of Applied Science; Major in Construction Management Technology, 2011

EDUCATION (CONTINUED):

Island School of Building Arts, Gabriola Island, BC-Canada
Certificate Graduate: Heavy Timber Construction August 2002-November 2002

Solar Energy International, Carbondale, CO
Certificate Graduate: Basic and Advanced Photovoltaic Design, April 2002-May 2002

TESTIMONY SUBMITTED:

I have assisted and/or submitted testimony in the following proceedings:

- | <u>NO.</u> | <u>Case</u> |
|-------------------|--|
| 1. | UGI Gas Utilities - Gas Division, Docket No. R-2018-3006814 |
| 2. | Newtown Artesian Water Company, Docket No. R-2018-3006904 |
| 3. | Pittsburgh Wastewater, Docket No. M-2018-2640803 |
| 4. | PAWC Purchase of Steelton, Docket No. A-2019-3006814 |
| 5. | Philadelphia Gas Works, Docket Nos. R-2019-3009016 & R-2019-3007636 |
| 6. | Community Utilities Water, Docket No. R-2019-3008947 |
| 7. | Aqua Purchase of Cheltenham, Docket No. A-2019-3008491 |
| 8. | UGI North, Docket No. R-2019-3009647 |
| 9. | UGI Central, Docket No. R-2019-3009647 |
| 10. | UGI South, Docket No. R-2019-3009647 |
| 11. | Twin Lakes Utilities, Docket No. R-2019-3010958 |
| 12. | Penn Power Company, Docket No. P-2019-3012628 |
| 13. | UGI Gas Utilities, Docket No. R-2019-3015162 |
| 14. | National Fuel and Gas Distribution, Docket No. R-2020-3015251 |
| 15. | Columbia Gas of PA, Docket Nos. R-2020-3018993 & R-2020-3018835 |
| 16. | Duquesne Light Company, Docket No. P-2020-3019522 |
| 17. | PA American Water Co., Docket Nos. R-2020-3019369 & R-2020-3010937 |
| 18. | Bethlehem Water Company, Docket No. R-2020-3020256 |
| 19. | Audubon Water Company, Docket No. R-2020-3020919 |
| 20. | Twin Lakes Utilities, Docket No. P-2020-3020914 |
| 21. | Pike County Light and Power-Gas, Docket No. R-2020-3022134 |
| 22. | Pike County Light and Power-Electric, Docket No. R-2020-3022135 |
| 23. | Duquesne Light Company, Docket No. R-2021-3024750 |
| 24. | Community Utilities Water, Docket No. R-2021-3025206 |
| 25. | Community Utilities Wastewater, Docket No. R-2021-3025206 |
| 26. | Hanover Municipal Water Works, Docket No. R-2021-3026116 |
| 27. | Aqua Pennsylvania, Inc., Docket Nos. R-2021-3027385 & R-2021-3027386 |
| 28. | Aqua Purchase of Willistown, Docket No. A-2021-3027268 |
| 29. | National Fuel and Gas Distribution, Docket No. R-2022-3030235 |
| 30. | UGI Gas Utilities, Docket No. R-2021-3030218 |
| 31. | PECO Energy Company – Gas, Docket No. R-2022-3031113 |
| 32. | Valley Energy, Inc., Gas, Docket No. R-2022-3032300 |
| 33. | Citizens’ Electric Company, Docket No. R-2022-3032369 |

34. Leatherstocking Gas Company, LLC Docket No. R-2022-303276
35. National Fuel and Gas Distribution, Docket No. R-2022-3035730
36. Aqua Purchase of Shenandoah, Docket No. A-2022-3034143
37. UGI Electric Utilities, Docket No. R-2022-3037368
38. Philadelphia Gas Works, Docket No. R-2023-3037933
39. Columbia Water, Docket No. R-2023-3040258
40. Community Utilities Water, Docket No. R-2023-3042804
41. Community Utilities Wastewater, Docket No. R-2023-3042805
42. CAN DO, Inc., Docket Nos. R-2023-3040153 and R-2023-3040151
43. Veolia Water, Inc., Docket No. R-2024-3045192
44. Veolia Wastewater, Inc., No. Docket R-2024-3045193
45. Columbia Gas Company, Docket No. R-2024-3046519
46. PECO Energy Company – Electric, Docket No. R-2024-3046931
47. City of Lock Haven - Water Department., Docket No. R-2024-3049248
48. Deer Haven Wastewater LLC, Docket No. P-2024-305049
49. Deer Haven Water LLC, Docket No. P-2024-305048
50. Pike County Light and Power – Electric, Docket No. R-2024-3052359
51. Columbia Gas Company, Docket No. R-2025-3053499
52. Philadelphia Gas Works, Docket No. R-2025-3053112
53. Valley Energy, Inc., Gas, Docket No. R-2025-3054393

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PITTSBURGH WATER AND SEWER AUTHORITY

Docket Nos. R-2025-3055010, R-2025-3055011, & R-2025-3055012

Exhibit to Accompany

The

Direct Testimony

of

Esyan A. Sakaya

Bureau of Investigation and Enforcement

Concerning:

Stormwater Rates
Capital Improvement Projects
Distribution System Improvement Charge
Unaccounted-for Water
Class Cost of Service Study
Water and Wastewater Rate Structure
Scale Back of Rates

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RS
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RS-2 Reference Pittsburgh Water Statement No. 2, p. 29 regarding

Pittsburgh Water’s capital budget. Provide a schedule that shows a comparison of projected capital improvements to actual capital improvements by account number for the water and wastewater systems, separately, on an annual basis for the years ended 2020, 2021, 2022, 2023, and 2024.

Response:

See **attachment I&E-RS-2**

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 25, 2025

	Budget		Actual		Budget		Actual		Budget		Actual	
	FY 2020	FY 2020	FY 2020	FY 2020	FY 2021	FY 2021	FY 2021	FY 2021	FY 2022	FY 2022	FY 2022	FY 2022
Capital Requirements												
Small Diameter Water Main Replacement	\$ 13,459,161	21,467,388	45,838,708	39,993,476	39,993,476	23,802,324	16,762,881	83,515,129	19,875,755	23,318,760	58,361,262	
Lead Service Line Replacement	40,780,128	30,168,074	4,611,200	2,162,480	1,774,537	13,582,757	5,346,818	13,582,757	12,336,590	14,272,348	21,455,708	
Wastewater	35,140,573	8,767,047	35,741,675	14,206,474	41,130,789	25,473,651	50,634,240	18,088,222	41,501,076	43,166,301		
Water Distribution	23,357,846	18,403,491	25,795,644	25,612,308	30,764,791	26,132,329	46,204,641	31,842,150	15,729,555	12,598,458		
Water Treatment Plant	16,884,025	8,959,256	15,112,066	15,946,283	6,253,411	3,858,912	16,030,211	2,326,519	8,604,812	3,689,673		
Stormwater	29,927,774	15,791,622	34,696,272	15,614,923	21,424,273	11,733,927	29,822,932	12,291,912	25,998,656	14,833,091		
Miscellaneous	16,650,000	16,446,590	14,670,000	5,875,126	500,000	11,439,316	8,227,096	15,246,992	15,152,342			
Water Pumping and Storage	31,065,447	7,304,722	56,863,770	11,241,184	55,208,438	38,289,171	55,304,597	26,141,063	39,891,833	34,260,894		
Total	\$ 207,264,954	127,308,190	233,329,335	130,652,254	180,858,563	127,846,779	306,533,823	131,129,307	184,564,032	203,517,728		

Pittsburgh Water and Sewer
 R-2025-9055010, R-2025-9055011, R-2025-9055012
 Capital Improvement Projects 2020-2024

Line	Description	FY 20 Budget (B)	FY 20 Actual (C)	FY 21 Budget (D)	FY 21 Actual (E)	FY 22 Budget (F)	FY 22 Actual (G)	FY 23 Budget (H)	FY 23 Actual (I)	FY 24 Budget (J)	FY 24 Actual (K)
1	Small Diameter Water Main Replacement	\$ 13,459,161	\$ 21,467,388	\$ 45,838,708	\$ 39,993,476	\$ 23,802,324	\$ 16,762,861	\$ 83,515,129	\$ 19,875,755	\$ 23,318,760	\$ 58,961,262
2	Lead Service Line Replacement	\$ 40,780,128	\$ 30,168,074	\$ 4,611,200	\$ 2,162,480	\$ 1,774,537	\$ 5,346,818	\$ 13,582,757	\$ 12,336,590	\$ 14,272,348	\$ 21,455,708
3	Wastewater	\$ 35,140,573	\$ 8,767,047	\$ 35,741,675	\$ 14,206,474	\$ 41,130,789	\$ 25,473,651	\$ 50,634,240	\$ 18,088,222	\$ 41,501,076	\$ 43,166,301
4	Water Distribution	\$ 23,357,846	\$ 18,403,491	\$ 25,795,644	\$ 25,612,308	\$ 30,764,791	\$ 26,132,329	\$ 46,204,641	\$ 31,842,150	\$ 15,729,555	\$ 12,598,458
5	Water Treatment Plant	\$ 16,884,025	\$ 8,959,256	\$ 15,112,066	\$ 15,946,283	\$ 6,253,411	\$ 3,858,912	\$ 16,030,211	\$ 2,326,519	\$ 8,604,812	\$ 3,689,673
6	Stormwater	\$ 29,827,774	\$ 15,791,622	\$ 34,696,272	\$ 15,614,923	\$ 21,424,273	\$ 11,733,927	\$ 29,822,932	\$ 12,291,912	\$ 25,998,656	\$ 14,833,091
7	Miscellaneous	\$ 16,650,000	\$ 16,446,590	\$ 14,670,000	\$ 5,875,126	\$ 500,000	\$ 249,090	\$ 11,439,316	\$ 6,227,096	\$ 13,246,992	\$ 15,152,342
8	Water Pump/Infl Storage	\$ 31,065,447	\$ 7,304,722	\$ 56,883,770	\$ 11,241,184	\$ 55,208,438	\$ 38,289,171	\$ 55,304,587	\$ 26,141,063	\$ 39,891,833	\$ 34,280,894
9	Total	\$ 207,264,954	\$ 127,306,190	\$ 233,329,335	\$ 130,652,254	\$ 180,858,563	\$ 127,846,779	\$ 306,533,823	\$ 131,129,307	\$ 184,564,032	\$ 203,517,728

Fiscal Year	Year (L)	2020-2024 Budget (M)	2020-2024 Actual (N)	2020-2024 Difference (O)	2020-2024 % Difference (P)
10	FY 2020	\$ 207,264,954	\$ 127,306,190	\$ (79,958,764)	-38.58%
11	FY 2021	\$ 233,329,335	\$ 130,652,254	\$ (102,677,081)	-44.01%
12	FY 2022	\$ 180,858,563	\$ 127,846,779	\$ (53,011,784)	-29.31%
13	FY 2023	\$ 306,533,823	\$ 131,129,307	\$ (175,404,516)	-57.22%
14	FY 2024	\$ 184,564,032	\$ 203,517,728	\$ 18,953,696	10.27%
15	Average	\$ 222,510,141	\$ 144,090,652	\$ (78,419,490)	-35.24%

Pittsburgh Water and Sewer
 R-2025-3055010, R-2025-3055011, R-2025-3055012
 Capital Improvement Projects FY 2026

Line	Description	PWSA FY 26 Budget	I&E FY 2026 Adjusted	I&E FY 2026 Budget Allowed	FY 2026 Percentage Decrease
	(A)	(B)	(C)	(D)	(E)
1	Water Treatment Plant	\$ 22,116,205	\$ (7,793,751)	\$ 14,322,454	-35.24%
2	Water Pumping and Storage	\$ 97,542,544	\$ (34,373,993)	\$ 63,168,551	-35.24%
3	Water Distribution	\$ 152,141,343	\$ (53,614,609)	\$ 98,526,734	-35.24%
4	Wastewater	\$ 48,569,270	\$ (17,115,811)	\$ 31,453,459	-35.24%
5	Stormwater	\$ 7,580,760	\$ (2,671,460)	\$ 4,909,300	-35.24%
6	Other	\$ 16,250,000	\$ (5,726,500)	\$ 10,523,500	-35.24%
7		\$ 344,200,122	\$ (121,296,123)	\$ 222,903,999	-35.24%

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RB-1-3
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

- Request: I&E-RB-3** Reference Pittsburgh Water Statement No. 2, p. 16 regarding FPPTY 2026 and FY 2027 Direct Operating Expenses of \$63,784,191. For water operations, provide a breakdown showing the projected amount of expenses related to:
- A. Purchased power; and
 - B. Chemicals.

Response:

- A. Purchased power or electricity is not found within Direct Operating of \$63,784,191. It is under General & Administrative and totals \$6,727,000. Refer to the “O&M” tab within 2025 Cost of Service Model, row 238, column AA. Within that same tab, also reference columns L, M, and N for the utility cost allocation.
- B. Chemicals are found under Direct Operating Expenses and total \$7,542,912. Refer to the “O&M” tab within 2025 Cost of Service Model, rows 139-153, column AA. Within that same tab, also reference columns L, M, and N for the utility cost allocation.

The 2025 Cost of Service excel model available at is available at:
<https://eckertseamans.sharefile.com/f/fo86ffe3-22bf-452b-ba22-a5f17778a828>

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date: August 14, 2025

Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RS
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)

Request: I&E-RS-1 Provide copies of Pittsburgh Water’s unaccounted for water based on the PUC Section 500 Method for the calendar years 2023 and 2024. Include the procedure for estimating non-revenue water such as water used for blow-offs, street sweeping, flushing, firefighting, main breaks, and Highland Reservoir overflows and evaporation, etc. Explain all assumptions used in the calculations.

Response:

See **I&E-RS-1 Attach A through Attach F.**

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 25, 2025

500. WATER DELIVERED INTO SYSTEM DURING YEAR 2024

Every estimated value shall be supported by such detailed information as will permit a ready identification, analysis, & verification of all relevant facts. The Company shall be prepared to furnish to the Commission this detailed information.

Line No.	Description (a)	(Gallons) (b)	(gpd) (c)
1	Water Delivered for Distribution & Sale:		-
2	Water Obtained from Company Sources	22,142,910,000	60,665,507
3	Water Obtained from Other Independent Utilities	0	0
4	Total Water Delivered	22,142,910,000	60,665,507
5	Metered Sales:		
6	Residential Residential and CAP	2,563,079,000	7,022,134
7	Commercial	3,636,335,000	9,962,562
8	Industrial	271,020,000	742,521
9	Public Health & Education	1,288,683,000	3,530,638
10	Other Water Utilities	772,831,000	2,117,345
11	Private Fire Protection	8,263,000	22,638
12	Public Fire Protection		0
13	Other Metered Sales Identify Flower Gardens	946,000	2,592
14	Total Metered Sales	8,541,157,000	23,400,430
15	Unmetered Sales:		
16	Residential	19,360,000	53,041
17	Commercial	0	0
18	Industrial	0	0
19	Private Fire Protection	0	0
20	Public Fire Protection	0	0
21	Other Unmetered Sales Identify	0	0
21	Total Unmetered Sales	19,360,000	53,041
22	Total Sales	8,560,517,000	23,453,471
23	Non-Revenue Usage Allowances:	142,583,000	390,638
24	Authorized Unmetered Usage:		
25	Main Flushing	16,959,403	46,464
26	Blow-off Use	0	0
27	Others: Identify Reservoir & Rising Main Flushing	44,478,089	121,858
28	Unauthorized Use	19,469,000	53,340
29	Unavoidable Leakage 1.466 gpd/mile of main	509,674,544	1,396,369
30	Adjustments:	0	0
31	Located & Repaired Breaks in Mains & Services	96,612,831	264,693
32	Others Identify Lanpher Leak	29,200,000	80,000
33	Total Allowances & Adjustments	858,976,868	2,353,361
34	Unaccounted-for-Water	12,723,416,132	
35	Percentage Unaccounted-for-Water	57.5%	

The Pittsburgh Water and Sewer Authority
(Company Name)

For the Year Ended December 31, 2023

500. WATER DELIVERED INTO SYSTEM DURING YEAR

Every estimated value shall be supported by such detailed information as will permit a ready identification, analysis, & verification of all relevant facts. The Company shall be prepared to furnish to the Commission this detailed information.

Line No.	Description (a)	(Gallons) (b)	(gpd) (c)
1	Water Delivered for Distribution & Sale:		-
2	Water Obtained from Company Sources	22,357,650,000	61,253,836
3	Water Obtained from Other Independent Utilities		
4	Total Water Delivered	22,357,650,000	61,253,836
5	Metered Sales:		
6	Residential	2,651,172,000	7,263,485
7	Commercial	3,167,794,000	8,678,888
8	Industrial	157,644,000	431,901
9	Public	1,034,432,000	2,834,060
10	Other Water Utilities	783,121,000	2,145,537
11	Private Fire Protection	7,448,000	20,405
12	Public Fire Protection		
13	Other Metered Sales <small>Flower Gardens</small>	1,027,000	2,814
14	Total Metered Sales	7,802,638,000	21,377,090
15	Unmetered Sales:		
16	Residential	12,460,800	34,139
17	Commercial		
18	Industrial		
19	Private Fire Protection		
20	Public Fire Protection		
21	Other Unmetered Sales		
21	Total Unmetered Sales	12,460,800	34,139
22	Total Sales	7,815,098,800	21,411,230
23	Non-Revenue Usage Allowances: Unbilled Metered Usage	34,293,000	93,953
24	Authorized Unmetered Usage:		
25	Main Flushing	23,230,746	63,646
26	Blow-off Use		
27	Others: <small>Reservoir & Rising Main Flushing</small>	54,462,933	149,214
28	Unauthorized Use	17,580,000	48,164
29	Unavoidable Leakage 1,466 gpd/mile of main	510,700,000	1,399,178
30	Adjustments:		
31	Located & Repaired Breaks in Mains & Services	3,916,757,718	10,730,843
32	Others		
33	Total Allowances & Adjustments	4,557,024,397	12,484,998
34	Unaccounted-for-Water	9,985,526,803	
35	Percentage Unaccounted-for-Water	44.7%	

The Pittsburgh Water and Sewer Authority
(Company Name)

For the Year Ended December 31, 2022

500. WATER DELIVERED INTO SYSTEM DURING YEAR

Every estimated value shall be supported by such detailed information as will permit a ready identification, analysis, & verification of all relevant facts. The Company shall be prepared to furnish to the Commission this detailed information.

Line No.	Description (a)	(Gallons) (b)	(gpd) (c)
1	Water Delivered for Distribution & Sale:		-
2	Water Obtained from Company Sources	23,325,850,000	63,906,438
3	Water Obtained from Other Independent Utilities		
4	Total Water Delivered	23,325,850,000	63,906,438
5	Metered Sales:		
6	Residential	2,727,249,047	7,471,915
7	Commercial	3,322,943,845	9,103,956
8	Industrial	144,584,000	396,121
9	Public	978,869,000	2,681,833
10	Other Water Utilities	746,484,000	2,045,162
11	Private Fire Protection	6,977,000	19,115
12	Public Fire Protection		
13	Other Metered Sales <small>Flower Gardens</small>	580,000	1,589
14	Total Metered Sales	7,927,686,892	21,719,690
15	Unmetered Sales:		
16	Residential	10,174,800	27,876
17	Commercial		
18	Industrial		
19	Private Fire Protection		
20	Public Fire Protection		
21	Other Unmetered Sales		
21	Total Unmetered Sales	10,174,800	27,876
22	Total Sales	7,937,861,692	21,747,566
23	Non-Revenue Usage Allowances: Unbilled Metered Usage	37,891,000	103,811
24	Authorized Unmetered Usage:		
25	Main Flushing	15,277,327	41,856
26	Blow-off Use		
27	Others: <small>Reservoir & Rising Main Flushing</small>	151,570,241	415,261
28	Unauthorized Use	17,452,000	47,814
29	Unavoidable Leakage 1,466 gpd/mile of main	516,100,000	1,413,973
30	Adjustments:		
31	Located & Repaired Breaks in Mains & Services	2,295,241,888	6,288,334
32	Others		
33	Total Allowances & Adjustments	3,033,532,455	8,311,048
34	Unaccounted-for-Water	12,354,455,852	
35	Percentage Unaccounted-for-Water	53.0%	

Pittsburgh Water and Sewer Authority
 Water
 R-2025-3055010 (Water), R-2025-3055011(WW), R-2025-3055012 (SW)

Water Delivered into System

Water Delivered into System 2022 -2024 (3 - Year Average)

	(A)	(B)
Line	Description	Gallons
1	Obtained From Company Sources	67,826,410,000
2	Total Metered Sales	24,271,481,892
3	Total Unmetered Sales	41,995,600
4	Non-Revenue Allowance	214,767,000
5	Main Flushing	55,467,476
6	Resevior Main Flushing	250,511,263
7	Unauthorized Use	54,501,000
8	Unavoidable Leakage	1,536,474,544
9	Located & Repaired Breaks	6,308,612,437
10	Others	29,200,000
11	Adjustments	0
12	Total Water Sold -3yr Avg	32,763,011,212
13	Percent Water Sold -3yr Avg	48.3%
14	Unaccounted For Water - 3yr Avg	35,063,398,788
15	Percent Unnaccounted - 3yr Avg	51.7%

**Pittsburgh Sewer and Water
 Water Division
 R-2025-3055010 (Water), R-2025-3055011(WW), R-2025-3055012 (SW)
 Unaccounted For Water related Expenses**

<u>Line No.</u>	<u>(A)</u>	<u>(B)</u>	<u>(D)</u>	<u>(E)</u>
1	Expense*	** Electric \$6,727,000	**Chemicals \$7,322,137	TOTAL \$14,049,137
2	Total Send Out	67,826,410,000	67,826,410,000	67,826,410,000
3	Cost Per Thousand	\$0.099180	\$0.107954	\$0.207134
4	Excess UFW	-27,861,230,225	-27,861,230,225	-27,861,230,225
5	UFW Adjustment	-\$2,763,267	-\$3,007,733	-\$5,771,000

* Electric-PWSA St. No. 2, 23

** Response to I&E-RB-3

I&E Statement No. 4
Witness: Ethan H. Cline

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PITTSBURGH WATER AND SEWER AUTHORITY

Docket Nos. R-2025-3055010, R-2025-3055011, & R-2025-3055012

Direct Testimony

of

Ethan H. Cline

Bureau of Investigation and Enforcement

Concerning:

Multi-Year Rate Plan

TABLE OF CONTENTS

INTRODUCTION 1

MULTI-YEAR RATE PLAN 2

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Ethan H. Cline. My business address is Pennsylvania Public Utility
4 Commission, 400 North Street, Harrisburg, PA 17120.

5

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am employed by the Pennsylvania Public Utility Commission (Commission) in
8 the Bureau of Investigation and Enforcement (I&E) as a Fixed Utility Valuation
9 Engineer.

10

11 **Q. WHAT IS YOUR EDUCATION AND EMPLOYMENT EXPERIENCE?**

12 A. An outline of my education and employment experience is attached as
13 Appendix A.

14

15 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

16 A. I&E is responsible for representing the public interest in rate and other
17 proceedings before the Commission. I&E's analysis in this proceeding is based on
18 its responsibility to represent the public interest. This responsibility requires the
19 balancing of the interests of ratepayers, the utility, and the regulated community as
20 a whole.

1 **Q. WHAT ISSUES DO YOU ADDRESS IN YOUR DIRECT TESTIMONY?**

2 A. Along with I&E witness D.C. Patel,¹ I will be addressing Pittsburgh Water and
3 Sewer Authority's (Pittsburgh Water) proposed multi-year rate plan (MYRP).
4

5 **Q. DOES YOUR DIRECT TESTIMONY INCLUDE AN EXHIBIT?**

6 A. No.
7

8 **Q. DESCRIBE PITTSBURGH WATER'S FILING.**

9 A. Pittsburgh Water has requested a \$63.7 million overall revenue increase in the
10 Fully Projected Future Test Year (FPFTY) ending December 31, 2026. Pittsburgh
11 Water is also proposing to enact an MYRP with an additional increase of \$20.7
12 million in the year ending December 31, 2027 (FY 2027). This results in a total
13 requested increase of \$84.4 million.²
14

15 **MULTI-YEAR RATE PLAN**

16 **Q. WHAT IS A MULTI-YEAR RATE PLAN?**

17 A. Section 1330 of the Pennsylvania Public Utility Code (Code) defines an MYRP as
18 follows:

19 A rate mechanism under which the commission sets base rates
20 and revenue requirements for a multiyear plan period and
21 authorizes periodic changes in base rates, including, but not
22 limited to, adjustments to account for inflation and capital

¹ I&E Statement No. 1.

² Pittsburgh Water Statement No. 2, p. 4.

1 investments without the necessity for base rate proceedings
2 during the approved plan period.

3 Act 58 of 2018 added Section 1330 to Chapter 13 of the Code to allow utilities to
4 seek approval of alternative rate making mechanisms, such as an MYRP.

5
6 **Q. IS PITTSBURGH WATER PROPOSING AN MYRP?**

7 A. Yes. Pittsburgh Water is proposing a two-year rate increase which would increase
8 revenues by \$63.7 million in the FPFTY and \$20.7 million in FY 2027.³

9
10 **Q. ARE YOU ADDRESSING EVERY ARGUMENT PITTSBURGH WATER
11 PROVIDED FOR REQUESTING AN MYRP?**

12 A. No. However, if certain topics or issues are not addressed by me, it should not be
13 construed as I&E's agreement with those arguments.

14
15 **Q. WHAT ARGUMENTS DID PITTSBURGH WATER PROVIDE FOR
16 REQUESTING AN MYRP?**

17 A. Pittsburgh Water witness Edward Barca provided responses to certain questions
18 that the Commission set forth in a Policy Statement after Section 1330, regarding
19 alternative rate mechanisms, was added to the Public Utility Code.⁴

³ Pittsburgh Water Statement No. 2, p. 4.

⁴ Pittsburgh Water Exhibit EB-10.

1 **Q. DOES PITTSBURGH WATER PROVIDE ANY OTHER SUPPORT**
2 **REGARDING ITS PROPOSED MYRP?**

3 A. Mr. Barca also claimed that the main reason for proposing an MYRP is to break
4 the cycle of having to file a rate increase every two to three years to recover
5 increased costs and stated that it will give Pittsburgh Water the “assurance to fully
6 commit to undertake their planned construction.” Additionally, Mr. Barca claimed
7 that using a “test year” concept is not valid for a cash flow-regulated utility due to
8 the yearly increase in the cost to serve driven by the Company’s capital
9 improvement plan (CIP) and its claimed “building mode.”⁵

10

11 **Q. DO YOU SUPPORT THE PROPOSED MULTI-YEAR RATE PLAN?**

12 A. No. Based on my review of this case, Pittsburgh Water’s recent history, and the
13 testimony of I&E witness D.C. Patel,⁶ my recommendation is that the Commission
14 cannot prudently determine that the MYRP proposed by Pittsburgh Water would
15 result in just and reasonable rates in FY 2027.

16

17 **Q. HOW DID PITTSBURGH WATER WITNESS BARCA SUPPORT THE**
18 **PROPOSED MYRP?**

19 A. Mr. Barca provided responses to certain questions that the Commission set forth in
20 a Policy Statement after Section 1330, regarding alternative rate mechanisms, was

⁵ Pittsburgh Water Statement No. 2, pp. 55-59.

⁶ I&E Statement No. 1.

1 added to the Public Utility Code.⁷

2

3 **Q. DO YOU WISH TO ADDRESS MR. BARCA'S RESPONSES TO THE**
4 **COMMISSION'S QUESTIONS?**

5 A. Yes. Specifically, I will address Mr. Barca's responses to the following
6 questions:⁸

- 7 (1) How the ratemaking mechanism and rate design align with
8 cost causation principles as to both fixed and variable costs.
9 (3) Whether the ratemaking mechanism and rate design reflect
10 the level of demand associated with the customer's
11 anticipated consumption levels.
12 (12) Whether the alternative ratemaking mechanism and rate
13 design include appropriate consumer protections.
14

15 **Q. SUMMARIZE MR. BARCA'S RESPONSE TO QUESTION 1.**

16 A. Mr. Barca stated the following in response to Question 1:

17 One of the principal benefits of a multi-year rate plan is that it
18 permits a better alignment of fixed and variable costs with
19 revenues. Rates based upon a static test year – even a fully
20 projected future test year – will necessarily diverge from the
21 costs and revenues actually experienced by the utility in
22 subsequent years when the rate award is still in place.
23 Determinations of revenues and expenses in the rate case may
24 be higher or lower than the levels subsequently experienced.
25 A multi-year filing permits a better alignment with the levels
26 of expenses and revenues that are reasonably expected to be
27 experienced in the years following the fully projected future
28 test year.⁹

⁷ Pittsburgh Water Exhibit No. EB-10.

⁸ Pittsburgh Water Exhibit No. EB-10.

⁹ Pittsburgh Water Statement No. 2, p. 45.

1 **Q. DO YOU AGREE WITH MR. BARCA’S RESPONSE TO QUESTION 1?**

2 A. No. Mr. Barca’s claim that “one of the principal benefits” of a multi-year rate
3 plan is that it permits a better alignment of fixed and variable costs with revenues
4 is not consistent with Pittsburgh Water’s proposal. This is because Pittsburgh
5 Water did not specifically project all of its costs and expenses through the extra
6 year of the MYRP. Instead, Pittsburgh Water is not proposing to increase all of its
7 costs and expenses in FY 2027 but is limiting the second-year increase to debt
8 costs only.¹⁰ Excluding all other costs which may or may not change in this
9 period does not better align fixed and variable costs with revenues. This is not
10 sound rate making and will not lead to just and reasonable rates.

11

12 **Q. SUMMARIZE MR. BARCA’S RESPONSE TO QUESTION 3.**

13 A. Mr. Barca, in response to Question 3, stated “[a] multi-year rate plan permits a
14 better alignment with the customer’s anticipated consumption level.”¹¹

15

16 **Q. DO YOU AGREE WITH MR. BARCA’S RESPONSE TO QUESTION 3?**

17 A. No. Mr. Barca’s claim that a multi-year rate plan permits a better alignment with
18 the customer’s anticipated consumption is incorrect because “[w]ater and sewer
19 rates for Year 2 of the rate plan (FY 2027) are based on the cost-of-service
20 analysis performed for the Year 1 rates.”¹² As shown on Pittsburgh Water Exhibit

¹⁰ Pittsburgh Water Statement No. 2, p. 56.

¹¹ Pittsburgh Water Exhibit No. EB-10, p. 1.

¹² Pittsburgh Water Statement No. 8, p. 58.

1 No. HJS-18W and HJS-17WW, Pittsburgh Water does not project any changes in
2 usage level in the FPFTY. Therefore, because Pittsburgh Water is not projecting
3 any changes in usage, it is not possible that the second year of the MYRP better
4 aligns with the customer’s anticipated consumption level. Not to mention,
5 stormwater rates have no connection to “consumption.”
6

7 **Q. SUMMARIZE MR. BARCA’S RESPONSE TO QUESTION 12.**

8 A. Mr. Barca, in response to question 12, stated “[t]he revenue requirement in each
9 year of the multi-year rate plan will be set after an examination of Pittsburgh
10 Water’s projected revenues, expenses and cash needs for those years.
11 Accordingly, customers will be assured that the rate increases placed into effect
12 will be just and reasonable.”¹³
13

14 **Q. DO YOU AGREE WITH MR. BARCA’S RESPONSE TO QUESTION 12?**

15 A. No. What Mr. Barca described in his response to Question 12 is entirely
16 inconsistent with the process outlined in his direct testimony, in which the
17 Pittsburgh Water is proposing to include only projected debt costs in FY 2027,
18 described above.

¹³ Pittsburgh Water Exhibit EB-10, p. 2.

1 **Q. PLEASE ADDRESS THE STATEMENT MADE BY MR. BARCA THAT**
2 **SETTING RATES USING A TEST YEAR CONCEPT “IS JUST NOT**
3 **VALID FOR A CASH-FLOW-REGULATED UTILITY.”¹⁴**

4 A. The statement made by Mr. Barca that setting rates using a test year concept is just
5 not valid for a cash flow-regulated utility is baseless and concerning. It is baseless
6 because not only has Pittsburgh Water successfully run its operations under the
7 test year concept since it came under Commission jurisdiction nearly ten years
8 ago, earning various awards, as described by Pittsburgh Water witness Will
9 Pickering,¹⁵ but Philadelphia Gas Works (PGW), a natural gas distribution
10 company, has been successfully operating in Pennsylvania as a cash flow-
11 regulated utility using a test year concept to set rates without the use of an MYRP
12 for far longer than Pittsburgh Water. Mr. Barca’s statement is concerning
13 because, despite Pittsburgh Water being under Commission jurisdiction for a
14 relatively short period, he is already suggesting that the rules that apply to all other
15 Pennsylvania jurisdictional utilities, cash flow or investor-owned, should not apply
16 to Pittsburgh Water.

¹⁴ Pittsburgh Water Statement No. 2, p. 54.

¹⁵ Pittsburgh Water Statement No. 1, pp. 6-7.

1 **Q. PLEASE ADDRESS MR. BARCA’S STATEMENT THAT “THE MAIN**
2 **REASON FOR PROPOSING A MULTI-YEAR RATE PLAN IS TO**
3 **PROVIDE THE ABILITY OF PITTSBURGH WATER TO BREAK THE**
4 **CYCLE OF HAVING TO FILE A RATE CASE EVERY TWO TO THREE**
5 **YEARS TO RECOVER INCREASED COSTS.”¹⁶**

6 A. I do not agree with Mr. Barca that Pittsburgh Water filing a base rate case every
7 few years is a negative that needs to be avoided. Regular base rate cases allow for
8 regulators, the utility, and other interested parties to ensure that projections are
9 accurate, to account for unexpected events such as the COVID-19 pandemic, and
10 allow the utility to accurately calculate rate increases to align with costs. Multiple
11 Pennsylvania utilities, including the other cash flow-regulated utility PGW, have
12 employed a two to three year rate case filing schedule. An MYRP trades accuracy
13 of its projections for a more immediate return of investment for the utility. I do
14 not agree that this results in just and reasonable rates and is a positive for the
15 utility and its ratepayers.

16
17 **Q. BASED ON THE INFORMATION YOU HAVE REVIEWED, CAN THE**
18 **COMMISSION RELIABLY DETERMINE THAT THE RATES**
19 **PROPOSED IN THE MYRP WOULD BE JUST AND REASONABLE?**

20 A. No. As I discussed above, and including the arguments set forth by I&E witness

¹⁶ Pittsburgh Water Statement No. 2, p. 54.

1 D.C. Patel in I&E Statement No. 1 the Commission cannot reliably determine that
2 Pittsburgh Water's proposed rates in FY 2026 and FY 2027 would be just and
3 reasonable. The projections are too far away with too little information, with
4 estimations that are too unreliable to create rates that are reliably just and
5 reasonable. Further, the historical data provided by Pittsburgh Water shows that
6 its past attempts at budgeting have frequently resulted in budgets that far exceed
7 actual results.¹⁷ Therefore, I recommend the Commission deny in full the MYRP
8 proposal and the proposed revenue increase for FY 2027.

9
10 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

11 **A. Yes.**

¹⁷ I&E Exhibit No. 1, Schedule 2, p. 2.

ETHAN H. CLINE

PROFESSIONAL EXPERIENCE AND EDUCATION

EXPERIENCE:

03/2009 - Present

Bureau of Investigation and Enforcement, Pennsylvania Public Utility Commission - Harrisburg, Pennsylvania

Fixed Utility Valuation Engineer – Assists in the performance of studies and analyses of the engineering-related areas including valuation, depreciation, cost of service, quality and reliability of service as they apply to fixed utilities. Assists in reviewing, comparing and performing analyses in specific areas of valuation engineering and rate structure including valuation concepts, original cost, rate base, fixed capital costs, inventory processing, excess capacity, cost of service, and rate design.

06/2008 – 09/2008

Akens Engineering, Inc. - Shiremanstown, Pennsylvania

Civil Engineer – Responsible, primarily, for assisting engineers and surveyors in the planning and design of residential development projects

10/2007 – 05/2008

J. Michael Brill and Associates - Mechanicsburg, Pennsylvania

Design Technician – Responsible, primarily, for assisting engineers in the permit application process for commercial development projects.

01/2006 – 10/2007

CABE Associates, Inc. - Dover, Delaware

Civil Engineer – Responsible, primarily, for assisting engineers in performing technical reviews of the sewer and sanitary sewer systems of Sussex County, Delaware residential development projects.

EDUCATION:

Pennsylvania State University, State College, Pennsylvania
Bachelor of Science; Major in Civil Engineering, 2005

- Attended NARUC Rate School, Clearwater, FL
- Attended Society of Depreciation Professionals Annual Conference and Training

TESTIMONY SUBMITTED:

I have testified and/or submitted testimony in the following proceedings:

1. Clean Treatment Sewage Company, Docket No. R-2009-2121928
2. Pennsylvania Utility Company – Water Division, Docket No. R-2009-2103937
3. Pennsylvania Utility Company – Sewer Division, Docket No. R-2009-2103980
4. UGI Central Penn Gas, Inc., 1307(f) proceeding, Docket No. R-2010-2172922
5. PAWC Clarion Wastewater Operations, Docket No. R-2010-2166208
6. PAWC Claysville Wastewater Operations, Docket No. R-2010-2166210
7. Citizens’ Electric Company of Lewisburg, Pa, Docket No. R-2010-2172665
8. City of Lancaster – Bureau of Water, Docket No. R-2010-2179103
9. Peoples Natural Gas Company LLC, Docket No. R-2010-2201702
10. UGI Central Penn Gas, Inc., Docket No. R-2010-2214415
11. Pennsylvania-American Water Company, Docket No. R-2011-2232243
12. Pentex Pipeline Company, Docket No. A-2011-2230314
13. Peregrine Keystone Gas Pipeline, LLC, Docket No. A-2010-2200201
14. Philadelphia Gas Works 1307(f), Docket No. R-2012-2286447
15. Peoples Natural Gas Company LLC, Docket No. R-2012-2285985
16. Equitable Gas Company, Docket Nos. R-2012-2312577, G-2012-2312597
17. City of Lancaster – Sewer Fund, Docket No. R-2012-2310366
18. Peoples TWP, LLC 1307(f), Docket No. R-2013-2341604
19. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2013-2361763
20. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2013-2361764
21. Joint Application, Docket Nos. A-2013-2353647, A-2013-2353649, A-2013-2353651
22. City of Dubois – Bureau of Water, Docket No. R-2013-2350509
23. The Columbia Water Company, Docket No. R-2013-2360798
24. Pennsylvania American Water Company, Docket No. R-2013-2355276
25. Generic Investigation Regarding Gas-on-Gas Competition, Docket Nos. P-2011-227868, I-2012-2320323
26. Philadelphia Gas Works 1307(f), Docket No. R-2014-2404355
27. Pike County Light and Power Company (Gas), Docket No. R-2013-2397353
28. Pike County Light and Power Company (Electric), Docket No. R-2013-2397237
29. Peoples Natural Gas Company LLC 1307(f), Docket No. R-2014-2403939
30. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2014-2420273
31. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2014-2420276
32. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2014-2420279
33. Emporium Water Company, Docket No. R-2014-2402324
34. Borough of Hanover – Hanover Municipal Water, Docket No. R-2014-2428304
35. Philadelphia Gas Works 1307(f), Docket No. R-2015-2465656
36. Peoples Natural Gas Company LLC 1307(f), Docket No. R-2015-2465172
37. Peoples Natural Gas Company – Equitable Division 1307(f), Docket No. R-2015-2465181
38. PPL Electric Utilities Corporation, Docket No. R-2015-2469275
39. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2015-2480934
40. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2015-2480937
41. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2015-2480950

42. UGI Utilities, Inc. – Gas Division, Docket No. R-2015-2518438
43. Joint Application of Pennsylvania American Water, et al., Docket No. A-2016-2537209
44. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2016-2543309
45. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2016-2543311
46. City of Dubois – Company, Docket No. R-2016-2554150
47. UGI Penn Natural Gas, Inc., Docket No. R-2016-2580030
48. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2017-2602627
49. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2017-2602633
50. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2017-2602638
51. Application of Pennsylvania American Water Company Acquisition of the Municipal Authority of the City of McKeesport, Docket No. A-2017-2606103
52. Pennsylvania American Water Company, Docket No. R-2017-2595853
53. Pennsylvania American Water Company Lead Line Petition, Docket No. P-2017-2606100
54. UGI Utilities, Inc. – Electric Division, Docket No. R-2017-2640058
55. Peoples Natural Gas Company, LLC – Peoples and Equitable Division 1307(f), Docket Nos. R-2018-2645278 & R-2018-3000236
56. Peoples Gas Company, LLC 1307(f), Docket No. R-2018-2645296
57. Columbia Gas of Pennsylvania, Inc., Docket No. R-2018-2647577
58. Duquesne Light Company, Docket No. R-2018-3000124
59. Suez Water Pennsylvania, Inc., Docket No. R-2018-3000834
60. Application of Pennsylvania American Water Company Acquisition of the Municipal Authority of the Township of Sadsbury, Docket No. A-2018-3002437
61. The York Water Company, Docket No. R-2018-3000006
62. Application of SUEZ Water Pennsylvania, Inc. Acquisition of the Water and Wastewater Assets of Mahoning Township, Docket Nos. A-2018-3003517 and A-2018-3003519
63. Pittsburgh Water and Sewer Authority, Docket Nos. R-2018-3002645 and R-2018-3002647
64. Joint Application of Aqua America, Inc. et al., Acquisition of Peoples Natural Gas Company LLC, et al., Docket Nos. A-2018-3006061, A-2018-3006062, and A-2018-3006063
65. Implementation of Chapter 32 of the Public Utility Code Regarding Pittsburgh Water and Sewer Authority, Docket Nos. M-2018-2640802 and M-2018-2640803
66. Philadelphia Gas Works 1307(f), Docket No. R-2019-3007636
67. People Natural Gas Company, LLC, Docket No. R-2018-3006818
68. Application of Pennsylvania American Water Company Acquisition of the Steelton Borough Authority, Docket No. A-2019-3006880
69. Application of Aqua America, Inc. et al., Acquisition of the Wastewater System Assets of the Township of Cheltenham, Docket No. A-2019-3006880
70. Philadelphia Gas Works, Docket No. R-2019-3009016
71. Wellsboro Electric Company, Docket No. R-2019-3008208
72. Valley Energy, Inc., Docket No. R-2019-3008209
73. Citizens’ Electric Company of Lewisburg, Pa, Docket Non. R-2019-3008212
74. Application of Aqua America, Inc. et al., Acquisition of the Wastewater System Assets of the East Norriton Township, Docket No. A-2019-3009052
75. Peoples Natural Gas Company, LLC 1307(f), Docket No. R-2020-3017850
76. Peoples Gas Company, LLC 1307(f), Docket No. R-2020-3017846

77. Philadelphia Gas Works, Docket No. R-2020-3017206
78. Pittsburgh Water and Sewer Authority, Docket Nos. R-2020-3017951 et al.
79. Columbia Gas of Pennsylvania, Docket No. R-2020-3018835
80. Pennsylvania America Water Company, Docket Nos. R-2020-3019369 and R-2020-3019371
81. PECO Energy Company – Gas Division, Docket No. R-2020-3019829
82. PGW 1307(f), Docket No. R-2021-3023970
83. Peoples Natural Gas Company, LLC 1307(f), Docket No. R-2021-3023965
84. Peoples Gas Company, LLC 1307(f), Docket No. R-2021-3023967
85. UGI Utilities, Inc. – Electric Division, Docket No. R-2021-3023618
86. Columbia Gas of Pennsylvania, Inc., Docket No. R-2021-3024926
87. Duquesne Light Company, Docket No. R-2021-3024750
88. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2021-3025652
89. Pittsburgh Water and Sewer Authority, Docket Nos. R-2021-3024773 et al.
90. Application of Aqua America Wastewater, Inc. et al., Acquisition of the Wastewater System Assets of Lower Makefield Township, Docket No. A-2021-3024267
91. Aqua Pennsylvania Water, Inc. and Aqua Pennsylvania Wastewater, Inc., Docket Nos. R-2021-3027385 and R-2021-3027386
92. Application of Pennsylvania-American Water Company for Acquisition of the Wastewater Collection and Treatment System Assets of the York City Sewer Authority, Docket No. A-2021-3024681
93. City of Lancaster – Bureau of Water, Docket No. R-2021-3026682
94. Application of Aqua America Wastewater, Inc. et al., Acquisition of the Wastewater System Assets of East Whiteland Township, Docket No. A-2021-30246132
95. UGI Utilities, Inc. – Gas Division, Docket No. R-2021-3030218
96. Peoples Natural Gas Company, LLC 1307(f), Docket No. R-2022-3030661
97. Columbia Gas of Pennsylvania, Inc., Docket No. R-2022-3031211
98. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2022-3032242
99. Pennsylvania American Water Company, Docket Nos. R-2022-3031672 and R-2022-3031673
100. The York Water Company, Docket Nos. R-2022-3031340 and R-2022-3032806
101. Columbia Gas of Pennsylvania, Inc., Docket No. R-2022-3032167
102. National Fuel Gas Distribution Corporation, Docket No. R-2022-3035730
103. UGI Utilities, Inc. – Electric Division, Docket No. R-2022-3037368
104. Application of Pennsylvania-American Water Company for Acquisition of the Wastewater Collection and Treatment System Assets of the Butler Area Sewer Authority, Docket No. A-2022-3037047
105. Philadelphia Gas Works, Docket No. R-2023-3037933
106. Pittsburgh Water and Sewer Authority, Docket Nos. R-2023-3039920 et al.
107. Pennsylvania-American Water Company, Docket Nos. R-2023-3043189 and R-2023-3043190
108. Peoples Natural Gas Company, LLC, Docket No. R-2023-3044549
109. Duquesne Light Company, Docket No. R-2024-3046523
110. PECO Energy Company – Gas Division, Docket No. R-2024-3046932
111. Aqua Pennsylvania Water, Inc. and Aqua Pennsylvania Wastewater, Inc., Docket Nos. R-2024-3047822 and R-2024-3047824

112. Application of Aqua America Wastewater, Inc. et al., Acquisition of the Wastewater System Assets of Beaver Falls, Docket No. A-202-3033138
113. Pike County Light and Power Company (Gas), Docket No. R-2024-3052357
114. UGI Utilities, Inc. – Gas Division, Docket No. R-2024-3052716
115. Philadelphia Gas Works, Docket No. R-2025-3053112
116. Citizens' Electric Company of Lewisburg, Pa, Docket No. R-2025-3054394
117. Wellsboro Electric Company, Docket No. R-2025-3054392
118. The York Water Company, Docket Nos. R-2025-3053442 and R-2025-305373

**I&E Statement No. 3-R
Witness: Esyan A. Sakaya**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

THE PITTSBURGH WATER & SEWER AUTHORITY

D/B/A PITTSBURGH WATER

Docket Nos. R-2025-3055010, R-2025-3055011, & R-2025-3055012

Rebuttal Testimony

of

Esyan A. Sakaya

Bureau of Investigation and Enforcement

Concerning:

Petition to Increase the Distribution System Improvement Charge

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INTRODUCTION 1

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE 2

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Eryan Sakaya. My business address is 400 North Street, Harrisburg,
4 Pennsylvania 17120.

5

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am employed by the Pennsylvania Public Utility Commission in the Bureau of
8 Investigation and Enforcement (I&E) as a Fixed Utility Valuation Engineer.

9

10 **Q. ARE YOU THE SAME ERYAN SAKAYA WHO SUBMITTED DIRECT**
11 **TESTIMONY IN THIS PROCEEDING?**

12 A. Yes. I previously submitted I&E Statement No. 3 and I&E Exhibit No. 3 in this
13 proceeding.

14

15 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

16 A. The purpose of my rebuttal testimony is to address the direct testimony of
17 Joseph Kubas submitted on behalf of Pennsylvania Office of Small Business
18 Advocate (OSBA). Specifically, my rebuttal testimony will address OSBA's
19 acceptance of Pittsburgh Water and Sewer Authority's (Pittsburgh Water)

1 proposal to increase the Distribution System Improvement Charge (DSIC) by
2 2.5% from the present 5% to a proposed 7.5%.¹

3
4 **Q. DOES YOUR REBUTTAL TESTIMONY INCLUDE AN EXHIBIT?**

5 A. No.

6
7 **DISTRIBUTION SYSTEM IMPROVEMENT CHARGE**

8 **Q. WHAT IS A DISTRIBUTION SYSTEM IMPROVEMENT CHARGE?**

9 A. For an investor-owned utility (IOU), a DSIC is a regulatory mechanism that
10 allows utilities to recover costs associated with infrastructure improvements and
11 replacements of eligible plant between rate cases to ensure ongoing and
12 accelerated replacement of aging infrastructure. The IOU DSIC allows recovery
13 of the carrying costs of depreciation and return on investment for eligible plant
14 installed between rate cases above the plant included in rates, up to a fixed
15 percentage of revenues. The DSIC for a cash flow municipal utility operates
16 differently in that it operates as a pay-as-you-go fund as a fixed percentage of
17 revenues to provide dollar for dollar recovery of eligible plant above the baseline
18 included in rates.

¹ OSBA Statement No. 1, p. 15.

1 **Q. IN YOUR DIRECT TESTIMONY, WHAT DID YOU RECOMMEND**
2 **REGARDING THE DISTRIBUTION SYSTEM IMPROVEMENT**
3 **CHARGE?**

4 A. I recommended that Pittsburgh Water’s proposal to increase its DSIC rate from
5 5.0% to 7.5% be disallowed.²

6
7 **Q. WHY DID YOU RECOMMEND THE DSIC RATE REMAIN AT 5%?**

8 A. Pittsburgh Water has a history of not meeting its capital budget, and because of
9 this, it allows for excess revenues beyond what Pittsburgh Water shows it can
10 utilize. The lack of completing scheduled capital projects is significant, so adding
11 additional pay-as-you-go revenues to a revenue requirement that likely already
12 includes funding for capital projects that will not be completed as projected is
13 unreasonable. Because of this, Pittsburgh Water should not be allowed to recover
14 additional revenues related to an increase in the DSIC cap rate from 5% to 7.5%,
15 since it has a documented history not completing scheduled capital projects as
16 budgeted.³

² I&E Statement No. 3, p. 10.

³ I&E Statement No. 3, p. 10.

1 **Q. WHAT DID OSBA RECOMMEND REGARDING THE DISTRIBUTION**
2 **SYSTEM IMPROVEMENT CHARGE IN DIRECT TESTIMONY?**

3 A. OSBA witness Joseph Kubas accepted Pittsburgh Water’s proposal to increase the
4 DSIC surcharge from 5.0% to 7.5%.⁴

5

6 **Q. WHAT CHANGES TO PITTSBURGH WATER’S PROPOSED DSIC**
7 **SURCHARGE INCREASE DOES OSBA RECOMMEND?**

8 A. OSBA witness Kubas stated that any DSIC surcharge increase should only apply
9 to base rates and exclude any surcharges related to the PennVest surcharge.⁵

10

11 **Q. DO YOU AGREE WITH OSBA’S ACCEPTANCE OF PITTSBURGH**
12 **WATER’S PROPOSAL TO INCREASE THE DSIC RATE TO 7.5%?**

13 A. No.

14

15 **Q. WHY IS IT IMPROPER TO INCREASE THE DSIC RATE TO 7.5%?**

16 A. Allowing Pittsburgh Water a 2.5% increase above the present 5.0% DSIC rate to
17 7.5% would allow the utility to recover additional water-related DSIC revenues of
18 \$13.9 million in the FPFTY and \$14.9 million in FY 2027. For wastewater, an
19 increased DSIC rate of 7.5% would allow the utility to recover additional revenues
20 of \$5.0 million in the FPFTY and \$5.4 million in FY 2027.⁶ Irrespective of a

⁴ OSBA Statement No. 1, p. 15.

⁵ OSBA Statement No. 1, p. 15.

⁶ Pittsburgh Water Statement No. 2, p. 63 and Pittsburgh Water Exhibit EB-2.

1 DSIC cap increase, Pittsburgh Water will earn higher DSIC revenues because of
2 any allowed revenue increase. Subsequently, this is the reason why the DSIC
3 should not be increased. Considering Pittsburgh Water's lack of documented
4 history of completing capital projects as budgeted⁷, allowing this utility the
5 opportunity to collect more in DSIC revenues is not justified.

6

7 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

8 A. Yes.

⁷ I&E Exhibit No. 3, Schedule No. 1, page 2.

**I&E Statement No. 1-SR
Witness: D. C. Patel**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PITTSBURGH WATER & SEWER AUTHORITY

D/B/A PITTSBURGH WATER

Docket Nos. R-2025-3055010, R-2025-3055011, & R-2025-3055012

Surrebuttal Testimony

of

D. C. Patel

Bureau of Investigation & Enforcement

Concerning:

**Updated I&E Position
Revenue Requirement
Multi-Year Rate Plan
Debt Service Expense
DSIC Increase
Minimum Charge
Days Cash on Hand
Debt Service Coverage Ratio
Rate Stabilization Fund**

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1 **INTRODUCTION OF WITNESS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is D. C. Patel and my business address is Pennsylvania Public Utility
4 Commission, Commonwealth Keystone Building, 400 North Street, Harrisburg,
5 PA 17120.

6

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am employed by the Pennsylvania Public Utility Commission (Commission) in
9 the Bureau of Investigation & Enforcement (I&E) as a Fixed Utility Financial
10 Analyst.

11

12 **Q. ARE YOU THE SAME D. C. PATEL WHO IS RESPONSIBLE FOR THE**
13 **DIRECT TESTIMONY CONTAINED IN I&E STATEMENT NO. 1 AND**
14 **THE SCHEDULES IN I&E EXHIBIT NO. 1?**

15 A. Yes.

16

17 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

18 A. The purpose of my surrebuttal testimony is to address the rebuttal testimony of
19 The Pittsburgh Water & Sewer Authority d/b/a Pittsburgh Water (Pittsburgh Water
20 or Authority) witnesses William J. Pickering,¹ Edward Barca,² and Christine M.

¹ Pittsburgh Water Statement No. 1-R.

² Pittsburgh Water Statement No. 2-R.

1 Fay.³ Finally, I will present I&E's updated recommended revenue requirement for
2 Pittsburgh Water.

3 The absence of any comments or responses to statements or topics
4 addressed in Pittsburgh Water and other parties' rebuttal testimony does not
5 imply my acceptance or support of their positions in this proceeding.
6

7 **Q. DOES YOUR SURREBUTTAL TESTIMONY INCLUDE AN EXHIBIT?**

8 A. Yes. I&E Exhibit No. 1-SR supports my surrebuttal testimony. Additionally, I
9 refer to my direct testimony⁴ and schedules contained in the corresponding exhibit
10 where necessary.⁵
11

12 **Q. SUMMARIZE PITTSBURGH WATER'S REBUTTAL TESTIMONY AS IT
13 RELATES TO YOUR RECOMMENDATIONS IN DIRECT TESTIMONY.**

14 A. Collectively, the Pittsburgh Water witnesses disagree with I&E's overall
15 recommended revenue requirement, my recommended adjustments to debt service
16 expense and debt service capital claims, debt service coverage ratios (DSCR), and
17 the proposed days cash on hand (DCOH). Pittsburgh Water also takes issue with
18 my discussion regarding credit ratings in the context of DSCR and DCOH.

19 Further, the witnesses condemn my recommended disallowance of the proposed
20 Multi-Year Rate Plan (MYRP), increase in Distribution System Improvement

³ Pittsburgh Water Statement No. 7-R.

⁴ I&E Statement No. 1.

⁵ I&E Exhibit No. 1.

1 Charge (DSIC) rate, and the Fully Projected Future Test Year (FPFTY)
2 contribution to the Rate Stabilization Fund (RSF).

3
4 **PITTSBURGH WATER UPDATED ANALYSIS**

5 **Q. DID PITTSBURGH WATER UPDATE THE FPFTY REVENUE**
6 **REQUIREMENT CLAIM AND RELATED FINANCIAL METRICS?**

7 A. Yes. Mr. Pickering provided Pittsburgh Water Exhibit WJP-1 (Revised), which
8 consists of revised/updated rate case tables based on the rebuttal Class Cost of
9 Service Study (CCOSS) model and the corrected Pittsburgh Water Exhibit WJP-
10 2.⁶ Additionally, he summarizes several corrections and revisions⁷ to Pittsburgh
11 Water’s direct testimony of Edward Barca⁸ and Christine Fay.⁹

12 The updated rate case tables and CCOSS include minor changes to
13 revenues (including those from base rates, wholesale, the PENNVEST Surcharge,
14 and DSIC), revenue requirements (including operating and maintenance expense
15 (O&M), debt service expense, DSIC capital, debt coverage capital, and reserve
16 contributions), miscellaneous revenues, and the expected fund balance.¹⁰ Based
17 on Pittsburgh Water’s updated rate case tables,¹¹ the revised FPFTY claims are
18 summarized in the table below:

⁶ Pittsburgh Water Statement No. 1-R, p. 1.
⁷ Pittsburgh Water Statement No. 1-R, pp. 6-7.
⁸ Pittsburgh Water Statement No. 2.
⁹ Pittsburgh Water Statement No. 7.
¹⁰ Pittsburgh Water Statement No. 1-R, p. 9.
¹¹ Pittsburgh Water Exhibit WJP-1 Revised.

Claim	Direct Testimony	Rebuttal Testimony
Revenue Increase	\$65,434,467	\$62,003,687
O&M Expenses	\$307,195,035	\$307,165,972
Revenue Surplus	\$66,594	\$62,049
Ending Cash Balance	\$83,791,941	\$84,128,083
DSCRs	1.85 (Senior Debt) 1.42 (Total Debt)	1.86 (Senior Debt) 1.42 (Total Debt)
Days Cash on Hand	204.3	205.1

1

2

3 **UPDATED I&E POSITION**

4 **Q. HAS I&E’S OVERALL RECOMMENDED REVENUE REQUIREMENT**
5 **CHANGED FROM DIRECT TESTIMONY?**

6 A. Yes. I&E’s updated total recommended revenue requirement for Pittsburgh Water
7 is \$268,145,213. This recommended revenue requirement represents an increase
8 of \$22,916,334 to the FPFTY revenues at present rates of \$245,228,879, which
9 produces a revenue surplus of \$933,604.¹² This total recommended allowance
10 incorporates the analysis in this surrebuttal testimony as well as the analysis and
11 adjustments made in the surrebuttal testimony of I&E witnesses Vanessa Okum,¹³
12 Esyan Sakaya,¹⁴ and Ethan Cline.¹⁵ A calculation of the updated I&E

¹² I&E Exhibit No. 1-SR, Schedule 1, p. 1.

¹³ I&E Statement No. 2-SR.

¹⁴ I&E Statement No. 3-SR.

¹⁵ I&E Statement No. 4-SR.

1 recommended revenue requirement is included in I&E Exhibit No. 1-SR,
2 Schedule 1.

3 In accordance with Pittsburgh Water's Cost of Service Study,¹⁶ this revenue
4 increase should be allocated 65.66% to water operations, 21.30% to wastewater
5 operations, and 13.05% to stormwater operations. Therefore, I&E's
6 recommendation corresponds to a revenue increase of \$15,046,865 to water
7 operations (\$22,916,334 x 65.66%), an increase of \$4,881,179 to wastewater
8 operations (\$22,916,334 x 21.30%), and an increase of \$2,990,581 to stormwater
9 operations (\$22,916,334 x 13.05%).

10
11 **MULTI-YEAR RATE PLAN**

12 **Q. SUMMARIZE PITTSBURGH WATER'S REBUTTAL TESTIMONY**
13 **REGARDING YOUR RECOMMENDATION TO REJECT THE**
14 **PROPOSED MYRP.**

15 A. First, Mr. Barca argues that Section 1330 of the Public Utility Code specifically
16 directs the Commission to approve a variety of alternative rate mechanisms,
17 including an MYRP.¹⁷ He claims my position that Pittsburgh Water needs more,
18 not less, regulatory oversight does not invalidate Pittsburgh Water's right and
19 ability to utilize an MYRP and notes that there is nothing in Section 1330 of the
20 Public Utility Code that ties the use of an alternative ratemaking methodology

¹⁶ Pittsburgh Water Rebuttal Cost of Service Model 9.30.2025, RevReq_Alloc tab, Column Z, Rows 25-27 (Excel file).

¹⁷ Pittsburgh Water Statement No. 2-R, p. 59.

1 with Pittsburgh Water’s experience with the Commission’s regulation.¹⁸ Second,
2 he claims that the alternative ratemaking methodology realistically will eliminate
3 the need to file one rate case.¹⁹ Third, he disagrees with my concern for Pittsburgh
4 Water’s budgeted capital expenditure variances experienced during fiscal years
5 (FY) 2020-2023 and states that the actual level of FY 2027 rate increase will be
6 based on the actual level of cost of the 2027 bond issuance to finance capital
7 expenditures.²⁰ Finally, he claims that the MYRP process does not eliminate
8 Commission oversight; it merely streamlines it compared to a full base rate case.²¹

9 Ms. Fay states that Pittsburgh Water’s pattern of capital underspending for
10 the period 2020-2024 was due to COVID-19 pandemic supply chain bottlenecks
11 and disruptions, and cost inflations. She asserts that these issues were resolved
12 starting in 2023, and therefore, Pittsburgh Water’s FY 2024 capital spending was
13 almost \$19,000,000, or over 10%, over the budgeted capital expenditures.²² She
14 claims that rating agencies expect the Commission to approve regular and
15 significant rate increases necessary to facilitate Pittsburgh Water’s capital plan.²³

¹⁸ Pittsburgh Water Statement No. 2-R, p. 62.

¹⁹ Pittsburgh Water Statement No. 2-R, p. 62.

²⁰ Pittsburgh Water Statement No. 2-R, p. 63.

²¹ Pittsburgh Water Statement No. 2-R, p. 64.

²² Pittsburgh Water Statement No. 7-R, p. 5.

²³ Pittsburgh Water Statement No. 7-R, p. 6.

1 **Q. WHAT IS YOUR RESPONSE TO MR. BARCA’S REBUTTAL**
2 **TESTIMONY REGARDING I&E’S RECOMMENDATION TO REJECT**
3 **THE PROPOSED MYRP FOR RECOVERY OF THE \$20,700,000 DEBT**
4 **EXPENSE IN FY 2027?**

5 A. First, I disagree with Mr. Barca’s assertion that since Section 1330 of the Public
6 Utility Code specifically allows the Commission to approve a variety of
7 alternative rate mechanisms, Pittsburgh Water’s proposed MYRP should be
8 approved. As discussed in my direct testimony,²⁴ I reiterate that Pittsburgh Water
9 has recently come under the jurisdiction of the Commission in 2018 and has
10 experienced only four base rate cases in that time. Pittsburgh Water has not faced
11 repeated scrutiny over decades and is still building a record of financial
12 responsibility and developing its rapport with the Commission. Pittsburgh Water
13 would benefit from continued Commission oversight via regular base rate
14 proceedings especially considering its past mismanagement and ambitious capital
15 improvement plan. Next, while I partially agree with Mr. Barca that there are no
16 regulatory minimum requirements in order to propose an MYRP plan, any
17 proposed rate increase must still be just and reasonable. Further, I don’t believe
18 the MYRP is currently in the best interest of Pittsburgh Water or its customers for
19 the reasons discussed above and in my direct testimony.

20 Second, Mr. Barca’s claim that an alternative ratemaking methodology will

²⁴ I&E Statement No. 1, p. 9.

1 eliminate the need to file one rate case is speculative because Pittsburgh Water's
2 proposed MYRP is primarily to recover an increase in 2027 debt service expense
3 and there is no certainty that Pittsburgh Water would not file another base rate
4 case for recovery of increases in operating expenses in the foreseeable future.

5 Third, as discussed in my direct testimony,²⁵ Pittsburgh Water underspent
6 its budgeted capital expenditures on average by \$78,419,290 on an annual basis,
7 which is 35.24% of the budgeted capital expenditures for the five-year period (FY
8 2020 - FY 2024). There is no certainty that Pittsburgh Water would fully spend its
9 budgeted capital expenditures on a yearly basis and would need to borrow or use
10 the FY 2027 debt funding to the target level. Finally, I believe the approval of the
11 MYRP for the FY 2027 debt expense recovery is tantamount to single issue
12 ratemaking, which would set a precedent for other utilities to pursue an MYRP for
13 the recovery of any expenses or costs limiting the Commission's authority to
14 review reasonableness and prudence of a forecasted expense claim.

15
16 **Q. WHAT IS MR. BARCA'S CLAIM FOR THE FY 2027 PROJECTED RATE**
17 **INCREASE IF THE PROJECTED DEBT EXPENSE IS GREATER THAN**
18 **\$20,700,000?**

19 **A.** Mr. Barca states that if the revised projections produce a rate increase that is lower
20 than the currently projected \$20,700,000, Pittsburgh Water will only put in place

²⁵ I&E Statement No. 1, pp. 9-12.

1 the lower amount. However, if the projected rate increase is greater than
2 \$20,700,000, Pittsburgh Water will only implement the maximum rate increase
3 permitted (i.e. \$20,700,000) and will defer any additional debt expense (revenue
4 requirement) until its next base rate proceeding where it would make a claim for
5 recovery of any deferred revenue requirement.²⁶

6
7 **Q. DO YOU AGREE WITH MR. BARCA’S CLAIM FOR THE DEFERRED**
8 **EXPENSE/REVENUE RECOVERY IN THE NEXT BASE RATE CASE IF**
9 **THE FY 2027 ACTUAL DEBT EXPENSE IS GREATER THAN THE**
10 **PROJECTED OR CLAIMED DEBT EXPENSE OF \$20,700,000?**

11 A. No. As discussed above, the MYRP for the FY 2027 debt expense recovery is
12 tantamount to single issue ratemaking. Mr. Barca anticipates that the projected
13 debt expense claim of \$20,700,000 may increase upon finalization of the
14 \$110,000,000 bond issue and thus the revenue requirement for the FY 2027 bond
15 issue expense is precisely unknown or uncertain. Therefore, Mr. Barca is
16 requesting blanket approval to permit deferring any potential increase in FY 2027
17 debt expense greater than \$20,700,000 for recovery in a subsequent rate case to be
18 filed after FY 2027. As Pittsburgh Water’s ratemaking is based on the cash flow
19 method intended to recover actual cash needs in the test year, it is inappropriate
20 for Pittsburgh Water to ask for more revenue from ratepayers for a historic period

²⁶ Pittsburgh Water Statement No. 2-R, pp. 60-61.

1 in the subsequent rate case which would equate to retroactive ratemaking and
2 improperly inflate rates for the test year in that proceeding.

3 Additionally, there is a theoretical and practical issue with the deferred
4 expense recovery mechanism for the increased portion of debt expense. For
5 example, if the actual debt cost of the FY 2027 bond issue is determined or
6 finalized at \$20,900,000 per annum then the *annual increase* of debt expense
7 would be \$200,000 (\$20,900,000 - \$20,700,000) for the life of the bond issue (i.e.,
8 a 30-year amortization period). In this situation, Pittsburgh Water would be
9 required to seek recovery of an *additional \$200,000 debt expense for 30 years in*
10 *the subsequent rate case after FY 2027.*

11 For reasons discussed above, I continue to recommend that the Commission
12 reject Pittsburgh Water's MYRP proposal including the request for deferred
13 recovery of debt expense in subsequent rate cases. I&E witness Vanessa Okum
14 discusses additional reasons why allowing this deferred recovery would be
15 inappropriate in her surrebuttal testimony.²⁷

16
17 **Q. WHAT IS YOUR RESPONSE TO MS. FAY'S REBUTTAL TESTIMONY**
18 **REGARDING I&E'S RECOMMENDATION TO REJECT THE**
19 **PROPOSED MYRP?**

20 **A.** I accept that the COVID-19 pandemic created supply chain disruptions and cost

²⁷ I&E Statement No. 2-SR.

1 inflations for the FY 2020 through FY 2021. However, I believe that the supply
2 chain disruptions started normalizing in 2023, nevertheless, Pittsburgh Water
3 could not meet its budgeted capital expenditures in FY 2023. In fact, considering
4 the COVID-19 disruptions Pittsburgh Water could have revised or downsized its
5 yearly capital expenditure program and borrowing plan. I believe that rating
6 agencies' expectation that the Commission should approve regular and *significant*
7 rate increases necessary to facilitate Pittsburgh Water's capital plan does not
8 validate or support Pittsburgh Water's MYRP because the Commission is required
9 to determine fair and reasonable rates considering the customers' interest and rate
10 affordability.

11
12 **DEBT SERVICE EXPENSE**

13 **Q. SUMMARIZE YOUR RECOMMENDATION IN DIRECT TESTIMONY**
14 **REGARDING PITTSBURGH WATER'S FPFTY CLAIMS FOR DEBT**
15 **SERVICE EXPENSE AND DEBT COVERAGE CAPITAL RELATING TO**
16 **THE PROPOSED \$150,000,000 SENIOR LIEN BOND ISSUE IN THE**
17 **FPFTY.**

18 A. Pittsburgh Water is claiming total senior lien debt service expense of \$84,927,686
19 and related total debt coverage capital of \$21,231,922 in the FPFTY.²⁸ In direct
20 testimony, I recommended adjustments of \$11,241,803 to the debt service expense

²⁸ I&E Statement No. 1, p. 13, lines 5-6.

1 claim and \$2,810,451 in debt coverage capital tied to the proposed \$150,000,000
2 senior lien bond issue to fund the FPFTY capital expenditures.²⁹

3 As discussed in my direct testimony,³⁰ my recommendation is based on
4 potential underspending in capital expenditures as discussed by Eryan Sakaya.³¹
5 In this context, I believe Pittsburgh Water would not require an additional
6 borrowing (senior lien bond issue) of \$150,000,000 planned in the FPFTY,
7 because it is not supported by its historic and current pace and the level of capital
8 spending with respect to the budgeted capital expenditures.

9
10 **Q. WHAT WAS PITTSBURGH WATER'S RESPONSE TO YOUR**
11 **RECOMMENDED ADJUSTMENTS TO THE DEBT SERVICE EXPENSE**
12 **AND DEBT COVERAGE CAPITAL CLAIMS?**

13 A. Mr. Barca states that virtually all of the contemplated 2026 bond issuance is
14 already spent because as of September 15, 2025, capital expenses eligible to be
15 funded with the capital line of credit were \$109,765,305, which are projected to
16 reach the full \$150,000,000 credit limit by the end of FY 2025. The proposed
17 FPFTY bond issuance of \$150,000,000 will be used to refund the capital line of
18 credit and continue the capital improvement plan. Therefore, he claims that there
19 is no basis to show that Pittsburgh Water will not need the funds to be produced by
20 the FPFTY bond issue and hence he disagrees with my recommended

²⁹ I&E Statement No. 1, p. 14, lines 5-9.

³⁰ I&E Statement No. 2, pp. 14-15.

³¹ I&E Statement No. 3.

1 adjustments.³²

2
3 **Q. DID PITTSBURGH WATER UPDATED THE FPFTY SENIOR LIEN**
4 **DEBT SERVICE EXPENSE AND DEBT COVERAGE CAPITAL CLAIMS?**

5 A. Yes. Pittsburgh Water revised its senior lien debt service expense claim from
6 \$84,927,686 to \$84,368,436 and the related debt coverage capital claim from
7 \$21,231,922 to \$21,092,109³³ to reflect a change in the interest rate assumption
8 for the proposed bond issue of \$150,000,000.

9
10 **Q. DID PITTSBURGH WATER SUBSTANTIATE MR. BARCA'S CLAIM**
11 **THAT AS OF SEPTEMBER 15, 2025, CAPITAL EXPENSES ELIGIBLE**
12 **TO BE FUNDED WITH THE CAPITAL LINE OF CREDIT WERE**
13 **\$109,765,305, WHICH IS PROJECTED TO REACH THE FULL**
14 **\$150,000,000 CAPITAL LINE OF CREDIT LIMIT BY THE END OF FY**
15 **2025?**

16 A. Yes. In response to I&E-RR-22, Pittsburgh Water provided details about the total
17 capital expenditures of \$123,959,444 incurred as of September 30, 2025 for FY
18 2025 broken down as follows:³⁴

³² Pittsburgh Water Statement No. 2-R, pp. 10-11.

³³ I&E Exhibit No. 1-SR, Schedule 1, p. 1.

³⁴ I&E Exhibit No. 1-SR, Schedule 2.

Funding Source	FY 2025 Amount
PENNVEST Funding	\$68,477,515
DSIC Funding	\$5,680,259
Capital Line of Credit	<u>\$49,801,670</u>
Total Capital Expenditures	<u>\$123,959,444</u>

1

2

In the response, Pittsburgh Water also states that it will incur an additional

3

\$40,000,000 in capital expenditures using the capital line of credit by the end of

4

FY 2025.

5

6

**Q. WHAT IS YOUR RESPONSE TO PITTSBURGH WATER’S REBUTTAL
TESTIMONY REGARDING THE FY 2025 CAPITAL EXPENDITURES
AND FUNDING SOURCE?**

7

8

9

A. I accept that Pittsburgh Water incurred capital expenditures of \$123,959,444 as of

10

September 30, 2025. However, the funding sources of PENNVEST loans/grants

11

of \$68,477,515 and the DSIC revenue of \$5,680,259³⁵ amounting to total

12

\$74,157,774 are dedicated sources of funds that are not required to be refinanced

13

or replenished by a new bond issue of \$150,000,000 in the FPFTY. In reality,

14

Pittsburgh Water would need to borrow additional funding of approximately

15

\$75,842,226 (\$150,000,000 - \$74,157,774) to meet its capital expenditures by

³⁵ I&E Exhibit No. 1-SR, Schedule 1, Table I, Column E.

1 issuing a new senior lien bond of approximately \$76,000,000 (rounded) rather
2 than \$150,000,000 in the FPFTY.

3
4 **Q. PLEASE CONTINUE.**

5 A. Notably, by the end of the FY 2025, Pittsburgh Water anticipates that it will incur
6 the total capital expenditures of approximately \$163,959,444 (\$123,959,444 +
7 \$40,000,000) compared to the FY 2025 budgeted capital expenditures of
8 \$323,429,338,³⁶ which represents 49.31% underspending of the budgeted amount.

9 As discussed above, Pittsburgh Water underspent its budgeted capital
10 expenditures on average by \$78,419,290 on an annual basis, which is 35.24% of
11 the budgeted capital expenditures for the five-year period (FY 2020 - FY 2024).
12 Therefore, there is no certainty that Pittsburgh Water would fully spend the
13 budgeted FPFTY capital expenditures of \$344,200,122 and would need to borrow
14 or issue new bonds of \$150,000,000. As explained above, Pittsburgh Water would
15 need to issue a senior lien bond of approximately \$76,000,000 in the FPFTY.
16 Additionally, it is important to note that Pittsburgh Water anticipates that
17 PENNVEST funding of \$77,700,000 will be awarded on October 15, 2025 at the
18 PENNVEST Board meeting,³⁷ which would be available to fund PENNVEST
19 capital expenditures of \$68,477,515 as mentioned above.

³⁶ Pittsburgh Water Rebuttal Cost of Service Model 9.30.2025, FR-VII.8 Tab, Column G, Line 30.

³⁷ I&E Statement No. 2, pp. 17-18.

1 **Q. DO YOU HAVE ANY CHANGES IN YOUR RECOMMENDATION TO**
2 **REJECT THE SENIOR LIEN DEBT SERVICE EXPENSE AND DEBT**
3 **COVERAGE CAPITAL CLAIMS RELATING TO THE FPPTY BOND**
4 **ISSUE OF \$150,000,000?**

5 A. Yes. I am revising my recommendation for the senior lien debt service expense
6 and debt coverage capital reflecting expenses for an FPPTY bond issue of
7 \$76,000,000 rather than recommending disallowance of the entire claims for debt
8 service expense and debt coverage capital pertaining to the proposed \$150,000,000
9 bond issue in the FPPTY.

10 I recommend an adjustment of \$5,271,353 (\$10,682,553 - \$5,411,200) to
11 the total senior lien debt service expense claim of \$84,368,436 and a related
12 adjustment of \$1,317,838 (\$2,670,638 - \$1,352,800) to the total debt coverage
13 capital claim of \$21,092,109.³⁸

14
15 **Q. HOW DID YOU CALCULATE YOUR UPDATED ADJUSTMENTS?**

16 A. I calculated my recommended debt service expense allowance of \$5,411,200
17 based on the bond issue of \$76,000,000 by applying a 7.12% (0.0712) factor
18 (Pittsburgh Water's debt service expense claim \$10,682,553 divided by the bond
19 issue amount of \$150,000,000). I calculated a recommended debt coverage capital
20 allowance of \$1,352,800 by applying a 25% coverage margin (per debt covenant)

³⁸ I&E Exhibit No. 2-SR, Scheule 1, p. 1.

1 to the recommended debt service expense allowance of \$5,411,200.

2
3 **DISTRIBUTION SYSTEM IMPROVEMENT CHARGE**

4 **Q. SUMMARIZE MR. BARCA’S REBUTTAL TESTIMONY REGARDING**
5 **I&E’S RECOMMENDATION TO REJECT PITTSBURGH WATER’S**
6 **REQUEST TO RAISE THE DSIC RATE FROM 5.0% TO 7.5% OF**
7 **DISTRIBUTION REVENUES.**

8 A. First, Mr. Barca, relying on advice of counsel, claims that 66 Pa. C.S. § 1358(a)(2)
9 of the Public Utility Code authorizes a DSIC rate at 7.5% for water companies,
10 and he asserts that Pittsburgh Water’s water operation has a legal right to the DSIC
11 rate of 7.5% without any justification for this level.³⁹ Second, he states that
12 Pittsburgh Water initially agreed to a 5.0% DSIC rate for its water operations as
13 part of a settlement agreement to gain experience with the DSIC’s requirements
14 before moving to a 7.5% cap.⁴⁰ Regarding increasing the DSIC cap for
15 wastewater operation, he asserts that the standard for increasing the DSIC cap
16 under 66 Pa. C.S. § 1358(a)(1) is simply whether the increase will ensure and
17 maintain adequate, efficient, safe, reliable, and reasonable service.⁴¹ Third, he
18 disagrees with availability of alternative source of funding (PENNVEST loans and
19 grants) as a viable option for funding the proposed acceleration of distribution

³⁹ Pittsburgh Water Statement No. 2-R, p. 47.

⁴⁰ Pittsburgh Water Statement No. 2-R, p. 47.

⁴¹ Pittsburgh Water Statement No. 2-R, p. 47.

1 system capital projects.⁴² Finally, he disagrees with variances between actual
2 spending and budgeted amounts of capital expenditures in the last several years as
3 reason for denial of increasing the DSIC rate. He suggests that concerns for
4 variances between budget and actual capital expenditures can be eliminated via a
5 reconcilable DSIC mechanism, which is the best way to protect customers from
6 underspending for the costs of the project.⁴³

7
8 **Q. PLEASE RESPOND TO MR. BARCA'S CRITICISMS OF YOUR**
9 **RECOMMENDATION TO DENY THE PROPOSED INCREASE TO THE**
10 **DSIC RATE.**

11 A. First, I would like to point out that I&E counsel has advised that 66 Pa. C.S. §
12 1358(a)(2) does not authorize an automatic or blanket DSIC rate of 7.5% for water
13 companies. But rather, the Commission may, upon a utility's petition, approve a
14 DSIC rate increase from 5.0% to 7.5%. Therefore, Mr. Barca's assertion that the
15 DSIC rate of 7.5% is a legal right without any requirement to first petition the
16 Commission and provide justification for the DSIC rate increase is not accurate.
17 Furthermore, it is important to remember that the DSIC awarded to Pittsburgh
18 Water and the Commission's other cash flow municipal utility, Philadelphia Gas
19 Works, varies substantially in function from the typical investor-owned utility
20 DSIC mechanism. As a direct cash flow source, not tied to historic completion of

⁴² Pittsburgh Water Statement No. 2-R, pp. 48-49.

⁴³ Pittsburgh Water Statement No. 2-R, p. 50.

1 capital projects, the standard to allow an increase is notably different and more
2 intrinsically linked to historic performance of accelerating DSIC-eligible capital
3 project projections, which has not been demonstrated as discussed in the testimony
4 of Esyan Sakaya.⁴⁴

5 Second, Pittsburgh Water's agreement to a 5.0% DSIC rate for its water
6 operations as part of a settlement in prior rate case does not support an automatic
7 entitlement to a 7.5% DSIC rate. Regarding increasing the DSIC cap for
8 wastewater operation, pursuant to 66 Pa. C.S. § 1358(a)(1), the Commission *may*
9 grant a waiver of the 5.0% DSIC limit upon review of the utility's petition in order
10 to ensure and maintain adequate, efficient, safe, reliable, and reasonable service.
11 I&E counsel will address the legal interpretation of 66 Pa. C.S. § 1358(a)(1) and
12 1358(a)(2) in briefs.

13 Third, I disagree with Mr. Barca that availability of alternative sources of
14 funding (PENNVEST loans and grants) is not a viable option for funding the
15 proposed acceleration of distribution system capital projects. As discussed in my
16 direct testimony,⁴⁵ historically, since 2018 Pittsburgh Water has consistently been
17 successful in securing a significant amount of PENNVEST loans and PENNVEST
18 grants amounting to \$714,000,000 in low-interest loans and \$94,500,000 in grants
19 for a total of \$808,500,000 from PENNVEST, which translates to an annual
20 average funding support of \$115,500,000 over the last seven years (2018-2024).

⁴⁴ I&E Statement No. 3-SR.

⁴⁵ I&E Statement No. 2, p. 17.

1 Additionally, on July 16, 2025, PENNVEST awarded \$14,214,403 and
2 \$11,275,597 in loans for a total amount of \$25,490,000, and Pittsburgh Water
3 further anticipates PENNVEST funding of \$77,700,000 to be awarded on
4 October 15, 2025 at the PENNVEST Board meeting.⁴⁶ Use of these funds
5 provides major cost savings to Pittsburgh Water’s ratepayers and is preferable
6 over increasing the DSIC rate or long-term bond funding.

7 Lastly, I continue to assert that based on the historic five-year annual
8 average underspending of 35.24% of the budgeted capital expenditures discussed
9 in my direct testimony⁴⁷ and by Esyan Sakaya,⁴⁸ it is speculative to assume that
10 Pittsburgh Water would spend the full amount of FPFTY budgeted/planned capital
11 expenditures of \$344,200,122. Notably, Pittsburgh Water is projecting
12 significantly lower capital expenditures for the FY 2028 through FY 2030 as
13 shown in the table below:

FPFTY	FY 2027	FY 2028	FY 2029	FY 2030
\$344,200,122	\$287,352,969	\$112,108,105	\$106,425,373	\$106,425,373

14
15 Considering the above discussion, Pittsburgh Water’s claim for DSIC rate increase
16 is unsupported and lacks justification in this case.

⁴⁶ I&E Statement No. 2, pp. 17-18.

⁴⁷ I&E Statement No. 2, pp. 9-12.

⁴⁸ I&E Statement Nos. 3 and 3-SR.

1 **Q. DO YOU HAVE A SUPPLEMENTAL RESPONSE TO SUPPORT**
2 **DENYING THE DSIC RATE INCREASE?**

3 A. Yes. I&E's recommendation yields a revenue surplus of \$933,604 which
4 contributes to an ending unrestricted cash balance of \$84,995,092 that can be used
5 for operating expenses as well as for certain capital expenditures. This large cash
6 balance fully covers the additional revenue of \$8,758,401 claimed for the FPPTY
7 to be generated from the DSIC rate increase of 2.5% (7.5% - 5.0%).
8

9 **Q. SUMMARIZE MS. FAY'S REBUTTAL TESTIMONY REGARDING I&E'S**
10 **RECOMMENDATION TO REJECT PITTSBURGH WATER'S REQUEST**
11 **TO RAISE THE DSIC RATE.**

12 A. First, Ms. Fay states that DSIC provides a lower cost of capital than Pittsburgh
13 Water's other financing alternatives including publicly issued revenue bonds,
14 WIFIA, PENNVEST, and its interim line of credit. She presents a table showing
15 debt service expense, coverage of the revenue requirement, and present value of
16 the revenue requirement for an alternative financing option versus ratepayer-
17 funded DSIC revenue.⁴⁹ Second, she claims that the rating agencies would view
18 an increase in the DSIC rate positively because the rating agencies are concerned
19 about Pittsburgh Water's high leverage and extensive capital needs. She opines
20 that given Pittsburgh Water's already high leverage it is imperative that the

⁴⁹ Pittsburgh Water Statement No. 7-R, pp. 13-14.

1 Authority fund its capital needs, in part, through the DSIC to reduce its reliance on
2 debt and avoid further overleveraging the system.⁵⁰

3
4 **Q. WHAT IS YOUR RESPONSE TO MS. FAY’S COMMENTS ON YOUR**
5 **RECOMMENDATION TO DENY THE PROPOSED INCREASE TO THE**
6 **DSIC RATE?**

7 A. First, I agree that the DSIC provides a lower cost of capital than Pittsburgh
8 Water’s other financing alternatives. However, Ms. Fay ignores the fact that
9 DSIC recovery impacts rates in totality for the total DSIC revenue collected each
10 year while the costs of borrowing are spread over the longer term and reduce
11 immediate impact on rates. She incorrectly compares the FPFTY total DSIC
12 revenue recovery of \$18,898,544 calculated at a 7.5% DSIC rate rather than the
13 differential revenue of \$6,298,059 calculated at DSIC rate of 2.5% with the
14 alternative financing cost.⁵¹ Considering the above discussion, I disagree with her
15 assertion that the lower cost of DSIC funding supports Pittsburgh Water’s claim
16 for a DSIC rate increase.

17 Second, rating agencies consider various financial metrics in rating
18 methodology, as discussed in my direct testimony. Increased DSIC revenue of
19 \$6,298,059 representing the 2.5% difference in the DSIC rate would not require
20 borrowing that could impact the DSCR, because as discussed above Pittsburgh

⁵⁰ Pittsburgh Water Statement No. 7-R, p. 14.

⁵¹ Pittsburgh Water Exhibit CF-15.

1 Water would have an unrestricted ending cash balance of \$84,995,092 for meeting
2 the shortfall in DSIC revenue for funding capital expenditures in addition to the
3 rate stabilization fund balance of \$24,775,633.⁵²

4
5 **Q. DO YOU HAVE ANY CHANGE IN YOUR RECOMMENDATION TO**
6 **REJECT AN INCREASE TO THE DSIC RATE FROM 5.0% TO 7.5%?**

7 A. No. I continue to recommend that the Commission reject Pittsburgh Water's
8 request to increase the DSIC rate in this proceeding.

9
10 **MINIMUM CHARGE**

11 **Q. SUMMARIZE YOUR POSITION REGARDING THE MINIMUM**
12 **CHARGE IN DIRECT TESTIMONY.**

13 A. In direct testimony, I recommended that, despite I&E's recommendation to deny
14 the MYRP, the elimination of the minimum charge should occur on the first day of
15 FY 2027 on a revenue neutral basis. This means that, despite the rate change,
16 customers would be generating the same level of revenue in FY 2027 that may be
17 approved for the FPFTY ending December 31, 2026, but under a different rate
18 structure.⁵³

⁵² I&E Exhibit No. 1, Schedule 4, p. 2.

⁵³ I&E Statement No. 1, p. 21.

1 **Q. WHAT WAS PITTSBURGH WATER’S RESPONSE TO YOUR**
2 **RECOMMENDATION TO ELIMINATE THE MINIMUM CHARGE?**

3 A. Mr. Barca did not specifically respond to my recommendation but simply noted
4 that I&E supported the proposal.⁵⁴ This implies that Pittsburgh Water accepts my
5 recommendation to eliminate the minimum charge effective on the first day of FY
6 2027 on a revenue neutral basis.

7

8 **DAYS CASH ON HAND**

9 **Q. SUMMARIZE YOUR POSITION REGARDING DCOH IN DIRECT**
10 **TESTIMONY.**

11 A. In direct testimony, I explained that I&E’s proposed rates would result in
12 approximately 245 DCOH. I indicated that this metric falls within Moody’s range
13 for the ‘Aa’ rating category, which is higher than Moody’s current overall ‘A2’
14 rating for Pittsburgh Water, and supports its current credit rating.⁵⁵ Additionally, I
15 noted that the approximately 245 DCOH resulting from I&E’s recommendation
16 far exceeds the 100 DOCH lowest target level and is well on its way to reaching
17 Pittsburgh Water’s five-year target goal of 300 DCOH asserted in its Financial
18 Management Policy.⁵⁶

⁵⁴ Pittsburgh Water Statement No. 2-R, p. 98.

⁵⁵ I&E Statement No. 1, p. 12.

⁵⁶ I&E Statement No. 1, p. 29, lines 5-8.

1 **Q. WHAT WAS PITTSBURGH WATER’S RESPONSE TO YOUR DCOH**
2 **ANALYSIS?**

3 A. Mr. Barca disagrees with my methodology in calculating the number of DCOH as
4 he claims it is based on normalized expenses rather than Pittsburgh Water’s
5 approved projected operating budget. He provides a recalculation and claims that
6 my recommendation actually results in a much lower 86.8 DCOH without
7 ALCOSAN and 50.2 DCOH with ALOCSAN.⁵⁷ Further, he echoes Ms. Fay’s
8 concern that these proposed levels are not acceptable as they inhibit Pittsburgh
9 Water’s ability to continue to grow its reserves to levels that are comparable to its
10 peers as well as to levels that the rating agencies view as favorable in their scoring
11 methodologies. Finally, he opines that the DCOH metric is heavily monitored by
12 the rating agencies and any sign that it will not continue to improve could have a
13 negative impact on Pittsburgh Water’s credit ratings.⁵⁸

14 Ms. Fay disagrees with my recommended DCOH and opines that assuming
15 that Pittsburgh Water will not incur those budgeted levels would be catastrophic
16 and most certainly will result in rating downgrades.⁵⁹ Echoing Mr. Barca’s
17 comments, she implies that my DCOH calculation, which employs Pittsburgh
18 Water’s own formula within its provided rate case tables,⁶⁰ is incorrect as a result
19 of “the assumed haircut to operating expenses.”⁶¹ Finally, she rejects my assertion

⁵⁷ Pittsburgh Water Statement No. 2-R, p. 17.

⁵⁸ Pittsburgh Water Statement No. 2-R, pp. 17-18.

⁵⁹ Pittsburgh Water Statement No. 7-R, p. 16.

⁶⁰ Pittsburgh Water Exhibit WJP-1.

⁶¹ Pittsburgh Water Statement No. 7-R, p. 18.

1 that DCOH and DSCRs (resulting from I&E's revenue recommendation) will
2 afford Pittsburgh Water the opportunity to cover necessary expenses, pay its debt,
3 and continue to improve its current financial position and maintain credit ratings.⁶²
4

5 **Q. HAS YOUR DCOH ANALYSIS CHANGED FROM YOUR DIRECT**
6 **TESTIMONY?**

7 A. Yes. As a result of I&E's updated revenue requirement resulting from the revision
8 in my recommended adjustments discussed in this surrebuttal and the adjustment
9 discussed in the surrebuttal testimony of Mr. Sakaya,⁶³ the DCOH has slightly
10 increased to approximately 246 days.⁶⁴
11

12 **Q. WHAT IS YOUR RESPONSE TO MR. BARCA'S ARGUMENT AGAINST**
13 **YOUR DCOH ANALYSIS?**

14 A. I&E's updated recommended revenue requirement results in 246 DCOH as
15 opposed to Pittsburgh Water's updated calculation of approximately 205.1
16 DCOH.⁶⁵ These projections are, of course, highly dependent on the actual
17 experienced level of expenditures. As apparent from I&E witness Vanessa
18 Okum's testimony,⁶⁶ Pittsburgh Water has over-budgeted the FPFTY O&M
19 expenses compared to the historic experienced operating expense levels, which is

⁶² Pittsburgh Water Statement No. 7-R, p. 15.

⁶³ I&E Statement No. 3-SR.

⁶⁴ I&E Exhibit No. 1-SR, Schedule 1, p. 1.

⁶⁵ Pittsburgh Water Exhibit WJP-1 Revised.

⁶⁶ I&E Statement Nos. 2 and 2-SR.

1 largely where I&E differs in DCOH calculations. Whether some expenses are
2 normalized or not, Ms. Okum has thoroughly analyzed the level of actual
3 experienced O&M expenses, which ultimately is what filters into my DCOH
4 calculation.

5
6 **Q. DOES YOUR DETERMINATION OF 246 DCOH PUT PITTSBURGH**
7 **WATER IN JEOPARDY OF A CREDIT DOWNGRADE AS MS. FAY**
8 **SEEMINGLY SUGGESTS?**

9 A. No. First, as mentioned above, my DCOH calculation is a direct result of Ms.
10 Okum and Mr. Sakaya's recommended reductions to Pittsburgh Water's O&M
11 expenses. Obviously, my calculation of 246 DCOH is well above the current
12 rating requirement DCOH metric. Again, as discussed in my direct testimony,⁶⁷
13 Pittsburgh Water's DCOH at I&E's proposed rates falls within Moody's range for
14 the 'Aa' rating category, which is notably higher than Moody's overall 'A2' rating
15 for Pittsburgh Water.

16 Further, I must reiterate that the approximately 246 DCOH resulting from
17 I&E's recommendation far exceeds the 100 days current need and is very much on
18 track to reaching Pittsburgh Water's five-year target goal of 300 days as asserted
19 in its Financial Management Policy.⁶⁸

⁶⁷ I&E Statement No. 1, p. 28.

⁶⁸ I&E Statement No. 1, p. 29.

1 Finally, I accept that it would be appropriate for Pittsburgh Water to strive
2 to achieve a level of DCOH closer to that of its peers. While more cash on hand is
3 a beneficial factor, it is important to strike a balance between improving financial
4 metrics and the impact on customers. There are limitations on customers' rate
5 affordability for the increased portion of costs that can be absorbed.

6 Unfortunately, the current situation caused by poor financial management of
7 Pittsburgh Water over so many years cannot be instantaneously remedied by
8 putting an immediate and overwhelming burden on its ratepayers. As discussed in
9 my direct testimony,⁶⁹ it is also important to recognize that Pittsburgh Water has
10 only recently come under the Commission's jurisdiction, and as indicated by
11 Moody's and S&P Global, the DCOH has been steadily improving ever since
12 2018. Consequently, any fear or concern of a credit downgrade as discussed and
13 forecasted by Ms. Fay in her rebuttal testimony⁷⁰ due to I&E's recommended level
14 of cash on hand is speculative and unjustified because rating agencies consider
15 various other rating criteria in addition to DCOH.

16 Moody's did not downgrade Pittsburgh Water's rating since October 15,
17 2018 and S&P Global did not downgrade its rating since December 12, 2013.⁷¹
18 Notably, Pittsburgh Water has filed five base rate cases including this current rate
19 case since 2018 and the past four rate cases were settled for a lower revenue
20 increase than Pittsburgh Water's requested revenue increase, but the rating

⁶⁹ I&E Statement No. 1, p. 29.

⁷⁰ Pittsburgh Water Statement No. 7-R, p. 16.

⁷¹ I&E Statement No. 1, p. 25.

1 agencies did not downgrade Pittsburgh Water’s ratings. In fact, during 2018-2024
2 Moody’s has upgraded Pittsburgh Water’s rating from A3 to A2 effective
3 December 16, 2024 and S&P Global upgraded the rating from A to A+ effective
4 October 12, 2022.⁷²

5
6 **DEBT SERVICE COVERAGE RATIO**

7 **Q. SUMMARIZE YOUR DSCR RECOMMENDATION IN DIRECT**
8 **TESTIMONY.**

9 A. In direct testimony,⁷³ I explained that I&E’s proposed rates would result in DSCRs
10 of 1.86x for senior debt service and 1.37x for total debt service coverage.

11
12 **Q. WHAT IS PITTSBURGH WATER’S RESPONSE TO YOUR**
13 **RECOMMENDED DSCRs?**

14 A. Mr. Barca disagrees with my recommended DSCRs and states that my DSCRs are
15 arrived at by pretending that Pittsburgh Water will incur operating expenses on a
16 “normalized” level rather than on the level projected in Pittsburgh Water’s
17 approved operating budget.⁷⁴ Further he states that Pittsburgh Water’s legal
18 requirement for senior debt is 1.25x and 1.10x for total debt (excluding
19 PENNVEST) and asserts that these legal requirements should not be the levels at

⁷² I&E Statement No. 1, p. 25.

⁷³ I&E Statement No. 1, p. 35.

⁷⁴ Pittsburgh Water Statement No. 2-R, p. 15.

1 which Pittsburgh Water's revenue requirement should be set.⁷⁵ He largely relies
2 upon the testimony of Ms. Fay and suggests that Pittsburgh Water needs to strive
3 for much higher coverage levels, as supported by guidance released by Moody's
4 and S&P Global Ratings as well as the actual performance of peer utilities.⁷⁶

5 Ms. Fay disagrees with my recommended DSCRs and opines that assuming
6 Pittsburgh Water will not incur those budgeted levels would be catastrophic and
7 most certainly will result in ratings downgrades.⁷⁷ She estimates or forecasts
8 Moody's rating downgrade from A2 to Baa2 and S&P Global's rating from A+ to
9 BBB+/BBB based on my recommended DSCRs and DCOH levels.⁷⁸

10
11 **Q. HAS YOUR DSCR ANALYSIS CHANGED FROM YOUR DIRECT**
12 **TESTIMONY?**

13 A. Yes. As a result of I&E's updated revenue requirement due to my adjustments
14 discussed in this testimony combined with Ms. Okum's and Mr. Sakaya's O&M
15 adjustments discussed in their surrebuttal testimony, my DSCR for senior liens has
16 decreased to 1.83x⁷⁹ from the original recommended DSCR of 1.86x, while my
17 DSCR for total debt service remained same at 1.37x⁸⁰ from the original
18 recommended DSCR of 1.37x. Notably, these updated I&E DSCR

⁷⁵ Pittsburgh Water Statement No. 2-R, p. 15.

⁷⁶ Pittsburgh Water Statement No. 2-R, p. 15.

⁷⁷ Pittsburgh Water Statement No. 7-R, p. 16.

⁷⁸ Pittsburgh Water Statement No. 7-R, p. 16.

⁷⁹ I&E Exhibit No. 1-SR, Schedule 1, p. 1.

⁸⁰ I&E Exhibit No. 1-SR, Schedule 1, p. 1.

1 recommendations are close to Pittsburgh Water’s revised DSCR claims of 1.86x
2 for senior liens and 1.42x for total debt service.⁸¹

3
4 **Q. DO YOU AGREE WITH PITTSBURGH WATER’S CONCLUSIONS**
5 **REGARDING YOUR DSCR RECOMMENDATIONS?**

6 A. No. I reiterate that I have employed the analysis of Ms. Okum and Mr. Sakaya in
7 determining the appropriate levels of forecasted expenditures and revenues for
8 Pittsburgh Water in the FPFTY. My recommended DSCRs resulting from I&E’s
9 proposed rates exceed both the legal covenant requirements of 1.25x for senior
10 debt service and 1.10x for total debt service.⁸² Further, my recommendation also
11 exceeds Pittsburgh Water’s own Financial Management Policy requirements of
12 1.35x for senior debt and 1.15x for total debt service including subordinate debt.⁸³
13 Notably, the policy states that these levels have been set “to provide a margin of
14 safety and flexibility in Pittsburgh Water’s financial affairs, revenue levels will be
15 set to target a minimum debt service coverage ratio of 1.35x on the total debt
16 service for all senior debt obligations and 1.15x on the annual debt service for all
17 subordinate debt obligations.”⁸⁴ I&E’s recommended DSCRs surpasses Pittsburgh
18 Water’s policy requirements.

⁸¹ Pittsburgh Water Exhibit WJP-1 Revised.

⁸² Filing Requirement VII.7, Amended and Restated Trust Indenture Between The Pittsburgh Water and Sewer Authority and The Bank of New York Mellon Trust Company, N.A., Amended and Restated as of November 1, 2017, p. 58, Section 7.01(c)(ii).

⁸³ I&E Statement No. 1, p. 31.

⁸⁴ Pittsburgh Water Exhibit EB-5, p. 1.

1 **Q. MR. BARCA ASSERTS THAT THE ONLY WAY PITTSBURGH WATER**
2 **CAN ATTAIN YOUR RECOMMENDED LEVELS OF DEBT SERVICE**
3 **COVERAGE IS TO “PRETEND” THAT I&E’S OTHER WITNESSES ARE**
4 **CORRECT IN THEIR ANALYSES, PARTICULARLY WHEN IT COMES**
5 **TO NORMALIZING OPERATING EXPENSES. IS HE CORRECT?**

6 A. Partially. I do rely upon the analyses of the other I&E witnesses for the inputs that
7 impact the recommendations I present. However, generally, operating expenses
8 are matched with revenues dollar-for-dollar, so the impact of adjustments to
9 operating expenses on DSCRs is minimal. The operating expense adjustments
10 recommended by Ms. Okum,⁸⁵ combined with the recommended expense
11 adjustment of Mr. Sakaya⁸⁶ are causing the small variance between I&E and
12 Pittsburgh Water’s DSCRs.

13
14 **Q. PLEASE COMMENT ON THE “ADDITIONAL BONDS TEST” MR.**
15 **BARCA MENTIONS WHEN DETERMINING APPROPRIATE DSCRs.**

16 A. Mr. Barca opines that I&E’s recommended position would not allow Pittsburgh
17 Water to pass the “Additional Bonds Test” for the future bond issues and halt the
18 capital improvement plan.⁸⁷ The Additional Bonds Test requires that Pittsburgh
19 Water meet its required debt service coverage ratios (i.e., Rate Covenant) taking
20 into account current rates and the maximum annual debt service of a proposed

⁸⁵ I&E Statement No. 2-SR
⁸⁶ I&E Statement No. 3-SR.
⁸⁷ Pittsburgh Water Statement No. 2-R, pp. 8-9.

1 series of bonds prior to issuing additional bonds.⁸⁸ This simply prevents
2 Pittsburgh Water from over-extending itself from including *potential revenues* to
3 justify issuing new bonds, which is a very reasonable standard.

4 Importantly, the DSCRs resulting from I&E's updated revenue requirement
5 are almost identical to Pittsburgh Water's claim, and therefore, any concerns
6 regarding the levels of debt service coverage resulting from I&E's
7 recommendations are unwarranted.

8 Finally, it is I&E's duty to review revenues, expenditures, financial metrics,
9 etc. for the FPFTY in rate case proceedings. If Pittsburgh Water experiences a
10 revenue deficiency to the point where it is unable to issue additional bonds, it can
11 file another rate case. Given that Pittsburgh Water is still relatively new to the
12 Commission's jurisdiction, a higher level of Commission oversight is encouraged
13 as explained in the MYRP section above.

14
15 **Q. DO YOU BELIEVE YOUR RECOMMENDED DSCRs FOR PITTSBURGH**
16 **WATER WILL BE VIEWED UNFAVORABLY BY CREDIT RATING**
17 **AGENCIES AS MS. FAY SUGGESTS?**

18 A. No. In direct testimony, I cited comments made in the most recent rating reports
19 from both Moody's and S&P Global.⁸⁹ Moody's clearly indicates that although
20 Moody's acknowledges Pittsburgh Water's need to maintain appropriate coverage

⁸⁸ Pittsburgh Water Statement No. 2-R, p. 10.

⁸⁹ I&E Statement No. 1, pp. 32-34.

1 levels, the credit rating agency is aware of Pittsburgh Water’s legal covenants as
2 well as its steadily improving DSCRs that are well above the legal requirements.
3 Moody’s also exhibits confidence in the Commission’s oversight.⁹⁰ S&P Global
4 identifies “[s]trong coverage levels of all-in debt service historically and
5 projected” as one of the factors that support its current rating. S&P further notes
6 that Pittsburgh Water maintains many best practices that S&P believes are critical
7 to supporting credit quality, particularly in the finance department as well as the
8 credit supportive relationship with the Commission.⁹¹ Any DSCRs that are higher
9 than legally mandated and exceed Pittsburgh Water’s own policy, as my
10 recommendations do, should be viewed favorably by the rating agencies. Further,
11 as mentioned above, Pittsburgh Water has been successful in continuing to secure
12 low-cost PENNVEST loans and grants that significantly aid in keeping its
13 borrowing costs from increasing.

14 Finally, as discussed above in the DCOH section, I reiterate that any fear or
15 concern of a credit downgrade as discussed by Ms. Fay in rebuttal testimony due
16 to I&E’s recommended DCOH and DSCRs is speculative and unjustified because
17 rating agencies consider various other rating criteria in addition to DCOH and
18 DSCR. Again, I note that Moody’s did not downgrade Pittsburgh Water’s rating
19 since October 15, 2018 and S&P Global did not downgrade its rating since
20 December 12, 2013.

⁹⁰ I&E Statement No. 1, p. 33.

⁹¹ I&E Statement No. 1, p. 34.

1 **RATE STABILIZATION FUND**

2 **Q. SUMMARIZE YOUR RSF RECOMMENDATION IN DIRECT**
3 **TESTIMONY.**

4 A. In direct testimony, I recommended disallowance of the \$3,000,000 RSF
5 contribution for the FPFTY because Pittsburgh Water’s RSF is currently funded at
6 a comfortable level of \$24,775,633, which is approximately 9.33% of I&E’s
7 recommended total operating revenues.⁹²

8
9 **Q. DID PITTSBURGH WATER UPDATE ITS CLAIM FOR THE RSF IN**
10 **REBUTTAL TESTIMONY?**

11 A. Yes. Ms. Fay explains that Pittsburgh Water is changing the interest rate
12 assumption from 7.00% to 6.50% for the FPFTY \$150,000,000 senior lien bond
13 issue due to the most recent interest rate cut, which decreases the debt service
14 expense for the proposed bond issue in the FPFTY from \$11,241,803 to
15 \$10,682,553, a reduction of \$559,250, plus 25% for the debt coverage capital cost
16 amounting to the total reduction of \$699,063.⁹³ These decreases in debt expense
17 and debt service capital claims have been reflected in the revised rate case tables.⁹⁴
18 However, the total reduction in the debt-related expense claim of \$699,063 is
19 added in the FPFTY RSF contribution, making the FPFTY revised RSF

⁹² I&E Statement No. 2, p. 37, lines 10-15.

⁹³ Pittsburgh Water Statement No. 7-R, p. 11.

⁹⁴ Pittsburgh Water Exhibit WJP-1 Revised, Table I.

1 contribution go from \$3,000,000 to \$3,670,000.⁹⁵

2

3 **Q. WHAT WAS PITTSBURGH WATER'S RESPONSE TO YOUR**
4 **RECOMMENDED DISALLOWANCE OF THE CONTRIBUTION TO THE**
5 **RSF?**

6 A. First, Mr. Barca disagrees with my recommendation stating that I&E's
7 recommended FPFTY operating revenues are artificially low due to normalizing
8 operating costs and the current RSF balance is 9.33% of I&E's recommended total
9 FPFTY operating revenues falls short of Pittsburgh Water's minimum goal of
10 establishing a RSF balance equal to 10% of operating revenues with the target
11 goal of growing this balance to 15%.⁹⁶ Second, he states that I&E's assertion that
12 unrestricted cash can be used to support debt service coverage is factually
13 incorrect because Pittsburgh Water's indenture does not allow the use of
14 unrestricted cash when calculating the debt service coverage ratios.

15

16 **Q. WHAT IS YOUR RESPONSE TO MR. BARCA'S REBUTTAL**
17 **TESTIMONY ABOUT YOUR RECOMMENDATION TO DISALLOW**
18 **THE RSF CONTRIBUTION?**

19 A. First, Pittsburgh Water's financial policy goal of establishing a RSF balance equal
20 to 10% of operating revenues with the target goal of growing this balance to 15%

⁹⁵ Pittsburgh Water Exhibit WJP-1 Revised, Table I.

⁹⁶ Pittsburgh Water Statement No. 2-R, p. 18.

1 is not a mandatory goal. Any balance close to Pittsburgh Water’s financial policy
2 goal of 10% of operating revenues would provide flexibility to meet the minimum
3 DSCRs and demonstrate financial stability to the financial community and
4 maintain financial solvency during an unforeseen event like the recent COVID-19
5 pandemic.⁹⁷ Second, he mischaracterizes the RSF balance with unrestricted cash
6 on hand balance. In my direct testimony,⁹⁸ I stated that \$83,729,892 in
7 unrestricted cash balance on hand at the beginning of the FPPTY (before any
8 potential rate increase) can be used to support debt service coverage deficiencies,
9 fund capital projects, assist with unexpected increases in operating expenses, etc.

10 Finally, I reiterate that it is reasonable for Pittsburgh Water to maintain a
11 small RSF as a financial cushion to deal with unforeseen circumstances and
12 potential debt service deficiencies that could result from unforeseen
13 circumstances. The RSF balance should be reevaluated in each of Pittsburgh
14 Water’s subsequent rate cases to determine whether it is prudent and reasonable to
15 make a contribution to the RSF.

16
17 **Q. DO YOU HAVE ANY CHANGE IN YOUR RECOMMENDATION FOR**
18 **THE FPPTY RSF CONTRIBUTION?**

19 **A.** Yes. I recommend complete disallowance of the updated RSF contribution of
20 \$3,670,000 for the FPPTY.⁹⁹

⁹⁷ Pittsburgh Water Statement No. 2, p. 49.

⁹⁸ I&E Statement No. 1, p. 38.

⁹⁹ I&E Exhibit No. 1-SR, Table I.

1 **SUMMARY OF I&E’S OVERALL POSITION**

2 **Q. PLEASE REITERATE I&E’S OVERALL UPDATED RECOMMENDED**
3 **REVENUE REQUIREMENT.**

4 A. As a result of my updated recommended adjustments as discussed above and the
5 adjustments recommended by I&E witnesses Okum,¹⁰⁰ Sakaya,¹⁰¹ and Cline,¹⁰²
6 I&E recommends an increase of \$22,916,334 (\$268,145,213 –
7 \$245,228,879) in revenues over the FPFTY revenues at present rates, which
8 results in DSCRs of 1.83x on senior debt and 1.37x on total debt, and 246
9 DCOH. I&E’s recommendation yields a revenue surplus of \$933,604, which
10 contributes to an ending unrestricted cash balance of \$84,995,092 that can be
11 used for operating expenses as well as for capital expenditures.

12 Similar to my direct testimony, this revenue increase should be allocated
13 65.66% to water operations, 21.30% to wastewater operations, and 13.05% to
14 stormwater operation.¹⁰³ Therefore, I&E’s recommendation corresponds to a
15 revenue increase of \$15,046,865 to water operations (\$22,916,334 x 65.66%), an
16 increase of \$4,881,179 to wastewater operations (\$22,916,334 x 21.30%), and an
17 increase of \$2,990,581 to stormwater operations (\$22,916,334 x 13.05%).

¹⁰⁰ I&E Statement No. 2-SR.

¹⁰¹ I&E Statement No. 3-SR.

¹⁰² I&E Statement No. 4-SR.

¹⁰³ Pittsburgh Water Rebuttal Cost of Service Model, 9.30.25, RevReq_Alloc Tab, Column Z, Lines 25-27.

1 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

2 A. Yes. However, I reserve the right to supplement my testimony if additional issues
3 or facts arise that may impact my recommendation.

**I&E Exhibit No. 1-SR
Witness: D. C. Patel**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

THE PITTSBURGH WATER & SEWER AUTHORITY

D/B/A PITTSBURGH WATER

Docket Nos. R-2025-3055010, R-2025-3055011, & R-2025-3055012

Exhibit to Accompany

the

Surrebuttal Testimony

of

D. C. Patel

Bureau of Investigation & Enforcement

Concerning:

**Updated I&E Position
Revenue Requirement
Multi-Year Rate Plan
Debt Service Expense
DSIC Increase
Minimum Charge
Days Cash on Hand
Debt Service Coverage Ratio
Rate Stabilization Fund**

TABLE I Pittsburgh Water and Sewer Authority FPPTY 2026 INCOME SUMMARY Docket Nos.:R-2025-3055010; R-2025-3055011; R-2025-3055012 I&E Modified Rate Case Table - I					
	(A)	(B)	(C)	(D)	(E)
	FPPTY 2026				
	PWSA	PWSA	PWSA	I&E	I&E
	Revenue at Current Rates	Rate Increase to Meet Revenue Requirements	Revenue At Proposed Rates	Adjustments	Revenue At Adjusted Rates
INCOME SUMMARY	\$	\$	\$	\$	\$
Beginning Unrestricted Cash	84,061,488		84,061,488	0	84,061,488
Revenues:					
User Charge Revenues	235,876,667	37,040,607	272,917,274	(33,656,304) A	239,260,970
Pennvest Surcharge	0	17,579,103	17,579,103	0	17,579,103
DSIC Revenues	10,135,778	8,758,401	18,894,178	(6,298,059) B	12,596,119
Other Misc. Revenues	4,327,687	0	4,327,687	0	4,327,687
Subtotal: Total Revenues	250,340,131		313,718,242		273,763,879
Less: Uncollectible Revenues	(4,823,236)	(1,374,424)	(6,197,660)	867,010 C	(5,330,650)
Less: Stormwater Credit Program Cost	(288,016)	0	(288,016)	0	(288,016)
Total Revenues Net of Uncollectible	245,228,879	62,003,687	307,232,567	(39,087,353)	268,145,213
Revenue Requirements:					
O & M Expense	152,096,214		152,096,214	(23,397,113) D	128,699,101
Senior Lien Debt Service (2)	84,368,436		84,368,436	(5,271,353) E	79,097,083
All Other Debt Service (2)	26,098,253		26,098,253	0	26,098,253
Debt Coverage Capital (5)	21,092,109		21,092,109	(1,317,838) F	19,774,271
Cash-Financed Capital (DSIC)	18,898,544		18,898,544	(6,298,059) B	12,600,485
Restricted Reserve Contributions	3,670,000		3,670,000	(3,670,000) G	0
Operating Reserve Contribution	0		0	0	0
Other Expenses (3)					
Water and Wastewater Leak Credit	662,322		662,322	0	662,322
Arrearage Funding	280,094		280,094	0	280,094
Total Revenue Requirements	307,165,972		307,165,972	(39,954,363)	267,211,609
Revenue Surplus / (Deficit)	(61,937,093)		66,594	867,010	933,604
Fund Balance Transactions from Surplus					
Contributions (to)/from Operations	0		66,594	0	933,604
Contributions (to)/from Rate Stabilization Fun	0		0	0	0
Contributions (to)/from Operating Reserve	0		0	0	0
Ending Unrestricted Cash Balance	22,124,395		84,128,083		84,995,092
KEY FINANCIAL METRICS			PWSA Filing		I&E
Debt Service Coverage					
Senior (1.25 Requirement)	1.12		1.86		1.83
Total (1.10 Requirement)	0.86		1.42		1.37
Days Cash on Hand (4)	53.9		205.1		245.6
Days Cash on Hand with ALCOSAN (4)	31.19		118.6		131.7

(1) Company Main Brief

- (2) Includes Principal and Interest payments on existing and proposed debt.
- (3) Several programs funded, including assistance with sewer laterals and components of the customer assistance program.
- (4) Calculated using Operating & Maintenance Expenses (excludes non-operating expenses).
- (5) Additional revenue required to meet senior and total debt service coverage ratio requirements

I&E Notes:

- A = D + E + F.
- B = Adjustment for DSIC rate decrease from 7.5% to 5.0% is discussed in I&E Statement No. 1-SR.
- C = Uncollectible revenue adjustment is calculated by applying the uncollectible rate of 2.17% based on Pittsburgh Water rate used Column B, Line 22 (\$13,374,424 + 63,378,111 = 0.0217).
- D = O&M expense adjustments of (\$18,968,686) are addressed in I&E Statement No. 2-SR. Expense adjustment of (\$4,428,427) relating to unaccounted for water (UFW) is addressed in I&E Statement No. 3-SR.
- E = Adjustment of (\$5,271,353) for the FPPTY new debt service expense relates to \$76,000,000 senior lien bond issue discussed in I&E Statement No. 1-SR.
- F = Debt Service Capital adjustment of (\$1,317,838) [(\$5,271,353) x 0.25] relates to the senior lien debt service expense adjustment discussed in I&E Statement No. 1-SR.
- G = Removal of Restricted Reserve Fund (RSF) contribution of \$3,670,000 is discussed in I&E Statement No. 1-SR.

TABLE I(A)			
Pittsburgh Water and Sewer Authority			
FPFTY 2026-2027 KEY RATIOS			
Docket Nos.:R-2025-3055010; R-2025-3055011; R-2025-3055012			
I&E Modified Rate Case Table - I(A)			
Key Ratio Breakdown	(A)	(B)	(C)
	FPFTY 2026		
	PWSA	PWSA	I&E
	Revenue at Current Rates	Revenue At Proposed Rates	Revenue At Adjusted Rates
	\$	\$	\$
Debt Service Coverage			
Operating Revenues	250,340,131	313,718,242	273,763,879
Less:			
Bad Debt Expenses	(5,111,252)	(6,485,675)	(5,618,666)
Net Collected Revenues	245,228,879	307,232,567	268,145,213
Less:			
Current Expenses	(152,096,214)	(152,096,214)	(128,699,101)
Adjustments:			
City Services	6,000,000	6,000,000	6,000,000
Other Transfers to Reserves	(3,670,000)	(3,670,000)	0
Water and Wastewater Leak Credit	(662,322)	(662,322)	(662,322)
Arrearage Funding	(280,094)	(280,094)	(280,094)
Revenues Available for Debt Service	94,520,249	156,523,937	144,503,696
Senior Lien Debt Service	84,368,436	84,368,436	79,097,083
All Other Debt Service	26,098,253	26,098,253	26,098,253
Total Debt Service	110,466,689	110,466,689	105,195,336
Senior Lien Debt Service Coverage	1.12	1.86	1.83
Total Debt Service Coverage	0.86	1.42	1.37
Days Cash on Hand			
Ending Cash Balance	22,124,395	84,128,083	84,995,092
Operating Expenses	152,096,214	152,096,214	128,699,101
Adjustments:			
(Loss) / Gain on ALCOSAN Billings	(2,383,047)	(2,383,047)	(2,383,047)
Add: Adjustments to ALCOSAN	0	0	0
Placeholder			
Net Operating Expenses	149,713,166	149,713,166	126,316,053
Days Cash on Hand (x 365)	54	205	246
Including ALCOSAN			
Add: ALCOSAN Charges	109,172,088	109,172,088	109,172,088
Days Cash on Hand (x 365)	31	119	132

(1) Company Main Brief

(2) Revenue adjusted to meet to Revenue Requirements.

I&E Note:

A = I&E recommends removal of Restricted Reserve Fund (RSF) contribution of \$3,670,000 reflected in Table - I.

TABLE II
Pittsburgh Water and Sewer Authority
RATE FILING REVENUE DETAIL
Docket Nos.:R-2025-3055010; R-2025-3055011; R-2025-3055012

I&E DID NOT USE THIS TABLE

Description	(A)	(B)	(C) FPFTY 2026		(D)	(E)
	PWSA	PWSA	PWSA	I&E	I&E	
	Revenue at Current Rates	Rate Increase to Meet Revenue Requirements	Revenue At Proposed Rates	Adjustments	Revenue At Adjusted Rates	
	\$	\$	\$	\$	\$	\$
Retail User Charge Revenues						
Water	146,412,253	21,978,416	168,390,670	0	168,390,670	
Water - Public Hydrants	1,875,259	782,189	2,657,448	0	2,657,448	
Wholesale/Contract Revenues	1,048,333	109,671	1,158,004	0	1,158,004	
Converted Wholesale Customer	3,802,209	775,339	4,577,548	0	4,577,548	
Sewer	54,402,195	6,972,861	61,375,056	0	61,375,056	
Stormwater	25,041,365	5,675,340	30,716,706	0	30,716,706	
Stormwater Only	3,295,052	746,791	4,041,844	0	4,041,844	
Subtotal: Retail User Charge Revenues	235,876,667	37,040,607	272,917,274	0	272,917,274	
Pennvest Surcharge						
Water	0	12,305,372	12,305,372	0	12,305,372	
Sewer	0	5,273,731	5,273,731	0	5,273,731	
Stormwater	0	0	0	0	0	0
Subtotal: Pennvest Surcharge	0	17,579,103	17,579,103	0	17,579,103	
DSIC Revenues	PWSA		PWSA		ALJ	
Water	5.0%		7.5%		7.5%	
Sewer	5.0%		7.5%		7.5%	
Stormwater (NSWO)	0.0%		0.0%		0.0%	
Stormwater Only	0.0%		0.0%		0.0%	
Water	7,415,668	6,479,851	13,895,519	0	13,895,519	
Sewer	2,720,110	2,278,549	4,998,659	0	4,998,659	
Stormwater (NSWO)	0	0	0	0	0	
Stormwater Only	0	0	0	0	0	
Subtotal: DSIC Revenues	10,135,778	8,758,401	18,894,178	0	18,894,178	
Other System Revenues						
Other Operating & Non-Operating Revenues	4,327,687	0	4,327,687	0	4,327,687	
Subtotal: Other System Revenues	4,327,687	0	4,327,687	0	4,327,687	
Subtotal: Total Revenues before Uncollectible	250,340,131		313,718,242		313,718,242	
Less: Uncollectible Revenues	(4,139,104)	(1,179,474)	(5,318,578)	0	(5,318,578)	
Less: Uncollectible Revenues (SW Only)	(684,132)	(194,949)	(879,081)	0	(879,081)	
Less: Stormwater Credit Program	(288,016)	0	(288,016)	0	(288,016)	
Subtotal: Less: Uncollectible Revenues	(5,111,252)	(1,374,424)	(6,485,675)	0	(6,485,675)	
Total Revenues Net of Uncollectible	245,228,879	62,003,687	307,232,567	0	307,232,567	
Summary						
Revenue from Base Rates			37,040,607		37,040,607	
Revenue from New Reconcilable Charges			17,579,103		17,579,103	
Revenue from DSIC			8,758,401		8,758,401	
Revenue from Other System Revenues			0		0	
Total Revenue Increase before Uncollectible			63,378,111		63,378,111	
Change in Uncollectible Revenues			(1,374,424)		(1,374,424)	
Total Revenue Increase with Uncollectible			62,003,687		62,003,687	

Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water to the Data Requests of the Bureau of Investigation and Enforcement (I&E”), Set RR Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater) R-2025-3055012 (Storm Water)

I&E-RR-22

Reference Pittsburgh Water Statement No. 2-R, pp. 10-11 concerning the debt service expense claim of \$11,241,803 and debt service coverage capital claim of \$2,810,451 relating to the proposed \$150,000,000 senior lien bond issue. Provide the following:

**I&E Exhibit No. 1-SR
Schedule 2
Page 1 of 2**

- A. Actual capital expenditures incurred for FY 2025 as of September 30, 2025.
- B. Supporting documentation to substantiate Mr. Barca’s assertion that as of September 15, 2025, capital expenses eligible to be funded with the line of credit were \$109,765,305 with Pittsburgh Water projecting to reach the full \$150,000,000 credit limit by the end of FY 2025 and the proposed FPFTY issuance of \$150,000,000 will be used to refund the line of credit and continue the capital improvement plan (i.e., provide supporting document for the monies spent to date and on what projects).

Response:

- A. Below are the capital expenditures from January 1, 2025 through September 30, 2025.

Funding Source	FY 2025 Amount
PENNVEST	\$ 68,477,515
Capital / DSIC	55,481,929
Total Capital Expenditures	\$ 123,959,444

- B. See attached. Pittsburgh Water projects that it will incur at least an additional \$40+ million of expenses eligible to be funded with the line of credit by the end of FY 2025. Capital expenses typically accelerate in the fourth quarter of every year resulting from the construction that was completed during the summer months.

Clarification regarding A: Fiscal year 2025 capital expenditures through September 30, 2025 totaled \$123,959,444. That total is made up of the following funding sources: \$68,477,515 from PENNVEST, \$49,801,670 eligible to be funded with the capital line of credit, and \$5,680,259 from the water and sewer DSIC.

Note that from January 1, 2025 - September 15, 2025, \$44,234,468 was eligible to be financed with the capital line of credit. The remaining \$65,530,837 (\$109,765,305 - \$44,234,468) is attributable to capital expenses eligible to be funded with the line of credit that were incurred prior to FY 2025, which is identified in the spreadsheet provided to answer part B.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date responded by: October 7, 2025

**I&E Statement No. 2-SR
Witness: Vanessa Okum**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PITTSBURGH WATER AND SEWER AUTHORITY

D/B/A PITTSBURGH WATER

Docket Nos. R-2025-3055010, R-2025-3055011 & R-2025-3055012

Surrebuttal Testimony

of

Vanessa Okum

Bureau of Investigation and Enforcement

Concerning:

OPERATING AND MAINTENANCE EXPENSES

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Vanessa Okum, and my business address is Pennsylvania Public
4 Utility Commission, Commonwealth Keystone Building, 400 North Street,
5 Harrisburg, PA 17120.

6

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am employed by the Pennsylvania Public Utility Commission (Commission) in
9 the Bureau of Investigation & Enforcement (I&E) as a Fixed Utility Financial
10 Analyst.

11

12 **Q. ARE YOU THE SAME VANESSA OKUM WHO SUBMITTED THE**
13 **DIRECT TESTIMONY CONTAINED IN I&E STATEMENT NO. 2 AND**
14 **I&E EXHIBIT NO. 2?**

15 A. Yes.

16

17 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

18 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of
19 Pittsburgh Water witnesses Edward Barca¹ and Katherine Mechler.²

¹ Pittsburgh Water Statement No. 1-R.

² Pittsburgh Water Statement No. 4-R.

1 **Q. DOES YOUR SURREBUTTAL TESTIMONY INCLUDE AN EXHIBIT?**

2 A. Yes. I&E Exhibit No. 2-SR contains schedules that support my surrebuttal
3 testimony. I will also refer to my direct testimony and its accompanying exhibit
4 throughout my surrebuttal testimony.

5
6 **SUMMARY OF RECOMMENDED ADJUSTMENTS**

7 **Q. PLEASE SUMMARIZE YOUR UPDATED RECOMMENDATIONS.**

8 A. The following table summarizes my updated recommended operating and
9 maintenance (O&M) expense adjustments for the combined water, wastewater,
10 and stormwater operations in the fully projected future test year (FPFTY):

11

	Pittsburgh Water FPFTY Claim	I&E Allowance	I&E Adjustment
Payroll	\$42,767,628	\$39,093,889	(\$3,673,739)
Benefits	\$13,100,420	\$11,975,094	(\$1,125,326)
Computers & Peripherals	\$721,500	\$321,500	(\$400,000)
Lab Equipment	\$168,000	\$96,000	(\$72,000)
Vehicles	\$3,000,000	\$1,424,346	(\$1,575,654)
Annual Sewer Contract	\$7,800,000	\$6,820,188	(\$979,812)
Emergency Waterline Repairs	\$7,000,000	\$5,159,215	(\$1,840,785)
Manhole & Point Repair	\$3,000,000	\$1,575,224	(\$1,424,776)
Field Inspection	\$3,094,282	\$2,390,576	(\$703,706)
Concrete Repairs	\$15,000,000	\$11,107,815	(\$3,892,185)
Membership Fees	\$149,038	\$106,038	(\$43,000)
Consultants	\$7,646,744	\$5,364,338	(\$2,282,406)
Construction Management	\$1,923,254	\$1,562,800	(\$360,454)
Consulting Engineers	\$196,684	\$83,139	(\$113,545)
Legal	\$2,417,700	\$2,329,500	(\$88,200)
Payroll Services	\$243,000	\$149,628	(\$93,372)
Water Liens	\$105,000	\$76,371	(\$28,629)
Uniforms	\$243,500	\$154,299	(\$89,201)
TE Training	\$303,985	\$142,089	(\$161,896)
Fines and Penalties	\$20,000	\$0	(\$20,000)
Total O&M Adjustments			(\$18,968,686)

1 It is I&E's position that a multi-year increase should not be approved, which is
2 further explained in the testimony of D. C. Patel³ and Ethan Cline.⁴ However,
3 since Pittsburgh Water's claim for O&M expenses does not change from the
4 FPFTY to fiscal year (FY) 2027,⁵ I will not be addressing the second year
5 throughout my surrebuttal testimony as I explain my updated recommended
6 adjustments. It can be assumed that all of my recommendations apply to both the
7 FPFTY and FY 2027.

8
9 **Q. HOW DO YOU ALLOCATE YOUR UPDATED EXPENSE ADJUSTMENTS**
10 **BETWEEN THE WATER, WASTEWATER, AND STORMWATER**
11 **SYSTEMS?**

12 A. I allocate the above updated O&M expense adjustments among water, wastewater,
13 and stormwater using ratios from Pittsburgh Water's 2025 Rebuttal Cost of Service
14 Study spreadsheet as shown in the table below:⁶

³ I&E Statement Nos. 1 and 1-SR.

⁴ I&E Statement Nos. 4 and 1-SR.

⁵ Pittsburgh Water Exhibit EB-2.

⁶ Pittsburgh Water 2025 Rebuttal Cost of Service Study, RevReq Allocation tab, Column T, lines 25-27.

	FPFTY			
		Water	Wastewater	Stormwater
	Total Adj.	65.66%	21.30%	13.05%
Payroll	(\$3,673,739)	(\$2,411,993)	(\$782,506)	(\$479,239)
Benefits	(\$1,125,326)	(\$738,833)	(\$239,694)	(\$146,799)
Computers & Peripherals	(\$400,000)	(\$262,620)	(\$85,200)	(\$52,180)
Lap Equipment	(\$72,000)	(\$47,272)	(\$15,336)	(\$9,392)
Vehicles	(\$1,575,654)	(\$1,034,495)	(\$335,614)	(\$205,544)
Annual Sewer Contract	(\$979,812)	(\$643,296)	(\$208,700)	(\$127,816)
Emergency Waterline Repairs	(\$1,840,785)	(\$1,208,567)	(\$392,087)	(\$240,130)
Manhole & Point Repair Contract	(\$1,424,777)	(\$935,437)	(\$303,477)	(\$185,862)
Field Inspections	(\$703,706)	(\$462,018)	(\$149,889)	(\$91,798)
Concrete Repairs	(\$3,892,185)	(\$2,555,414)	(\$829,035)	(\$507,735)
Membership Fees	(\$43,000)	(\$28,232)	(\$9,159)	(\$5,609)
Consultants	(\$2,282,406)	(\$1,498,514)	(\$486,152)	(\$297,740)
Construction Management	(\$360,454)	(\$236,656)	(\$76,777)	(\$47,021)
Consulting Engineers	(\$113,545)	(\$74,548)	(\$24,185)	(\$14,812)
Legal	(\$88,200)	(\$57,908)	(\$18,787)	(\$11,506)
Payroll Services	(\$93,372)	(\$61,303)	(\$19,888)	(\$12,180)
Water Liens	(\$28,629)	(\$18,796)	(\$6,098)	(\$3,735)
Uniforms	(\$89,201)	(\$58,565)	(\$19,000)	(\$11,636)
TE Training	(\$161,896)	(\$106,293)	(\$34,484)	(\$21,119)
Fines and Penalties	(\$20,000)	(\$13,131)	(\$4,260)	(\$2,609)
Total O&M Adjustments	(\$18,968,686)	(\$12,453,891)	(\$4,040,330)	(\$2,474,465)

1

2

3

Q. DO YOU HAVE ANY GENERAL COMMENTS REGARDING YOUR RECOMMENDATIONS IN DIRECT TESTIMONY AND PITTSBURGH WATER'S RESPONSE TO THEM?

4

5

6

A. Yes. In rebuttal testimony, Pittsburgh Water witness Edward Barca makes comments regarding I&E's use of normalization in calculating certain adjustments. Mr. Barca opines that the use of normalization to determine rates is fundamentally flawed because it nullifies the FPFTY with no respect for Pittsburgh Water's

7

8

9

1 projected needs.⁷ Mr. Barca also states that if normalization were to be used, the
2 calculation should include data from the future test year (FTY).⁸

3 Mr. Barca states that he rejects all of my recommended normalization
4 adjustments. He opines that this method may be reasonable for investor-owned
5 utilities but is not reasonable for Pittsburgh Water as a municipal cash-basis
6 utility.⁹

7
8 **Q. DO YOU AGREE WITH MR. BARCA’S ARGUMENT AGAINST THE USE**
9 **OF NORMALIZATION TO MAKE ADJUSTMENTS?**

10 A. No. Normalization is a commonly accepted way to adjust claims within a base
11 rate case. Mr. Barca’s assertion that I am using normalization to “determine rates”
12 is an oversimplification of the complex ratemaking process. I am using
13 normalization to calculate adjustments to specific FPFTY claims that I deem
14 unsupported by the documentation provided, or lack thereof. According to the
15 Pennsylvania Public Utility Commission’s Guide to Utility Ratemaking, p. 178, it
16 is essential that rates be “based on the most recent current financial information
17 available and that this information be presented as adjusted to reflect known and
18 measurable changes” to expenses. The burden of proof lies with the utility in a
19 base rate case, meaning that FPFTY claims that are higher than actual HTY data
20 need to be justified by the utility and shown to be known and measurable. It is the

⁷ Pittsburgh Water Statement No. 2-R, pp. 7-8.

⁸ Pittsburgh Water Statement No. 2-R, p. 26.

⁹ Pittsburgh Water Statement No. 2-R, pp. 24-26.

1 role of I&E to evaluate these claims based on the support provided in direct
2 testimony and discovery responses. If no support is provided, or the support is
3 inadequate or speculative, an adjustment can be recommended based on an
4 analysis of the available data. Lacking known and measurable data to support a
5 requested increase, often times the best (or only) data available is the most recent
6 actual data. Normalization of that recent data allows the recommendation to
7 capture a wider range of data rather than one single year. Pittsburgh Water's status
8 as a municipal cash-basis utility does not exempt it from these standards.

9 Additionally, I disagree with Mr. Barca's assertion that FTY data should be
10 used in a normalization calculation. In response to I&E-RE-33, Mr. Barca states
11 that the original filing included budget data for all twelve months of the FTY.¹⁰ A
12 normalization should be based on the most recent actual data rather than
13 unsubstantiated forecasted data.

14 Finally, Mr. Barca's attempt to discredit normalization as an accepted
15 practice rather than provide additional data to support Pittsburgh Water's claims is
16 a mere distraction from the fact that sufficient support was not provided for the
17 claims in question.

¹⁰ I&E Exhibit No. 2-SR, Schedule 1.

1 **PAYROLL EXPENSE**

2 **Q. SUMMARIZE YOUR RECOMMENDATION IN DIRECT TESTIMONY**
3 **FOR PAYROLL EXPENSE.**

4 A. I recommended an allowance of \$39,093,889 in the FPFTY for payroll expense, or
5 a reduction of \$3,673,739 (\$42,767,628 - \$39,093,889) to Pittsburgh Water’s claim
6 based on a historic vacancy rate of 8.59%.¹¹

7
8 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

9 A. Yes. Pittsburgh Water witness Ed Barca disagrees with my recommended
10 adjustment.

11
12 **Q. PLEASE SUMMARIZE MR. BARCA’S RESPONSE.**

13 A. Mr. Barca states that my recommendation would only fund 424 positions rather
14 than the 464 budgeted for, which is insufficient to continue to advance Pittsburgh
15 Water’s mission and fund cost of living adjustments. He also claims that I did not
16 refute Pittsburgh Water’s determination of the need for 464 employees in FY
17 2026.¹²

18
19 **Q. WHAT IS YOUR RESPONSE TO MR. BARCA’S CLAIMS?**

20 A. My analysis was based on the fact that Pittsburgh Water historically does not hire
21 the full number of employees projected in its budget. Regardless of Pittsburgh

¹¹ I&E Statement No. 2, pp. 7-8.

¹² Pittsburgh Water Statement No. 2-R, pp. 27-28.

1 Water's expected needs at any particular moment in time within the historic data
2 set provided in response to I&E-RE-4-D, Pittsburgh Water has never, even for a
3 single month within that time frame, been fully staffed at its budgeted
4 headcount.¹³ It is unreasonable to assume that Pittsburgh Water will achieve
5 100% staffing in the FPFTY.

6
7 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

8 A. No. I continue to recommend an allowance of \$39,093,889 in the FPFTY for
9 payroll expense, or a reduction of \$3,673,739 (\$42,767,628 - \$39,093,889) to
10 Pittsburgh Water's claim.

11
12 **EMPLOYEE BENEFITS EXPENSE**

13 **Q. SUMMARIZE YOUR RECOMMENDATION IN DIRECT TESTIMONY**
14 **FOR EMPLOYEE BENEFITS EXPENSE.**

15 A. I recommended an allowance of \$11,975,094 in the FPFTY for employee benefits
16 expense, or a reduction of \$1,125,326 (\$13,100,420 - \$11,975,094) to Pittsburgh
17 Water's claim.¹⁴ This adjustment aligns with my payroll expense adjustment and
18 uses the same vacancy rate of 8.59%. If Pittsburgh Water hires less employees, it
19 will also pay less in employee benefits.

¹³ I&E Exhibit No. 2, Schedule 3.

¹⁴ I&E Statement No. 2, pp. 9-10.

1 **Q. DID ANY WITNESS ADDRESS YOUR RECOMMENDATION?**

2 A. Yes. Pittsburgh Water witness Edward Barca disagrees with my recommendation.

3

4 **Q. SUMMARIZE MR. BARCA'S RESPONSE.**

5 A. Mr. Barca states that my adjustment to employee benefits is not realistic and does

6 not consider the additional salary and benefits reductions he previously discussed.

7 Mr. Barca claims that reductions this dramatic are counterproductive and do not

8 provide Pittsburgh Water with revenues to adequately maintain the system and

9 provide ratepayers with safe and reliable services.¹⁵

10

11 **Q. WHAT IS YOUR RESPONSE TO MR. BARCA'S ASSERTIONS?**

12 A. As I stated with regard to payroll, my analysis was based on Pittsburgh Water's

13 historic vacancies. Pittsburgh Water has not demonstrated a pattern of filling all

14 budgeted positions. Therefore, it is unreasonable to assume that Pittsburgh Water

15 will begin doing so in the FPFTY, and if less employees are hired, less benefits

16 will be paid out.

17

18 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

19 A. No. I continue to recommend an allowance of \$11,975,094 in the FPFTY for

20 employee benefits expense, or a reduction of \$1,125,326 (\$13,100,420 -

21 \$11,975,094) to Pittsburgh Water's claim.

¹⁵ Pittsburgh Water Statement No. 2-R, p. 30.

1 **EQUIPMENT EXPENSE**

2 **Computers and Peripherals**

3 **Q. SUMMARIZE YOUR RECOMMENDATION FOR COMPUTERS AND**
4 **PERIPHERALS EXPENSE.**

5 A. I recommended an allowance of \$321,500 in the FPFTY for computers and
6 peripherals expense, or a reduction of \$400,000 (\$721,500 - \$321,500) to
7 Pittsburgh Water's claim based on normalizing the cost of a new server over a
8 period consistent with its useful life.¹⁶

9

10 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

11 A. Not directly, but Mr. Barca made a general statement opposing the use of
12 normalization as a method of adjustment and suggests that all such
13 recommendations be rejected.¹⁷ As mentioned earlier in my surrebuttal testimony,
14 I disagree with Mr. Barca's statement regarding normalization. Additionally, in
15 this instance, normalization is not based on historic data but rather spreading the
16 cost of a large purchase over its expected useful life, so Mr. Barca's argument that
17 normalization is backward-looking does not apply.

¹⁶ I&E Statement No. 2, pp. 11-12.

¹⁷ Pittsburgh Water Statement No. 2-R, pp. 7-8 and 24-26.

1 **Q. DO YOU HAVE ANY CHANGES TO YOUR ADJUSTMENT?**

2 A. No. I continue to recommend an allowance of \$321,500 in the FPFTY for
3 computers and peripherals expense, or a reduction of \$400,000 (\$721,500 -
4 \$321,500) to Pittsburgh Water's claim.

5

6 **Lab Equipment**

7 **Q. SUMMARIZE YOUR RECOMMENDATION FOR LAB EQUIPMENT.**

8 A. I recommended an allowance of \$96,000 in the FPFTY for lab equipment expense,
9 or a reduction of \$72,000 (\$168,000 - \$96,000) to Pittsburgh Water's claim based
10 on normalizing the cost of a new ion chromatograph over a period consistent with
11 its useful life.¹⁸

12

13 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

14 A. Not directly, but Mr. Barca's general statement opposing the use of normalization
15 as a method of adjustment applies here as well and suggests that all such
16 recommendations be rejected.¹⁹ Again, I disagree with Mr. Barca's statement
17 regarding normalization. Additionally, in this instance, normalization is not based
18 on historic data but rather spreading the cost of a large purchase over its expected
19 useful life, so Mr. Barca's argument that normalization is backward-looking does
20 not apply.

¹⁸ I&E Statement No. 2, pp. 13-14.

¹⁹ Pittsburgh Water Statement No. 2-R, pp. 7-8 and 24-26.

1 **Q. DO YOU HAVE ANY CHANGES TO YOUR ADJUSTMENT?**

2 A. No. I continue to recommend an allowance of \$96,000 in the FPFTY for lab
3 equipment expense, or a reduction of \$72,000 (\$168,000 - \$96,000) to Pittsburgh
4 Water's claim.

5

6 **Vehicles**

7 **Q. SUMMARIZE YOUR RECOMMENDATION FOR VEHICLES.**

8 A. I recommended an allowance of \$1,424,346 in the FPFTY for vehicles expense, or
9 a reduction of \$1,575,654 (\$3,000,000 - \$1,424,346) to Pittsburgh Water's claim
10 based on normalizing the expense using a three-year period of historic data.²⁰

11

12 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

13 A. Yes. Pittsburgh Water witness Edward Barca disagrees with my recommendation.

14

15 **Q. SUMMARIZE MR. BARCA'S RESPONSE.**

16 A. Mr. Barca states that Pittsburgh Water has addressed why a five-year fleet
17 acquisition plan is necessary by stating in direct testimony that 78% of the current
18 fleet is over five years of age and 32% is over seven years of age, adding that \$2-3
19 million should be the minimum amount invested annually to keep up with
20 replacement cycles and account for expansion of operations. He also states that he

²⁰ I&E Statement No. 2, pp. 15-16.

1 provided the fleet acquisition plan in response to I&E-RE-21²¹ and opines that I
2 ignored this information.²²

3
4 **Q. WHAT IS YOUR RESPONSE TO MR. BARCA'S CLAIMS?**

5 A. I accept that Mr. Barca provided an explanation as well as a copy of the fleet
6 acquisition plan, but I disagree that this information was adequate to justify an
7 almost 300% increase in the budget over the historic test year (HTY). Pittsburgh
8 Water is requesting an increase of \$2,237,658 over the HTY amount of \$762,342,
9 or 294%.²³ The vehicle costs themselves are not supported by invoices, price
10 quotes, or any other documentation. Furthermore, Mr. Barca's claim that \$2-3
11 million is necessary annually to maintain the replacement cycles seems arbitrary
12 as it is such a large range, and the actual claim is at the highest end of this range.
13 Without adequate support to validate this large increase, an adjustment to the
14 claim is warranted.

15
16 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

17 A. No. I continue to recommend an allowance of \$1,424,346 in the FPFTY for
18 vehicles expense, or a reduction of \$1,575,654 (\$3,000,000 - \$1,424,346) to
19 Pittsburgh Water's claim based on normalizing the expense over a three-year
20 period.

²¹ I&E Exhibit No. 2, Schedule 6.

²² Pittsburgh Water Statement No. 2-R, pp. 33-34.

²³ I&E Exhibit No. 2, Schedule 1, p. 1.

1 **OPERATING CONTRACTS EXPENSE**

2 **Annual Sewer Contract**

3 **Q. SUMMARIZE YOUR RECOMMENDATION FOR ANNUAL SEWER**
4 **CONTRACT EXPENSE.**

5 A. I recommended an allowance of \$6,820,188 for annual sewer contract expense, or
6 a reduction of \$979,812 (\$7,800,000 - \$6,820,188) in the FPFTY based on
7 normalizing the expense using a three-year period of historic data due to a lack of
8 support for the claim.²⁴

9

10 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

11 A. Yes. Pittsburgh Water witness Edward Barca disagrees with my recommendation.

12

13 **Q. SUMMARIZE MR. BARCA'S RESPONSE.**

14 A. Mr. Barca states that Pittsburgh Water provided contracts for FY 2024 and FY
15 2025 and projections for FY 2026, all of which he opines that I ignored. He
16 further states that my recommendation fails to consider the actual costs that will be
17 incurred.²⁵

18

19 **Q. WHAT IS YOUR RESPONSE TO MR. BARCA'S CLAIMS?**

20 A. I have not ignored Mr. Barca's discovery responses. I have simply found them
21 insufficient to warrant a large increase in the account over the HTY, especially

²⁴ I&E Statement No. 2, pp. 17-18.

²⁵ Pittsburgh Water Statement No. 2-R, p. 40.

1 considering that Mr. Barca specifically states that the estimate is based on historic
2 spending and does not indicate a need for an increase. The amount Mr. Barca
3 projects for the FY 2026 contract²⁶ is speculative, and it is unclear if this amount is
4 expected to be the total amount of the contract or the portion of the contract to be
5 spent in FY 2026. Furthermore, in response to I&E-RE-33, Mr. Barca provides
6 year-to-date actual data through June, which shows that only 29% (\$2,405,386²⁷ /
7 \$8,357,510²⁸) of the FY 2025 budget has been spent at the mid-point of the year.
8 If spending continues at this rate through the end of the year, Pittsburgh Water will
9 have spent only \$4,810,772 (\$2,405,386 x 2) of the FTY budgeted \$8,357,510,
10 which is much lower than my recommended FPFTY allowance. Lacking any
11 known and measurable data to validate the requested increase, historic costs are
12 the most accurate prediction of future costs, therefore normalization of recent
13 historic data is appropriate.

14
15 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

16 A. No. I continue to recommend an allowance of \$6,820,188 for annual sewer
17 contract expense, or a reduction of \$979,812 (\$7,800,000 - \$6,820,188) in the
18 FPFTY.

²⁶ I&E Exhibit No. 2, Schedule 7, p. 2.

²⁷ I&E Exhibit No. 2-SR, Schedule 2, p. 3.

²⁸ I&E Exhibit No. 2, Schedule 1, p. 2.

1 **Emergency Waterline Repairs**

2 **Q. SUMMARIZE YOUR RECOMMENDATION FOR EMERGENCY**
3 **WATERLINE REPAIRS.**

4 A. I recommended an allowance of \$5,159,215 for emergency waterline repairs, or a
5 reduction of \$1,840,785 (\$7,000,000 - \$5,159,215) in the FPPTY based on
6 normalizing the expense using a three-year period of historic data.²⁹

7
8 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

9 A. Yes. Pittsburgh Water witness Edward Barca disagrees with my recommendation.

10
11 **Q. SUMMARIZE MR. BARCA’S RESPONSE.**

12 A. Mr. Barca states that FY 2024 and FY 2025 contracts were provided along with
13 projections for FY 2026, which he again opines that I ignored.³⁰

14
15 **Q. WHAT IS YOUR RESPONSE TO MR. BARCA’S ASSERTIONS?**

16 A. Again, I reiterate that I have not ignored Mr. Barca’s data. I simply find it
17 insufficient to warrant a large budget increase over the HTY. The amount Mr.
18 Barca projects for the FY 2026 contract is speculative, and it is unclear if this
19 amount is expected to be the total amount of the contract or the portion of the
20 contract to be spent in FY 2026. Furthermore, in response to I&E-RE-33, Mr.
21 Barca provides year-to-date actual data through June, which shows that only 36%

²⁹ I&E Statement No. 2, p. 19.

³⁰ Pittsburgh Water Statement No. 2, pp. 40-41.

1 (\$3,102,433³¹ / \$8,727,687³²) of the FY 2025 budget has been spent at the mid-
2 point of the year. If spending continues at this rate through the end of the year,
3 Pittsburgh Water will have spent only \$6,204,866 (\$3,102,433 x 2) of the FTY
4 budgeted \$8,727,687, which is much lower than my recommended FPFTY
5 allowance. Lacking any known and measurable data to validate the requested
6 increase, historic costs are the most accurate prediction of future costs, therefore
7 normalization of recent historic data is appropriate.
8

9 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

10 A. No. I continue to recommend an allowance of \$5,159,215 for emergency
11 waterline repairs, or a reduction of \$1,840,785 (\$7,000,000 - \$5,159,215) in the
12 FPFTY.
13

14 **Manhole and Point Repair Contract**

15 **Q. SUMMARIZE YOUR RECOMMENDATION FOR MANHOLE AND**
16 **POINT REPAIR CONTRACT EXPENSE.**

17 A. I recommended an allowance of \$1,575,224 for manhole and point repair contract
18 expense, or a reduction of \$1,424,776 (\$3,000,000 - \$1,575,224) in the FPFTY
19 based normalizing the expense using a two-year period since only two years of
20 data exist for this expense.³³

³¹ I&E Exhibit No. 2-SR, Schedule 2, p. 3.

³² I&E Exhibit No. 2, Schedule 1, p. 2.

³³ I&E Statement No. 2, pp. 20-21.

1 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

2 A. Yes. Pittsburgh Water witness Edward Barca disagrees with my recommendation.

3

4 **Q. SUMMARIZE MR. BARCA'S RESPONSE.**

5 A. Mr. Barca states that sufficient data was provided for both the FY 2025 and FY
6 2026 manhole repair contracts, but this data was ignored by I&E. He states that
7 including the projected \$1,232,672 budget for the FY 2025 contract, I&E is only
8 leaving \$342,552 in the budget for the FY 2026 contract, which he opines is a
9 dramatic reduction considering \$1,154,044 has been spent through September in
10 FY 2025.³⁴

11

12 **Q. WHAT IS YOUR RESPONSE TO MR. BARCA'S ASSERTIONS?**

13 A. I disagree that adequate data was provided regarding FY 2025 and FY 2026. The
14 data was not ignored, as it was analyzed and included in my exhibit, however the
15 data was speculative. Additionally, even if the projected FY 2026 data had been
16 known and a completed contract signed, it would still be unreasonable to expense
17 the entirety of the FY 2026 contract in the FPFTY, as the FY 2025 contract is
18 anticipated to be spread out over two years.

19 Finally, Mr. Barca states that \$1,154,044 has been spent through September.
20 If that nine-month expense is annualized ($\$1,154,044 / 9 \text{ months} = \$128,227 \times 12$
21 months = \$1,538,725), the annual total falls very close to my FPFTY

³⁴ Pittsburgh Water Statement No. 2-R, p. 35.

1 recommendation of \$1,575,224 and falls quite short of Pittsburgh Water's FTY
2 forecast of \$2,500,000.³⁵

3
4 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

5 A. No. I continue to recommend an allowance of \$1,575,224 for manhole and point
6 repair contract expense, or a reduction of \$1,424,776 (\$3,000,000 - \$1,575,224) in
7 the FPFTY.

8
9 **Field Inspections**

10 **Q. SUMMARIZE YOUR RECOMMENDATION FOR FIELD INSPECTIONS.**

11 A. I recommended an allowance of \$2,390,576 for field inspections expense, or a
12 reduction of \$703,706 (\$3,094,282 - \$2,390,576) in the FPFTY based on
13 normalizing the expense using a three-year period of historic data. This
14 adjustment corresponds to the adjustments I am recommending for each of the
15 four categories noted by Pittsburgh Water that require field inspections: emergency
16 waterline repairs, annual sewer contract, manhole and point repair contract, and
17 surface restoration.³⁶

18
19 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

20 A. Not directly, but Mr. Barca made a general statement opposing the use of
21 normalization as a method of adjustment and suggesting that all such

³⁵ I&E Exhibit No. 2, Schedule 1, p. 2.

³⁶ I&E Statement No. 2, pp. 22-23.

1 recommendations be rejected.³⁷ As mentioned earlier in my surrebuttal testimony,
2 I disagree with Mr. Barca's statement regarding normalization and reassert that
3 normalization of recent historic data is an appropriate way to calculate an
4 adjustment to a base rate claim when known and measurable data to support a
5 requested increase is not provided.

6
7 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

8 A. No. I continue to recommend an allowance of \$2,390,576 for field inspections
9 expense, or a reduction of \$703,706 (\$3,094,282 - \$2,390,576) in the FPFTY.

10
11 **CONCRETE REPAIRS (SURFACE RESTORATION)**

12 **Q. SUMMARIZE YOUR RECOMMENDATION FOR CONCRETE REPAIRS.**

13 A. I recommended an allowance of \$11,107,815 for concrete repairs expense, or a
14 reduction of \$3,892,185 (\$15,000,000 - \$11,107,815) in the FPFTY based on
15 normalizing the expense using a three-year period of historic data.³⁸

16
17 **Q. DID ANY WITNESSES RESPOND TO YOUR RECOMMENDATION?**

18 A. Yes. Pittsburgh Water witnesses Edward Barca and Katherine Mechler disagree
19 with my recommendation.

³⁷ Pittsburgh Water Statement No. 2-R, pp. 7-8 and 24-26.

³⁸ I&E Statement No. 2, pp. 24-25.

1 **Q. SUMMARIZE MR. BARCA’S RESPONSE.**

2 A. Mr. Barca takes issue with two statements from my direct testimony. First, Mr.
3 Barca asserts that my statement that Pittsburgh Water admits its claim of
4 \$15,000,000 does not reduce the number of backlog sites is incorrect. He states
5 that Pittsburgh Water was trying to show it is cognizant of the affordability impact
6 of requesting the full amount needed to eliminate the backlog all at once and
7 instead proposes to remove the backlog over a number of years.

8 Second, Mr. Barca states that my argument that an increase in funding does
9 not address the issue because there was a decrease in the expense from the HTY to
10 the FTY is invalid because Pittsburgh Water recently added an additional
11 \$2,800,000 to the surface restoration budget.³⁹

12
13 **Q. WHAT IS YOUR RESPONSE TO MR. BARCA’S CLAIMS?**

14 A. To address Mr. Barca’s first point, I would refer to his response to I&E-RE-20
15 where Mr. Barca’s exact words were “the FPFTY revenue requirement of
16 \$15,000,000 does not reduce the number of open sites at the end of FY 2026.”⁴⁰
17 His claim that my statement is incorrect is not supported by the evidence.

18 In his second point, Mr. Barca mischaracterizes my direct testimony by
19 conflating these two separate statements. I did not say that an increase in funding
20 does not address the issue *because* there is a decrease in the expense from the
21 HTY to the FTY. I said that an increase in funding does not address the fact that

³⁹ Pittsburgh Water Statement No. 2-R, pp. 38-39.

⁴⁰ I&E Exhibit No. 2, Schedule 14.

1 the rate of lead line replacements has outpaced the contractor's ability to keep up
2 with paving sites. In other words, the contractor would need to hire more people
3 or Pittsburgh Water would need to hire a second or larger contractor, neither of
4 which was demonstrated by the information provided. I then added separately that
5 Pittsburgh Water estimated a decrease in spending from the HTY to the FTY.⁴¹

6 Additionally, regarding the newly signed contract on August 22, 2025, there
7 is not enough context provided to indicate that adding \$2,800,000 on top of the
8 current budget would be appropriate. In fact, Mr. Barca's Exhibit EB-19 indicates
9 that the addition of \$2,800,000 will result in a cumulative commitment of
10 \$8,435,343.33, which is less than the current FTY budget of \$11,629,825.

11
12 **Q. SUMMARIZE MS. MECHLER'S RESPONSE.**

13 A. Ms. Mechler states that a three-year historic average does not accurately reflect the
14 amount that Pittsburgh Water needs to adequately complete its surface restoration
15 work. She also states that, ideally, Pittsburgh Water would start each paving
16 season with 441 sites to pave but is starting with a backlog of 1,200 sites or more
17 that cannot be completed with funding shortfalls. Finally, she states that it takes
18 an average of nine months for a site to be paved, creating safety hazards for the
19 public during this time.⁴²

⁴¹ I&E Statement No. 2, p. 25.

⁴² Pittsburgh Water Statement No. 4-R, pp. 26-28.

1 **Q. WHAT IS YOUR RESPONSE TO MS. MECHLER’S ASSERTIONS?**

2 A. While I appreciate Ms. Mechler’s detailed explanation and do not refute the facts
3 laid out in her rebuttal testimony, my concern regarding Pittsburgh Water’s ability
4 to use additional funds remains. In fact, Pittsburgh Water’s year-to-date update at
5 the end of June shows only \$1,098,605 being spent on concrete repairs,⁴³ which is
6 9% of the \$11,629,825 budget. Ms. Mechler points out in a footnote in her
7 testimony⁴⁴ that the City of Pittsburgh imposes a moratorium on permanent
8 sidewalk and street restoration from November 1 to March 31 each year. Noting
9 that, one might conservatively estimate that Pittsburgh Water is only representing
10 one month of concrete repairs in the \$1,098,605 figure if work completed in April
11 is billed in May and paid in June. Even then, with only seven months out of the
12 year available to do this work, Pittsburgh Water is on track to spend only
13 \$7,690,235 ($\$1,098,605 \times 7$) in FY 2025 out of its \$11,629,825 budget, or 66%.

14

15 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

16 A. No. I continue to recommend an allowance of \$11,107,815 for concrete repairs
17 expense, or a reduction of \$3,892,185 ($\$15,000,000 - \$11,107,815$) in the FPPTY.

⁴³ I&E Exhibit No. 2-SR, Schedule 2, p. 3.

⁴⁴ Pittsburgh Water Statement No. 4-R, p. 27.

1 **MEMBERSHIP FEES**

2 **Q. SUMMARIZE YOUR RECOMMENDATION FOR MEMBERSHIP FEES.**

3 A. I recommended an allowance of \$106,038, or a reduction of \$43,000 (\$149,038 -
4 \$106,038) for membership fees in the FPPTY based on removing the amount
5 projected to be paid to Pittsburgh Downtown Partnership.⁴⁵

6

7 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

8 A. No.

9

10 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

11 A. No. I continue to recommend an allowance of \$106,038, or a reduction of \$43,000
12 (\$149,038 - \$106,038) for membership fees in the FPPTY.

13

14 **PROFESSIONAL SERVICES**

15 **Consultants**

16 **Q. SUMMARIZE YOUR RECOMMENDATION FOR CONSULTANTS**
17 **EXPENSE.**

18 A. I recommended an allowance of \$5,364,338 for consultants expense, or a
19 reduction of \$2,282,406 (\$7,646,744 - \$5,364,338) in the FPPTY based on
20 normalizing the expense using a three-year period of historic data due to the
21 speculative nature of the supporting documentation provided.⁴⁶

⁴⁵ I&E Statement No. 2, p. 26.

⁴⁶ I&E Statement No. 2, pp. 27-28.

1 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

2 A. Yes. Pittsburgh Water witness Edward Barca disagrees with my recommendation.

3

4 **Q. SUMMARIZE MR. BARCA'S RESPONSE.**

5 A. Mr. Barca states that sufficient justification of the contracts and expenses that
6 make up the FPFTY claim was provided but I&E ignored the information and did
7 not request additional information.⁴⁷

8

9 **Q. WHAT IS YOUR RESPONSE TO MR. BARCA'S CLAIMS?**

10 A. I disagree that sufficient justification was provided. Pittsburgh Water did provide
11 copies of several active contracts totaling \$5,131,919 of the requested \$7,341,919
12 in the FPFTY. However, the remaining portion of the claim was made up of
13 projections for several contracts that "would be bid out and finalized in FY 2026"
14 and did not include any data to support the contract amounts.⁴⁸

15 Additionally, even if these contract amounts were completely accurate, it is
16 unlikely that Pittsburgh Water would bid the contracts out, execute the contracts,
17 expense the entirety of the contracts within FY 2026, and continue at that level of
18 spending annually. It is more likely that these contracts may or may not be
19 executed within FY 2026 and will be expensed over a period of time longer than
20 one year. My adjustment leaves room for some additional spending over the
21 known and active contracts.

⁴⁷ Pittsburgh Water Statement No. 2-R, p. 41.

⁴⁸ I&E Exhibit No. 2, Schedule 16.

1 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

2 A. No. I continue to recommend an allowance of \$5,364,338 for consultants expense,
3 or a reduction of \$2,282,406 (\$7,646,744 - \$5,364,338) in the FPFTY.

4

5 **Construction Management**

6 **Q. SUMMARIZE YOUR RECOMMENDATION FOR CONSTRUCTION**
7 **MANAGEMENT EXPENSE.**

8 A. I recommended an allowance of \$1,562,800 for construction management, or a
9 reduction of \$360,454 (\$1,923,254 - \$1,562,800) in the FPFTY based on
10 normalizing the expense using the two most recent years of data since only two
11 years of data exist for this account.⁴⁹

12

13 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

14 A. Yes. Pittsburgh Water witness Edward Barca disagrees with my recommendation.

15

16 **Q. SUMMARIZE MR. BARCA'S RESPONSE.**

17 A. Mr. Barca states that he provided an explanation along with an Excel spreadsheet
18 showing the increase from FY 2025 to FY 2026. He also states that I&E could
19 have requested additional information if additional justification was necessary. He
20 states that it is unclear what information could have been provided to resolve the
21 issue. He also adds that construction management contract amounts are usually 5-

⁴⁹ I&E Statement No. 2, p. 29.

1 10% of the associated construction contract that it is supporting, and that I&E did
2 not consider that fact in its recommendation.⁵⁰

3
4 **Q. WHAT IS YOUR RESPONSE TO MR. BARCA?**

5 A. Mr. Barca's response to I&E-RE-45 did include an explanation⁵¹ and an additional
6 spreadsheet,⁵² however the additional spreadsheet did not include any specific
7 calculations to support the increase, only a slightly more detailed explanation. It
8 did not include, for example, any quantifiable data used to calculate the FPFTY
9 claim, nor any contracts or invoices. I did request a detailed basis, calculation, and
10 supporting documentation for the expense projections, and repeating the same
11 question would be redundant.

12 Mr. Barca's note that construction management typically costs 5-10% of the
13 associated construction contracts is impossible to calculate without knowing the
14 total of the associated contracts, but I will point out that I have recommended
15 adjustments for both of the expense categories that Mr. Barca associates with this
16 increase as shown below. My recommended adjustment to construction
17 management of \$360,454 is approximately 7% of the total of those two
18 adjustments, which falls within the 5-10% range.

19

	Pittsburgh Water FPFTY Claim	I&E Allowance	I&E Adjustment
Manhole & Point Repair	\$3,000,000	\$1,575,224	(\$1,424,776)
Concrete Repairs	\$15,000,000	\$11,107,815	(\$3,892,185)
Total			<u>(\$5,316,961)</u>

⁵⁰ Pittsburgh Water Statement No. 2-R, p. 37.

⁵¹ I&E Exhibit No. 2, Schedule 17, p. 1.

⁵² I&E Exhibit No. 2-SR, Schedule 2.

1 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

2 A. No. I continue to recommend an allowance of \$1,562,800 for construction
3 management, or a reduction of \$360,454 (\$1,923,254 - \$1,562,800) in the FPFTY.
4

5 **Consulting Engineers**

6 **Q. SUMMARIZE YOUR RECOMMENDATION FOR CONSULTING**
7 **ENGINEERS EXPENSE.**

8 A. I recommended an allowance of \$83,139 for consulting engineers expense, or a
9 reduction of \$113,545 (\$196,684 - \$83,139) in the FPFTY based on normalizing
10 the expense using a three-year period of historic data.⁵³
11

12 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

13 A. Not directly, but Mr. Barca made a general statement opposing the use of
14 normalization as a method of adjustment and suggesting that all such
15 recommendations be rejected.⁵⁴
16

17 **Q. WHAT IS YOUR RESPONSE?**

18 A. As mentioned earlier in my surrebuttal testimony, I disagree with Mr. Barca's
19 statement regarding normalization and reassert that normalization of recent
20 historic data is an appropriate way to calculate an adjustment to a base rate claim
21 when known and measurable data to support a requested increase is not provided.

⁵³ I&E Statement No. 2, pp. 30-31.

⁵⁴ Pittsburgh Water Statement No. 2-R, pp. 7-8 and 24-26.

1 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

2 A. No. I continue to recommend an allowance of \$83,139 for consulting engineers
3 expense, or a reduction of \$113,545 (\$196,684 - \$83,139) in the FPPTY.
4

5 **Legal**

6 **Q. SUMMARIZE YOUR RECOMMENDATION FOR LEGAL EXPENSE.**

7 A. I recommended an allowance of \$2,329,500 for legal expense, or a reduction of
8 \$88,200 (\$2,417,700 - \$2,329,500) in the FPPTY based on disallowing the amount
9 of \$88,200 identified by Pittsburgh Water as lobbying expense.⁵⁵
10

11 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

12 A. Not directly, but Mr. Barca does address the Office of Consumer Advocate (OCA)
13 witness Dante Mugrace who makes the same recommendation to disallow the
14 lobbying expense claim. Mr. Barca states that as a municipal authority, Pittsburgh
15 Water has an obligation to maintain lines of communication with other parts of
16 government, and that these expenses should be considered government relations
17 instead of lobbying. Mr. Barca asserts that these relations directly benefit
18 customers only since Pittsburgh Water has no shareholders.⁵⁶

⁵⁵ I&E Statement No. 2, pp. 31-32.

⁵⁶ Pittsburgh Water Statement No. 2-R, pp. 32-33.

1 **Q. WHAT IS YOUR RESPONSE TO MR. BARCA’S ASSERTIONS?**

2 A. As discussed in my direct testimony, I reiterate that the lobbying expense claim of
3 \$88,200 (included in the legal expense claim of \$2,417,700) is not necessary for
4 the utility to provide safe and reliable service. Therefore, it should not be funded
5 by ratepayers. As advised by counsel, the provision of 66 Pa. C.S. § 1316
6 prohibits claims for lobbying expense in ratemaking, and Pittsburgh Water is not
7 exempt from this rule based on its municipal status.

8

9 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

10 A. No.

11

12 **Payroll Services**

13 **Q. SUMMARIZE YOUR RECOMMENDATION FOR PAYROLL SERVICES.**

14 A. I recommended an allowance of \$149,628 for payroll services expense, or a
15 reduction of \$93,372 (\$243,000 - \$149,628) in the FPPTY based on normalizing
16 the expense using a three-year period of historic data.⁵⁷

17

18 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

19 A. Not directly, but Mr. Barca made a general statement opposing the use of
20 normalization as a method of adjustment and suggesting that all such
21 recommendations be rejected.⁵⁸

⁵⁷ I&E Statement No. 2, p. 33.

⁵⁸ Pittsburgh Water Statement No. 2-R, pp. 7-8 and 24-26.

1 **Q. WHAT IS YOUR RESPONSE?**

2 A. As mentioned earlier in my surrebuttal testimony, I disagree with Mr. Barca's
3 statement regarding normalization and reassert that normalization of recent
4 historic data is an appropriate way to calculate an adjustment to a base rate claim
5 when known and measurable data to support a requested increase is not provided.

6
7 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

8 A. No. I continue to recommend an allowance of \$149,628 for payroll services
9 expense, or a reduction of \$93,372 (\$243,000 - \$149,628) in the FPPTY.

10

11 **Water Liens**

12 **Q. SUMMARIZE YOUR RECOMMENDATION FOR WATER LIENS.**

13 A. I recommended an allowance of \$76,371 for water liens expense, or a reduction of
14 \$28,629 (\$105,000 - \$76,371) in the FPPTY based on normalizing the expense
15 using a three-year period of historic data.⁵⁹

16

17 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

18 A. Not directly, but Mr. Barca made a general statement opposing the use of
19 normalization as a method of adjustment and suggesting that all such
20 recommendations be rejected.⁶⁰

⁵⁹ I&E Statement No. 2, pp. 34-35.

⁶⁰ Pittsburgh Water Statement No. 2-R, pp. 7-8 and 24-26.

1 **Q. WHAT IS YOUR RESPONSE?**

2 A. As mentioned earlier in my surrebuttal testimony, I disagree with Mr. Barca's
3 statement regarding normalization and reassert that normalization of recent
4 historic data is an appropriate way to calculate an adjustment to a base rate claim
5 when known and measurable data to support a requested increase is not provided.

6
7 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

8 A. No. I continue to recommend an allowance of \$76,371 for water liens expense, or
9 a reduction of \$28,629 (\$105,000 - \$76,371) in the FPFTY.

10

11 **UNIFORMS**

12 **Q. SUMMARIZE YOUR RECOMMENDATION FOR UNIFORMS EXPENSE.**

13 A. I recommended an allowance of \$154,299 for uniforms expense, or a reduction of
14 \$89,201 (\$243,500 - \$154,299) in the FPFTY based on normalizing the expense
15 using a two-year period of historic data. I chose not to include the FY 2022 data
16 in this calculation because it seemed to be an extremely low outlier.⁶¹

17

18 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

19 A. Not directly, but Mr. Barca made a general statement opposing the use of
20 normalization as a method of adjustment and suggesting that all such
21 recommendations be rejected.⁶²

⁶¹ I&E Statement No. 2, p. 36.

⁶² Pittsburgh Water Statement No. 2-R, pp. 7-8 and 24-26.

1 **Q. WHAT IS YOUR RESPONSE?**

2 A. As mentioned earlier in my surrebuttal testimony, I disagree with Mr. Barca's
3 statement regarding normalization and reassert that normalization of recent
4 historic data is an appropriate way to calculate an adjustment to a base rate claim
5 when known and measurable data to support a requested increase is not provided.

6
7 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

8 A. No. I continue to recommend an allowance of \$154,299 for uniforms expense, or
9 a reduction of \$89,201 (\$243,500 - \$154,299) in the FPFTY.

10

11 **TRAVEL AND ENTERTAINMENT (TE) TRAINING**

12 **Q. SUMMARIZE YOUR RECOMMENDATION FOR TE TRAINING.**

13 I recommended an allowance of \$142,089 for TE training expense, or a reduction
14 of \$161,896 (\$303,985 - \$142,089) in the FPFTY based on normalizing the
15 expense using a three-year period of historic data.⁶³

16

17 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

18 A. Not directly, but Mr. Barca made a general statement opposing the use of
19 normalization as a method of adjustment and suggesting that all such
20 recommendations be rejected.⁶⁴

⁶³ I&E Statement No. 2, pp. 37-38.

⁶⁴ Pittsburgh Water Statement No. 2-R, pp. 7-8 and 24-26.

1 **Q. WHAT IS YOUR RESPONSE?**

2 A. As mentioned earlier in my surrebuttal testimony, I disagree with Mr. Barca's
3 statement regarding normalization and reassert that normalization of recent
4 historic data is an appropriate way to calculate an adjustment to a base rate claim
5 when known and measurable data to support a requested increase is not provided.

6
7 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

8 A. No. I continue to recommend an allowance of \$142,089 for TE training expense,
9 or a reduction of \$161,896 (\$303,985 - \$142,089) in the FPFTY.

10

11 **FINES AND PENALTIES**

12 **Q. SUMMARIZE YOUR RECOMMENDATION FOR FINES AND**
13 **PENALTIES.**

14 A. I recommended disallowance of the entire claim for fines and penalties in the
15 FPFTY, or a reduction of \$20,000 to Pittsburgh Water's claim, on the basis that
16 fines and penalties are avoidable expenses and are not necessary for the safe and
17 reliable provision of service.⁶⁵

18

19 **Q. DID ANY WITNESS RESPOND TO YOUR RECOMMENDATION?**

20 A. No.

⁶⁵ I&E Statement No. 2, pp. 38-39.

1 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

2 A. No. I continue to recommend disallowance of the entire \$20,000 FPPTY claim for
3 fines and penalties.

4

5 **OTHER RECOMMENDATIONS FROM DIRECT TESTIMONY**

6 **Q. DID YOU MAKE ANY OTHER RECOMMENDATIONS THAT WERE**
7 **NOT RESPONDED TO IN REBUTTAL TESTIMONY?**

8 A. Yes. I recommended that Pittsburgh Water be required in all future base rate
9 proceedings to account for rate case expense in a separate account to provide the
10 needed transparency around this expense and to establish an appropriate
11 normalized expense for prospective recovery of future rate case activities.⁶⁶

12 I also recommended that if Pittsburgh Water chooses to make charitable
13 contributions, the Commission should require such funding to come from
14 voluntary employee contributions because essentially all contributions made by
15 Pittsburgh Water would be using ratepayer money given the cash-flow nature of
16 the rate filing.⁶⁷

17

18 **Q. DO YOU HAVE ANY CHANGES TO THESE RECOMMENDATIONS?**

19 A. No.

⁶⁶ I&E Statement No. 2, pp. 39-40.

⁶⁷ I&E Statement No. 2, pp. 40-41.

1 **OTHER CONCERNS**

2 **Q. DO YOU HAVE ANY OTHER CONCERNS REGARDING ISSUES IN**
3 **REBUTTAL TESTIMONY?**

4 A. Yes. In rebuttal testimony, Mr. Barca lays out a detailed procedure for a potential
5 review/approval process for Pittsburgh Water’s proposed multi-year rate plan
6 (MYRP). As I mentioned in my direct and surrebuttal testimony, it is I&E’s
7 position that the MYRP be rejected, but I specifically take issue with Mr. Barca’s
8 third step in his proposed review/approval process. Mr. Barca suggests that
9 Pittsburgh Water would calculate a revised revenue requirement which would be
10 compared to the currently projected \$20.7 million revenue increase. He proposes
11 that, if the resulting increase is higher than the currently projected \$20.7 million,
12 Pittsburgh Water would defer any additional revenue requirement until its next
13 base rate proceeding in which it can make a claim for recovery of any deferred
14 revenue requirement.⁶⁸

15 Making a claim for a revenue shortfall in a future rate case via a regulatory
16 asset is considered retroactive ratemaking and, as a cash-flow utility, would
17 provide unsupported cash flow for the current needs of that future period.
18 Additionally, the Commission has previously ruled that deferred accounting
19 treatment may be granted for expenses that are: (1) extraordinary; (2)
20 unanticipated; (3) non-recurring; and (4) substantial.⁶⁹ Using deferred accounting

⁶⁸ Pittsburgh Water Statement No. 2-R, pp. 60-61.

⁶⁹ *Petition of Columbia Gas of Pa., Inc. for Authority to Defer for Accounting and Financial Purposes Certain Start Up Expenses Assoc. with the Redesign of Upgrade of Financial Processes and Info. Systems*, Docket No. P-2012-2319920, Opinion and Order, p. 5 (Order Entered December 5, 2012).

1 treatment as a mechanism to cover a potential revenue shortfall caused by normal
2 business activities is inappropriate and should be rejected.

3

4 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

5 A. Yes.

**I&E Exhibit No. 2-SR
Witness: Vanessa Okum**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PITTSBURGH WATER AND SEWER AUTHORITY

D/B/A PITTSBURGH WATER

Docket Nos. R-2025-3055010, R-2025-3055011 & R-2025-3055012

Exhibit to Accompany

the

Surrebuttal Testimony

of

Vanessa Okum

Bureau of Investigation and Enforcement

Concerning:

OPERATING AND MAINTENANCE EXPENSES

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RE 33 - 49
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RE-33 Reference Pittsburgh Water Volume I, FR-III.1 concerning operating expenses by account. Provide the following:

- A. Year-to-date actuals by month through June 2025 for each account in the same Excel format as data provided in response to I&E-RE-1-D.
- B. Indicate whether the original filing on June 4, 2025 included pro forma data for 2025. If so, state which months used actual data and which months used forecasted data.

Response:

- A. See attached excel filed I&E-RE-33.
- B. The original data used budget data for the entire year.

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: August 15, 2025

I&E MODIFIED

Pittsburgh Water Operating Expenses by Account

	I&E-RE-1 FTY Forecast 12 Months Ended 12/31/2025	I&E-RE-33 YTD FTY Actuals 6 Months Ended 6/30/2025	
Direct Operating Expenses			
<u>Wages & Salaries</u>			
4001	Salary Wages	31,192,918	14,229,135 46%
4005	OT Premium Pay	2,018,400	1,195,359 59%
4010	Shift Differential	135,300	66,576 49%
4015	Semi Skill	-	-
4025	Bonus	85,457	41,699 49%
4030	Holiday Pay	1,815,816	775,817 43%
4031	Mental Health Day Pay	-	24,909
4032	Volunteer Time Off	-	3,258
4035	Vacation Pay	2,612,538	1,037,773 40%
4040	Other	-	-
4045	Sick Pay	-	40,097
4050	Personal Time Pay	1,519,357	711,180 47%
4065	Jury Duty	-	6,284
4070	Military Leave	-	7,517
4075	Supper Pay	28,500	21,537 76%
4080	Bereavement	-	120,659
4081	Paid Parental Leave	-	82,841
4082	Safe Leave	-	1,130
4085	Special	40,440	20,220 50%
4090	Admin Leave	-	5,629
4095	Severence	-	11,092
	Total Wages & Salaries	39,448,726	18,402,712 47%
<u>Employee Benefits</u>			
4110	Fed Ins Contr Act Tx	2,379,398	1,114,652 47%
4115	Medicare	570,787	261,079 46%
4125	State Unemploy Tax	35,000	54,510 156%
4135	Med Health Ins	6,740,596	3,114,667 46%
4140	Med Hlth Ins Waiver	60,099	30,841 51%
4145	Short Term Disability	329,367	161,351 49%
4150	Long Term Disability	50,321	22,588 45%
4155	Life Ins <50k	39,977	20,295 51%
4160	Accident Death Dismember	8,440	3,899 46%
4165	Dental Ins	220,583	100,962 46%
4170	Vision Insur	30,419	14,250 47%

4175	Uniforms	-	-	
4180	Tuition Reimburse	116,710	46,026	39%
4185	Retirement Benefit	1,306,004	572,432	44%
4195	Misc Benefits	(57,120)	(29,735)	52%
4199	Payroll Upload Except	-	-	
	Total Employee Benefits	11,830,581	5,487,817	46%
	TOTAL SALARIES & BENEFITS	51,279,307	23,890,530	47%

Chemicals

5005	Orthophosphate	548,537	139,666	25%
5010	Boiler Chemicals	40,000	11,597	29%
5015	Calcium Hypochlorite	-	-	
5020	Cat Flocc TL	100,000	50,817	51%
5025	Caustic Soda	-	-	
5030	Chlorine Cylinders	-	-	
5035	Chlorine Rail Car	497,000	216,589	44%
5040	Citric Acid	-	-	
5050	Ferric Chloride	3,200,000	1,604,788	50%
5055	Hydrofluorosilicic Acid	202,800	113,076	56%
5060	Lime	410,000	249,811	61%
5065	Potassium Permanganate	-	-	
5070	Powdered Active Carbon	-	-	
5075	Soda Ash	1,200,000	502,125	42%
5080	Sodium Hypochlorite	1,098,800	344,567	31%
5085	Sodium Carbonate Peroxyhy	25,000	-	0%
	Chemicals	7,322,137	3,233,034	44%

Equipment

5120	Computer & Peripherals	176,049	34,178	19%
5125	Computers Networking	287,453	215,481	75%
5140	Furniture Fixture	26,750	10,993	41%
5145	Grounds Maint	218,818	108,869	50%
5147	Lab Equip	70,000	16,072	23%
5150	Machinery	288,000	98,768	34%
5160	Office Equipment	-	1,038	
5170	Pumps & Motors	80,000	64,862	81%
5180	SCADA Equipment	208,870	107,088	51%
5190	Vehicles	930,000	971,117	104%
	Equipment	2,285,940	1,628,467	71%

Materials

5205	Asphalt Cold Patch	120,000	75,421	63%
5220	Asphalt Hotmix	12,000	101	1%
5227	Brick	1,500	-	0%

5230	Cement Bagged	5,000	2,170	43%
5240	Iron Steel Brass	-	-	
5245	Lumber	36,000	15,102	42%
5250	Sand	-	329	
5255	Slag	570,000	292,116	51%
5265	Top Soil	<u>11,800</u>	<u>2,566</u>	22%
	Materials	756,300	387,805	51%
	<u>Operating Contracts</u>			
5305	Annual Sewer Contract	8,357,510	2,405,386	29%
5310	Boiler Compressr Elevtr	-	-	
5315	CB Cleaning	950,000	504,079	53%
5330	Debris Removal	450,000	174,964	39%
5335	Drag Bucket	882,000	365,124	41%
5340	Dumpster	44,960	20,490	46%
5341	Vactor Debris Remove Cont	240,000	107,423	45%
5342	Emergency WaterLine Repair	8,727,687	3,102,433	36%
5343	Manhole & Point Repair Contract	2,500,000	323,057	13%
5344	Pump & Motor Contract	650,000	445,671	69%
5345	Inspection	49,000	-	0%
5347	Inspection Field	2,806,337	719,142	26%
5348	Line Televising	-	-	
5350	Key & Lock Services	17,500	17,342	99%
5355	Landscape (Grounds)	250,000	22,925	9%
5360	Meters	275,000	120,351	44%
5370	Operating Contract Other	1,407,573	390,701	28%
5375	Radionuclides	300,000	132,941	44%
5380	Intr-Gov Proj Panther Hollow	1,300,000	499,234	38%
5385	Temporary Help	-	31,212	
5390	Welding	<u>-</u>	<u>-</u>	
	Operating Contracts	29,207,567	9,382,474	32%
	<u>Repairs & Maintenance</u>			
5402	Annual Software Support	3,756,675	1,608,364	43%
5405	Bldg Property Repairs	180,414	95,093	53%
5408	Computer Hardware	90,310	1,690	2%
5411	Computer Software Support	85,136	13,888	16%
5413	Concrete Repairs	11,629,825	1,098,605	9%
5415	Cranes Repairs	20,000	7,703	39%
5417	Electrical Repairs	27,200	5,550	20%
5420	Fence Repairs	6,500	2,530	39%
5422	Fence Installation	92,500	339,155	367%
5427	GIS Hardware Software	5,411	2,371	44%
5432	Hardware Repairs	-	2,689	
5437	Heavy Equip Repair	8,000	1,083	14%

5439	HVAC Plumbing	260,500	117,503	45%
5452	Machinery Repairs	254,402	111,841	44%
5457	Office Equip Repairs	-	-	
5462	Plant Repairs	540,000	13,352	2%
5467	Power Tool Repairs	3,000	-	0%
5482	Tool Repairs	-	3,251	
5484	Hand Tool Repairs	-	-	
5486	Misc Tool Repairs	-	-	
5488	CC TV Repairs	-	-	
5490	Vactor Repairs	-	11,768	
5491	Vehicle Repairs	1,172,606	710,639	61%
5496	Repair Maint Other	<u>30,500</u>	<u>11,046</u>	36%
	Repairs & Maintenance	18,162,978	4,158,121	23%
	<u>Misc. Operating</u>			
5570	Testing Misc	<u>285,500</u>	<u>108,863</u>	38%
	Misc. Operating	285,500	108,863	38%
	<u>Inventory - Castings</u>			
6015	Casting Manhole CBasin	-	-	
6025	Casting Risers Lids	-	-	
6035	Casting Sewer Inlet	-	-	
6060	Casting Water Valve Box	<u>-</u>	<u>-</u>	
	Inventory - Castings	-	-	
	<u>Inventory - Equipment</u>			
6200	Inventory-Equip	131,040	71,047	54%
6245	Materials Handling	-	-	
6260	Safety Equipment	<u>-</u>	<u>-</u>	
	Inventory - Equipment	131,040	71,047	54%
	<u>Inventory - Hardware</u>			
6300	Inventory-Hardware	1,290,000	764,169	59%
6315	Fittings	-	-	
6325	Hose Fitting	-	-	
6335	Lights	-	-	
6340	Machinery Misc	-	-	
6345	Meters	-	-	
6350	Plumbing Inv Exp	-	-	
6355	Power Tool Inv Exp	-	-	
6360	Tools Inv Exp	-	-	
6365	Hand Tools Inv Exp	<u>-</u>	<u>-</u>	

	Inventory - Hardware	1,290,000	764,169	59%
	<u>Inventory - Heavy Equipment</u>			
6420	Backhoe	-	-	
	Inventory - Heavy Equipment	-	-	
	<u>Inventory - Miscellaneous</u>			
6500	Inventory-Misc	51,600	4,935	10%
6506	Batteries	-	-	
6515	Cleaning	-	-	
6530	FirstAid	-	-	
6544	Lubricating Oil	-	-	
6548	Paint Oils Putty Glass	-	-	
6565	Sewer Matls Supplies	-	-	
6570	Testing Dyes	-	-	
6580	Vehicle Oil	-	-	
6585	Welding Supplies-Inventory	-	-	
	Inventory - Miscellaneous	51,600	4,935	10%
	<u>Inventory - Parts</u>			
6645	Parts Other	33,200	19,303	58%
6680	Yard	-	-	
	Inventory - Parts	33,200	19,303	58%
	<u>Inventory - Pipe</u>			
6705	Pipe	327,900	263,274	80%
6710	Pipe Ductile	-	-	
6755	Pipe Plastic	-	-	
6765	Pipe Service Line	-	-	
	Inventory - Pipe	327,900	263,274	80%
	<u>Inventory - Valves</u>			
6825	Valves Misc	343,000	238,467	70%
	Inventory - Valves	343,000	238,467	70%
	INVENTORY TOTAL	2,176,740	1,361,195	63%
	DIRECT OPERATING TOTAL	111,476,468	44,150,489	40%
	<u>Fees</u>			
7003	Bank Fees	10,000	512	5%
7005	Certification Fees	11,565	3,020	26%

7010	Membership Fees	101,893	38,860	38%
7015	Permits	446,247	348,125	78%
7020	Registration Fees	4,500	1,631	36%
7030	Licenses	2,200	-	0%
7035	Customer CC Fees	<u>508,040</u>	<u>271,692</u>	53%
	Total Fees	1,084,445	663,840	61%
	<u>Freight and Postage</u>			
7110	Freight Shipping	3,360	3,814	114%
7115	Postage	<u>597,960</u>	<u>319,481</u>	53%
	Total Freight and Postage	601,320	323,295	54%
	<u>Leases & Rents</u>			
7210	Copier Fax Machine	57,600	28,198	49%
7215	Equip Rental	68,014	16,030	24%
7255	Office Rent	1,064,122	439,258	41%
7260	Pagers	<u>70,000</u>	<u>34,320</u>	49%
	Total Leases & Rents	1,259,736	517,805	41%
	<u>Professional Services</u>			
7305	Advertising	144,196	42,267	29%
7306	Annual Report	-	-	
7310	Annual Audit	51,000	56,000	110%
7315	Billing Contract	277,000	177,077	64%
7323	Consultants	6,340,879	1,742,888	27%
7325	Annual Report	-	-	
7328	Contingencies	-	-	
7330	Construction Management	1,672,137	586,371	35%
7332	Consulting Engineers	53,280	761	1%
7335	Non Capital Engineering Services	280,000	28,765	10%
7345	Ins Auto	140,605	133,551	95%
7348	Ins Commercial Prop	407,282	438,932	108%
7353	Ins Gen Liability	31,308	30,829	98%
7359	Ins Officers Director	82,794	82,794	100%
7365	Ins WorkersComp	367,577	350,150	95%
7366	Ins Cyber	17,000	5,116	30%
7368	Internet Connection Serv	63,767	63,767	100%
7370	Legal	2,566,466	765,353	30%
7375	Meter Services	762,281	438,786	58%
7382	Payroll Services	158,000	82,745	52%
7383	Prof Service Other	3,056,211	629,237	21%
7389	Trust Admin	70,000	15,185	22%
7390	Water Liens	<u>-</u>	<u>-</u>	

Total Professional Services	16,541,783	5,670,573	34%
<u>Supplies</u>			
7405 Computer Software Supplies	-	374	
7422 Fuel-Gasses	433,800	281,773	65%
7423 Fuel Kerosene	-	-	
7424 Fuel Propane	2,700	1,084	40%
7435 GIS Plotter Xerox	-	-	
7440 Grounds & Maint Supp	512,450	290,025	57%
7445 Lab Chemicals	2,000	-	0%
7447 Lab Supplies	150,000	60,312	40%
7450 Office Supplies	31,454	13,107	42%
7460 Uniforms	160,200	53,594	33%
7490 Welding Supplies	<u>12,000</u>	<u>11,538</u>	96%
Total Supplies	1,304,604	711,806	55%
<u>Travel & Entertainment</u>			
7505 TE Airfare	-	-	
7510 TE Auto Rentals	-	-	
7540 TE Lodging	-	-	
7545 TE Meals	-	1,475	
7550 TE Mileage	-	-	
7555 TE SeminarsConferences	3,540	12,485	353%
7560 TE Training	193,500	57,443	30%
7575 TE Travel Misc	<u>195,530</u>	<u>75,654</u>	39%
Total Travel & Entertainment	392,570	147,058	37%
<u>Utilities</u>			
7605 Electric	6,190,000	2,761,226	45%
7650 Natural Gas City	421,044	268,593	64%
7675 Telemeter	64,000	59,300	93%
7680 Cellular Phone	229,200	83,858	37%
7681 Local Phones	45,600	21,985	48%
7682 Long Distance	-	-	
7683 Internet	<u>74,872</u>	<u>28,204</u>	38%
Total Utilities	7,024,716	3,223,165	46%
<u>Miscellaneous Admin</u>			
7701 Capital Project Clearing	-	-	
7710 Capital Asset Reclass	(11,245,807)	-	0%
7712 Cash Discount Taken	-	(63)	
7715 Claims Deductibles	600,000	303,680	51%
7720 Customer Refund CSM	-	-	
7721 Customer Refund AP	480,000	268,735	56%

7730	Fines Penalties	20,000	17,188	86%
7742	Education & Outreach	135,430	72,590	54%
7750	Inv Adjustments	-	-	
7760	Miscellanoues General Administrative Expense	100,000	201,599	202%
7761	Miscellaneous General Administrative Expense	-	(200)	
7765	One Call	24,000	1,470	6%
7770	Publication Subscription	17,605	6,258	36%
8005	City Indirect Costs (Pension & Taxes)	3,500,000	-	0%
8180	Non.City Water Reimburse	<u>173,081</u>	<u>85,413</u>	49%

	Total Miscellaneous Admin	(6,195,691)	956,670	-15%
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	IRECT OPERATING EXPENSES	133,489,949	56,364,702	42%
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	2024	2025	Change	Explanation
7323 Consultants	4,584,954.30	6,340,878.99	1,755,924.69	Anticipated additional work for our Wet Weather consultant Wade Trim as well as rate case financial expenses. Growing backlog of surface restoration repairs require additional construction and in turn additional management. Also growing our
7330 Construction Management	1,315,673.55	1,672,136.52	356,462.97	Manhole/Point Repair Contract Increased Geotechnical investigations due to
7335 Non Capital Engineering Services	233,583.06	280,000.00	46,416.94	landslides associated with line breaks. Pittsburgh Water has an expanding newer fleet with higher replacement values. Also the market has strengthened and we historically have had a
7345 Insurance Auto	82,938.00	140,605.00	57,667.00	very low rate. As salaries and headcount continue to grow so
7365 Insurance Workers Comp	327,748.00	367,577.00	39,829.00	will this premium. Rate case legal council as well as our Wet
7370 Legal	1,727,883.95	2,566,466.01	838,582.06	Weather Consent Decree negotiation.
	2025	2026	Change	Explanation
7323 Consultants	6,340,878.99	7,646,744.00	1,305,865.01	Wet Weather consultant continuing increased efforts as well as Stormwater & SCADA Master Plan Growing backlog of surface restoration repairs require additional construction and in turn additional management. Also growing our
7330 Construction Management	1,672,136.52	1,923,254.00	251,117.48	Manhole/Point Repair Contract Site visits will need to be conducted again in
7332 Consulting Engineers	53,279.66	196,683.98	143,404.32	2026. Enhancements to our project management
7335 Non Capital Engineering Services	280,000.00	325,000.00	45,000.00	platform. Pittsburgh Water is planning an appraisal update to bring its property values up to market increasing their fair market value. New pump station being
7348 Insurance Commercial Property	407,282.00	470,000.00	62,718.00	built as well. As salaries and headcount continue to grow so
7365 Insurance Workers Comp	367,577.00	390,000.00	22,423.00	will this premium. Implementation of new or upgraded payroll
7382 Payroll Services	158,000.00	243,000.00	85,000.00	system. Class & Comp study, Energy efficiencies, and
7383 Miscellaneous Professional Services	3,056,210.97	3,489,630.21	433,419.24	increased annual PUC fees

**I&E Statement No. 3-SR
Witness: Esyan A. Sakaya**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

THE PITTSBURGH WATER & SEWER AUTHORITY

D/B/A PITTSBURGH WATER

Docket Nos. R-2025-3055010, R-2025-3055011, & R-2025-3055012

Surrebuttal Testimony

of

Esyan A. Sakaya

Bureau of Investigation and Enforcement

Concerning:

**Stormwater Rates
Capital Improvement Projects
Distribution System Improvement Charge
Unaccounted-for Water
Class Cost of Service Study
Water and Wastewater Rate Structure
Scale Back of Rates**

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Eryan A. Sakaya. My business address is Pennsylvania Public Utility
4 Commission, 400 North Street, Harrisburg, PA 17120.

5

6 **Q. ARE YOU THE SAME ESYAN A. SAKAYA WHO SUBMITTED I&E**
7 **STATEMENT NO. 3, I&E EXHIBIT NO. 3, AND I&E STATEMENT**
8 **NO. 3-R?**

9 A. Yes.

10

11 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

12 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony
13 submitted on behalf of Pittsburgh Water and Sewer Authority (Pittsburgh Water)
14 by witnesses William J. McFaddin,¹ Barry King, P.E.,² Katherine Mechler, P.E.,³
15 Edward Barca,⁴ and Harold Smith⁵ regarding issues related to stormwater rates,
16 capital improvement budgets, the distribution system improvement charge (DSIC),
17 unaccounted-for water, rate design, and the scale back of rates.

¹ Pittsburgh Water Statement No. 2-R.

² Pittsburgh Water Statement No. 3-R.

³ Pittsburgh Water Statement No. 4-R.

⁴ Pittsburgh Water Statement No. 5-R.

⁵ Pittsburgh Water Statement No. 8-R.

1 **Q. DOES YOUR SURREBUTTAL TESTIMONY INCLUDE AN EXHIBIT?**

2 A. Yes. I&E Exhibit No. 3-SR contains schedules that support my surrebuttal
3 testimony. I also refer to my direct testimony and its accompanying exhibit
4 throughout my surrebuttal testimony.

5

6 **STORMWATER RATES**

7 **Q. DID YOU MAKE ANY RECOMMENDATIONS REGARDING**
8 **PITTSBURGH WATER'S STORMWATER RATES?**

9 A. No. I did not make any specific recommendations regarding Pittsburgh Water's
10 stormwater rates. However, I did address an appeal to the Pennsylvania Supreme
11 Court that may affect stormwater rates in the future and put the parties on notice
12 that this issue would need to be addressed at that time.⁶

13

14 **Q. DID ANY PARTIES RESPOND TO YOUR DISCUSSION ABOUT THE**
15 **STORMWATER RATES AND THE PENNSYLVANIA SUPREME COURT**
16 **APPEAL?**

17 A. No. Also, I am advised by counsel that the Supreme Court has not reached a
18 decision as of the date of this surrebuttal.

⁶ I&E Statement No. 3, pp. 3-5.

1 **CAPITAL IMPROVEMENT PROJECTS**

2 **Q. WHAT DID YOU RECOMMEND REGARDING FPFTY CAPITAL**
3 **IMPROVEMENT PROJECTIONS?**

4 A. I recommended an allowance of \$222,903,999 for FPFTY capital improvement
5 projects which was a reduction of \$121,296,123 (\$344,200,122 - \$222,903,999)
6 to Pittsburgh Water’s claim based on historic average underspending of 35.24%.⁷

7
8 **Q. DID ANY PARTY RESPOND TO YOUR RECOMMENDATION?**

9 A. Yes. Pittsburgh Water witnesses Ed Barca and Barry King disagreed with my
10 recommendation to reduce the FPFTY capital budget.

11
12 **Q. SUMMARIZE MR. BARCA’S RESPONSE TO YOUR**
13 **RECOMMENDATION.**

14 A. Mr. Barca stated that Pittsburgh Water’s FPFTY capital revenue requirement is
15 based on the cost associated with the new bonds needed to fund the capital budget,
16 not the proposed budget amounts within the budget.⁸

⁷ I&E Statement No. 3, pp. 6-7 and I&E Exhibit No. 3, Sch No. 1, p.4, col. E, line 7.

⁸ Pittsburgh Water Statement No. 2-R, pp. 19-21.

1 **Q. WHAT IS YOUR RESPONSE TO MR. BARCA’S CLAIM REGARDING**
2 **CAPITAL EXPENDITURES AND DEBT SERVICE?**

3 A. Mr. Barca could not assure future capital projects would be completed on time and
4 as budgeted for FY 2026 and 2027. Based on the historic expenditures provided
5 in this case and in the prior case at Docket No. R-2023-3039920, I continue to
6 recommend a 35.24% reduction to Pittsburgh Water’s construction expenditures.
7

8 **Q. SUMMARIZE MR. KING’S RESPONSE TO YOUR**
9 **RECOMMENDATION.**

10 A. Mr. King stated that deficiencies for fiscal years 2020 to 2024 were due to factors
11 outside of Pittsburgh Water’s control and could not have been anticipated,
12 specifically pointing to the lengthy bidding process established by the Municipal
13 Authorities Act (MAA), and claiming that the larger divergences between
14 budgeted and expended amounts that occurred during the above mentioned fiscal
15 years were due to delays in large capital improvement projects and infrastructure
16 programs and the associated regulatory compliance involved with those projects.
17 He further points to the impacts of the pandemic as making the prior year budget
18 to actual shortfalls as unfairly considered. In summary, Mr. King claimed that my
19 proposed reductions were arbitrary and failed to consider the impact on Pittsburgh
20 Water’s ability to complete projects that have been identified as necessary for
21 regulatory compliance, safety, quality of service, and operating efficiency.⁹

⁹ Pittsburgh Water Statement No. 3-R, pp. 2-9.

1 **Q. AS IT PERTAINS TO MR. KING’S CONCERNS, ARE DELAYS CAUSED**
2 **BY FACTORS OUTSIDE OF PITTSBURGH WATER’S CONTROL A**
3 **REASON TO NOT MODERATE THE AGGRESSIVENESS OF THE**
4 **CAPITAL BUDGET?**

5 A. No. Regardless of potential impacts of the COVID-19 pandemic on supply chains,
6 Pittsburgh Water has not provided any definitive evidence to support that
7 statement, and even in the clearly post-pandemic years of 2023 and 2024, the
8 budget accuracy was poor and severely missed in 2023 by 57.2%. The over
9 budget performance of 10.3% in 2024 does not come close to addressing the
10 57.2% budget miss in 2023. Nor has any witness provided evidence indicating
11 that Pittsburgh Water is in a better position going forward to avoid construction
12 delays due to supply chain issues and a limited contracting pool with a decreasing
13 number of bidders.¹⁰ Instead, Pittsburgh Water has set a more aggressive capital
14 improvement schedule that is more costly to ratepayers despite its history of not
15 being able to perform to its own capital budgets.

16
17 **Q. WHAT OTHER REASONS DID MR. KING PROVIDE FOR PITTSBURGH**
18 **WATER NOT MEETING ITS CAPITAL IMPROVEMENT BUDGET?**

19 A. Mr. King referred to the long bidding process imposed by the MAA, delays in the
20 permitting process of the Pennsylvania Department of Environmental Protection

¹⁰ Pittsburgh Water Statement No. 3-R, p. 5.

1 (DEP), the length of technical review conducted by the Pennsylvania Department
2 of Transportation (PennDOT), and construction delays associated with
3 requirements imposed by the Pennsylvania State Historic Preservation Office
4 (SHPO) as reasons for not meeting the capital budgets.¹¹

5
6 **Q. DID MR. KING PROVIDE EVIDENCE THAT PITTSBURGH WATER**
7 **INCORPORATED THE DELAYS CAUSED BY THE MAA, DEP,**
8 **PENNDOT, AND SHPO INTO THE CAPITAL BUDGET IT PRESENTED**
9 **IN THIS PROCEEDING?**

10 A. No. Therefore, it is probable that the proposed capital budget will also experience
11 delays due to those same factors.

12
13 **Q. PLEASE RESPOND TO MR. KING'S ASSERTION THAT YOUR**
14 **PROPOSED REDUCTIONS ARE ARBITRARY AND FAIL TO**
15 **CONSIDER THE IMPACT ON PITTSBURGH WATER'S ABILITY TO**
16 **COMPLETE PROJECTS THAT HAVE BEEN IDENTIFIED AS**
17 **NECESSARY FOR REGULATORY COMPLIANCE, SAFETY, QUALITY**
18 **OF SERVICE AND OPERATING EFFICIENCY.**

19 A. Mr. King's assertion that my proposed reductions are arbitrary is without basis.
20 Rather, my proposed reductions are based on historical data. As described in my

¹¹ Pittsburgh Water Statement No. 3-R, pp. 5-6.

1 direct testimony, my recommended \$121,296,123 decrease represents the average
2 yearly underspending of 35.24%, which produces an allowance more reflective of
3 Pittsburgh Water's historic budget to actual construction performance.¹²

4 Considering the historic five-year average 35.24% underspending, it is speculative
5 to assume that Pittsburgh Water would spend the entire FPFTY budgeted capital
6 improvements of \$344,200,122.

7
8 **Q. HAS THE COMMISSION RULED AGAINST ANY UTILITY WITH A**
9 **DOCUMENTED HISTORY OF OVER-PROJECTING CONSTRUCTION**
10 **EXPENDITURES?**

11 A. Yes. The Commission ruled against Philadelphia Gas Works (PGW) in the
12 Opinion and Order at Docket No. R-2023-3037933.

13
14 **Q. IN SUMMARY, WHAT WAS THE COMMISSION'S POSITION AGAINST**
15 **PGW'S DOCUMENTED HISTORY OF OVER-PROJECTING**
16 **CONSTRUCTION EXPENDITURES AT DOCKET NO. R-2023-3037933?**

17 A. I am advised by counsel that the Commission agreed that substantial evidence
18 existed that showed that PGW had a trend of over-projecting construction
19 expenditures over a period of three fiscal years, and because of these historical

¹² I&E Statement No. 3, p. 7.

1 over-projections, a reduction of PGW's initial construction claim was found to be
2 warranted.¹³

3
4 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

5 A. No. Based on my discussion above, Pittsburgh Water has not provided any reason
6 or support that would cause me to change my recommendation to reduce the
7 proposed capital budget increase by \$121,296,123 from \$344,200,122 to
8 \$222,903,999.

9
10 **DISTRIBUTION SYSTEM IMPROVEMENT CHARGE**

11 **Q. SUMMARIZE YOUR RECOMMENDATION RELATED TO**
12 **PITTSBURGH WATER'S REQUEST TO INCREASE ITS DSIC RATE TO**
13 **7.5%?**

14 A. I recommended because Pittsburgh Water has historical shortfalls associated with
15 not completing scheduled capital projects on time and within budget, it should not
16 be allowed to recover additional revenues associated with the DSIC cap being
17 increased from 5% to 7.5% because of this documented history of not completing
18 scheduled capital projects on time and as budgeted.¹⁴

¹³ *PA PUC v. Philadelphia Gas Works*, Docket No. R-2023-3037933, Opinion and Order, pp. 99-103 (Order Entered November 9, 2023).

¹⁴ I&E Statement No. 3, pp. 8-10.

1 **Q. DID ANY PARTY RESPOND TO YOUR RECOMMENDATION?**

2 A. Yes. Pittsburgh Water witnesses Edward Barca, Barry King, and Katherine
3 Mechler responded to my recommendation.

4
5 **Q. SUMMARIZE THE WITNESSES' RESPONSE TO YOUR**
6 **RECOMMENDATION.**

7 A. Mr. Barca and Mr. King responded to my recommendation to reject the DSIC cap
8 increase going from 5% to 7.5%.¹⁵ Ms. Mechler listed what projects are
9 anticipated to be completed if the DSIC cap is increased.¹⁶ Mr. Barca stated that
10 Pittsburgh Water's FPFTY capital revenue requirement is based on the cost
11 associated with the new bonds needed to fund the capital budget, not the proposed
12 budget amounts within the budget.¹⁷

13 Mr. King responded by stating that deficiencies in fiscal years 2020 to 2024
14 were due to factors outside of Pittsburgh Water's control and could not have been
15 anticipated, specifically pointing to the lengthy bidding process established by the
16 MAA, and claiming that the larger divergences between budgeted and expended
17 amounts that occurred during the above mentioned fiscal years were due to delays
18 in large capital improvement projects and infrastructure programs and the
19 associated regulatory compliance involved with those projects.¹⁸ In summary,

¹⁵ Pittsburgh Water Statement No. 2-R, p. 47 and Pittsburgh Water Statement 3-R, pp. 9-10.

¹⁶ Pittsburgh Water Statement No. 4-R, pp. 16-17.

¹⁷ Pittsburgh Water Statement No. 2-R, pp. 19-21.

¹⁸ Pittsburgh Water Statement No. 3-R, pp. 2-9.

1 Mr. King asserted that my proposed reductions were arbitrary and failed to
2 consider the impact on Pittsburgh Water's ability to complete projects that have
3 been identified as necessary for regulatory compliance, safety, quality of service,
4 and operating efficiency.¹⁹

5
6 **Q. DO YOU AGREE WITH MR. BARCA'S CAPITAL REVENUE**
7 **REQUIREMENT CLAIM?**

8 A. No. I can accept that the FPFTY revenue requirement is based on the cost
9 associated with the new bonds required to fund the capital budget, but not the
10 proposed budget amounts themselves. Further, I&E witness D.C. Patel will
11 elaborate on how these bonds relate to Pittsburgh Water's FPFTY revenue
12 requirement.²⁰

13
14 **Q. DO YOU AGREE WITH MR. KING REGARDING HISTORIC SPENDING**
15 **DEFICIENCIES?**

16 A. No. As described in my direct testimony, my recommended reductions to capital
17 projects were based on Pittsburgh Water not completing these projects on time and
18 within budget and that it has historically had a problem with completing these
19 projects on time and within budget.²¹

¹⁹ Pittsburgh Water Statement No. 3-R, pp. 2-9.

²⁰ I&E Statement No. 1-SR.

²¹ I&E Statement No. 3, p. 10.

1 **Q. ARE THERE ANY OTHER REASONS YOU RECOMMEND**
2 **DISALLOWANCE OF THE DSIC INCREASE REQUEST?**

3 A. Yes. In PGW’s Petition to waive its DSIC rate cap, authorization to increase its
4 DSIC rate from 5% to 7.5% was deemed necessary to accelerate PGW’s very
5 lengthy replacement cycle for its cast iron gas mains.²² PGW’s situation stands in
6 stark contrast to Pittsburgh Water’s recurring failure to meet budgeted projections
7 for capital improvements and the shortfall in completion of Long Term
8 Infrastructure Improvement DSIC-eligible plant projections as identified in
9 Pittsburgh Water’s response to I&E-RS-10-11.²³ Therefore, providing any
10 increase to Pittsburgh Water’s DSIC rate at this time is inappropriate due to its
11 recent history of not meeting LTIIP projections.

12
13 **Q. WHAT WAS PITTSBURGH’S WATER RELATED LTIIP PROJECTIONS**
14 **FOR 2021-2024?**

15 A. For fiscal years 2021 and 2022, Pittsburgh Water did not meet any of its
16 projections for water projects.²⁴ In fiscal years 2023 and 2024, while they did
17 exceed the projected total budget *in the categories to which performance was*
18 *provided* in the response, it is unclear whether LTIIP projects were completed to

²² Petition of Philadelphia Gas Works for Waiver Provisions of Act 11 to Increase the Distribution System Improvement Charge CAP and to Permit Levelization of DSIC Charges, Docket No. P-2015-2501500, (Rewrite Opinion and Order adopted June 9, 2016).

²³ I&E Exhibit No. 3-SR, Schedule 1, pp. 1-11.

²⁴ I&E Exhibit No. 3-SR, Schedule 1. pp, 3-4, cols B-C, line 8.

1 the full extent claimed.²⁵ Based on this information it is apparent that Pittsburgh
2 Water is not consistent in meeting its water-related LTIP, therefore, allowing an
3 increase of the DSIC from 5% to 7.5% is completely unwarranted.
4

5 **Q. WHAT WAS PITTSBURGH WATER'S WASTEWATER RELATED LTIP**
6 **PROJECTIONS FOR 2021-2024?**

7 A. For fiscal years 2021 and 2022, Pittsburgh did not meet any of its projections to
8 their actual totals for wastewater projects.²⁶ In fiscal years 2023 and 2024, while
9 they did exceed the projected total budget *in the categories to which performance*
10 *was provided* in the response, it is unclear whether LTIP projects were completed
11 to the full extent claimed.²⁷ Based on this information it is apparent that
12 Pittsburgh Water is not consistent in meeting its wastewater-related LTIP,
13 therefore, allowing an increase of the DSIC from 5% to 7.5% is completely
14 unwarranted.
15

16 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

17 A. No. Based on the numerous issues discussed above regarding the regulatory
18 requirements needed to complete capital improvements, Pittsburgh Water has not
19 provided any sufficient reason to support an increase in the DSIC cap from the

²⁵ I&E Exhibit No. 3-SR, Schedule 1, p.5, cols B-C, lines 1-5 and I&E Exhibit No. 3-SR, Schedule 1, p. 6, cols B and D, lines 1-12.

²⁶ I&E Exhibit No. 3-SR, Schedule 1, pp. 8-9, cols B-C, line 5.

²⁷ I&E Exhibit No. 3-SR, Schedule 1, p.10, cols B-C, lines 1-3 and I&E Exhibit No. 3-SR, Schedule 1, p. 11, cols B and D, lines 1-6.

1 present 5% to 7.5%. In addition to the abovementioned regulatory issues,
2 Pittsburgh Water's interrogatory responses shown in I&E Exhibit No. 3-SR,
3 Schedule 1, show it is not even meeting planned LTIP projections as further
4 justification to reject the requested DSIC increase.

5
6 **UNACCOUNTED FOR WATER**

7 **Q. WHAT WAS PITTSBURGH WATER'S OVERALL UNACCOUNTED-FOR**
8 **WATER (UFW) LEVEL?**

9 A. In my direct testimony, I determined the average percentage of UFW during 2022,
10 2023, and 2024 was 51.7%.²⁸ Based upon this determination, I concluded that
11 Pittsburgh Water has a three-year average of UFW that is excessive since it is
12 above the threshold referenced in the Commission's policy statement, which
13 states UFW should be kept within reasonable amounts and that levels above 20%
14 have been considered excessive by the Commission.²⁹

15
16 **Q. SUMMARIZE YOUR RECOMMENDED ADJUSTMENT MADE IN YOUR**
17 **DIRECT THAT RELATED TO EXCESSIVE UNACCOUNTED-FOR**
18 **WATER.**

19 A. In my direct testimony and exhibit, I recommended that Pittsburgh Water's
20 claimed expense for purchased power be reduced by \$2,763,267 from its claim of

²⁸ I&E Exhibit No. 3, Schedule 3, p. 5, Column B, line 15.

²⁹ I&E Statement No. 3, p. 14.

1 \$6,727,000 and that chemical expense be reduced by \$3,007,733, or a total of
2 \$5,771,000 reduction to the \$7,322,137 claim.³⁰ This recommendation was made
3 based on a 27,861,230,225 gallon adjustment to reduce the impact of Pittsburgh
4 Water's excess UFW.

5
6 **Q. DID PITTSBURGH WATER RESPOND TO YOUR UNACCOUNTED-**
7 **FOR-WATER RECOMMENDATION?**

8 A. Yes. Pittsburgh Water witness Barry King summarized the ongoing efforts to
9 rectify the excessive amounts of UFW in the water distribution system by pointing
10 out efforts to replace residential water meters and lead service lines and how these
11 efforts should not be used to penalize the utility from charging customers for
12 power, chemicals, and production.³¹ Pittsburgh Water witness William J.
13 McFaddin's summarized position pointed to factors such as geography and system
14 age as reasons why UFW continues to remain an issue.³² In addition to this, Mr.
15 Barca rejected my proposal as flawed due to errors made in my UFW
16 calculation.³³

³⁰ I&E Statement No. 3, pp. 14-15 and I&E Exhibit No. 3, Schedule 6, p. 6, Columns B-E, lines 4-5.

³¹ Pittsburgh Water Statement No. 3-R, pp. 10-12.

³² Pittsburgh Water Statement No. 5-R, p. 3.

³³ Pittsburgh Water Statement No. 2-R, pp. 43-45.

1 **Q. DO YOU AGREE WITH PITTSBURGH WATER THAT REPLACING**
2 **METERS AND LEAD SERVICE LINES SHOULD BE A**
3 **CONSIDERATION IN DETERMINING A REASONABLE LEVEL OF**
4 **UFW?**

5 A. Yes. Leak detection and remediation is important in Pittsburgh Water’s goal to
6 reduce UFW in its system; however, the UFW levels are too high and need to be
7 corrected by the Utility to reduce the O&M expenses. However, making
8 customers pay for purchased power and chemicals for a system that is losing
9 approximately 50% of its sourced water is not reasonable.

10

11 **Q. DO YOU AGREE WITH PITTSBURGH WATER THAT GEOGRAPHY**
12 **AND SYSTEM AGE ARE REASONS WHY UFW REMAINS AN ISSUE?**

13 A. Yes. Geography and system age are factors contributing to the excessive amounts
14 of UFW. However, the Commission’s policy regarding water conservation states
15 that in rate proceedings of water utilities, the Commission examines specific
16 factors regarding the action or failure to act to encourage cost-effective
17 conservation by customers and reviews utilities’ efforts to meet the criteria when
18 determining just and reasonable rates.³⁴ In addition to this, Commission policy
19 levels of UFW should be kept within reasonable amounts.³⁵

³⁴ 52 Pa. Code § 65.20.

³⁵ 52 Pa. Code § 65.20.

1 As such, evaluating UFW and recommending adjustments due to excess
2 UFW is a valid component of determining appropriate rates, which is the purpose
3 of base rate proceedings.
4

5 **Q. DO YOU AGREE WITH PITTSBURGH WATER THAT THERE WERE**
6 **ERRORS IN YOUR UFW CALCULATIONS SHOWN IN YOUR UFW**
7 **DIRECT EXHIBIT?**

8 A. Yes.
9

10 **Q. WHAT ERRORS DID PITTSBURGH WATER POINT OUT IN**
11 **REBUTTAL TESTIMONY THAT RELATE TO YOUR UFW**
12 **CALCULATIONS?**

13 A. Pittsburgh Water highlighted my calculated errors shown in I&E Exhibit No. 3,
14 Schedule No. 3, page 6, that were related to the budget amount for chemicals
15 \$7,322,137 instead of \$7,312,137, and the columns shown in that exhibit that were
16 improperly labeled A, B, D and E instead of A, B, C and D.³⁶ However, based on
17 Pittsburgh Water's response to I&E-RB-3, I'm now using the amount of
18 \$7,542,912 as it relates to chemicals.³⁷

³⁶ Pittsburgh Statement No. 2-R, pp. 44-45.

³⁷ I&E Exhibit No. 3-SR, p. 1.

1 **Q. ARE THERE ANY ADDITIONAL ERRORS THAT YOU MADE IN YOUR**
2 **CALCULATION OF UFW?**

3 A. Yes. I used a 27,861,230,225-gallon adjustment that linked to a spreadsheet that
4 was not shown on I&E Exhibit No. 3, Schedule No. 3, p. 5. This 27,861,230,225-
5 gallon adjustment was used to subtract from the three-year average gallons of
6 UFW of 35,063,398,788, which is shown on I&E Exhibit No. 3, Schedule No. 3,
7 p. 5, Column B, line 15. In retrospect, I added the three years, but I did not divide
8 by three which yielded an incorrect and high adjustment over those three years.

9
10 **Q. DO YOU NEED TO REVISE YOUR RECOMMENDATION?**

11 A. Yes. In light of the errors made in I&E Exhibit No. 3, Schedule No. 3, pp. 5-6, I
12 have updated my adjustments in I&E Exhibit No. 3-SR.

13
14 **Q. WHAT CHANGES ARE SHOWN ON I&E EXHIBIT NO. 3-SR,**
15 **SCHEDULE NO. 3, PAGE 2?**

16 A. I am now using a 6,905,000,000 gallon adjustment.³⁸ This 6,905,000,000 gallon
17 adjustment is used to subtract from the average gallons of UFW in 2023 and 2024
18 of 11,354,471,468.³⁹ When the 6,905,000,000 gallons is subtracted from the
19 average of 2023 and 2024 of 11,354,471,468, the amount remaining is
20 4,449,471,468.⁴⁰ This 4,449,471,468 represents the targeted level of UFW at the

³⁸ I&E Exhibit No. 3-SR, Schedule 3, p. 2, Column B, line 14.

³⁹ I&E Exhibit No. 3-SR, Schedule 3, p. 2, Column B, line 12.

⁴⁰ I&E Exhibit No. 3-SR, Schedule 1, p. 2, Column B, line 15.

1 Commission-accepted standard of 20%. This is proven by adding the total
2 amounts of water obtained from sources in 2023 or 22,357,650,000 and 2024 or
3 22,142,910,000 gallons and dividing those two amounts by 2 or $(22,357,650,000 +$
4 $22,142,910,000) \div 2$ which equals 22,250.280,000. If I, then divide the
5 4,449,471,468 into the 22,250.280,000 or $(4,449,471,468 \div 22,250.280,000)$ I
6 have an unaccounted-for percentage of 20%. In summary, I'm taking the two-year
7 average of unaccounted for water for 2023 and 2024 or $(9,985,526,803 +$
8 $12,723,416,132) \div 2$ or 11,354,471,468, which is 51% UFW and reducing it by
9 6,905,000,000 or 31% to get a targeted amount of 20% for UFW of 4,449,471,468.

10
11 **Q. WHAT CHANGES ARE SHOWN ON I&E EXHIBIT NO. 3-SR,**
12 **SCHEDULE NO. 3, PAGE 3?**

13 A. I am now using \$7,542,912 in Column C, line 1 for the budgeted amount for
14 chemicals. The columns shown in the updated exhibit scheduled are now properly
15 labeled as A, B, C and D.⁴¹

16
17 **Q. DO YOUR REVISIONS CHANGE YOUR TWO-YEAR AVERAGE OF**
18 **UFW?**

19 A. Yes. The two-year average of UFW is 51.0%.⁴²

⁴¹ I&E Exhibit No. 3-SR, Schedule 3, p. 3. Columns A-D.

⁴² I&E Exhibit No. 3-SR, Schedule 3, p.2, Column B, line 13.

1 **Q. HOW CAN THIS BE PROVEN?**

2 A. If I use the percentages in decimal format found on line 35 of the PUC section 500
3 forms sent by Pittsburgh Water in response to I&E-RS-1, for 2023 and 2024 and
4 divide by 2 or $(.447 + .575) \div 2$ equals approximately .510 or 51%.⁴³

5

6 **Q. WHAT IS YOUR UPDATED EXPENSE ADJUSTMENT TO REMOVE**
7 **THE COST OF THE EXCESS UFW?**

8 A. My updated recommended expense adjustment is \$4,428,427 to remove the cost of
9 the 6,905,000,000 gallons of excess UFW. The \$4,428,427 was determined by
10 multiplying the \$0.641336 cost per gallon to produce 1,000 gallons of water by the
11 6,905,000,000 gallons of excess water loss.⁴⁴

12

13 **Q. WHAT IS THE BREAKDOWN OF THIS \$4,428,427 ADJUSTMENT IN**
14 **REDUCING THE COST OF EXCESS UFW?**

15 A. I now recommend that Pittsburgh Water's claimed expense for purchased power
16 of \$6,727,000 be reduced by \$2,087,611, and that the chemical expense of
17 \$7,542,912 be reduced by \$2,340,816.⁴⁵ This recommendation was made based
18 on a 6,905,000,000⁴⁶ gallon adjustment to reduce the impact of Pittsburgh Water's
19 excess UFW.

⁴³ I&E Exhibit No. 3-SR, Schedule 2, pp. 2-3, Column B, line 35.

⁴⁴ I&E Exhibit No. 3-SR, Schedule 3, p. 3, Columns B-D, line 4.

⁴⁵ I&E Exhibit No. 3-SR, Schedule 3, p. 3, Columns B-C, line 5.

⁴⁶ I&E Exhibit No. 3-SR, Schedule 3, p. 2, Columns B-D, line 4.

1 **Q. WHAT IS THE IMPACT OF YOUR EXPENSE ADJUSTMENTS ON**
2 **PITTSBURGH WATER’S PURCHASED POWER AND CHEMICAL**
3 **EXPENSES?**

4 A. The impact of my expense adjustments can be seen on I&E Exhibit No. 3-SR,
5 Schedule No. 3, p. 3, Columns B-D, line 6. As a result of my adjustments, the
6 total budgeted amount for purchased power is \$4,639,389 and the total budget
7 amount for chemical expense is \$5,202,096.⁴⁷ When combined, the total revised
8 amount is now \$9,841,485.⁴⁸

9
10 **Q. IN THE PRIOR BASE RATE PROCEEDING, WAS PITTSBURGH**
11 **WATER NOTIFIED OF ANY IMPENDING ADJUSTMENTS TO**
12 **REVENUES IF THE LEVEL OF UFW DID NOT IMPROVE?**

13 A. Yes. Pittsburgh Water was notified that no adjustments were recommended by
14 I&E in the prior base rate proceeding.⁴⁹ However, if Pittsburgh Water did not
15 improve the level of UFW in the next base rate case (this current case),
16 adjustments would be recommended to reduce any costs customers would pay as a
17 result of the excessive amount of UFW from Pittsburgh Water’s failure to rectify
18 the excessive amounts of leaks in its water distribution system.

⁴⁷ I&E Exhibit No. 3-SR, Schedule 3, p. 2, Columns B and C, line 6.

⁴⁸ I&E Exhibit No. 3-SR, Schedule 3, p. 2, Column D, line 6.

⁴⁹ I&E Statement No. 3, pp. 21-23 and I&E Statement No. 3-SR, p. 31 at Docket Nos. R-2023-309920, R-2023-3039921, and R-2023-3039919.

1 **Q. PLEASE RESTATE YOUR UPDATED RECOMMENDED ADJUSTMENT**
2 **TO EXPENSES DUE TO EXCESS UFW.**

3 A. My recommended updated \$4,428,427 expense adjustment removes the cost of
4 6,905,000,000 gallons of excess UFW. This recommendation is consistent with
5 the Commission's water conservation policy statement and is proper to set just and
6 reasonable rates.⁵⁰

7

8 **CLASS COST OF SERVICE STUDY**

9 **Q. DID PITTSBURGH WATER REVISE ITS CLASS COST OF SERVICE**
10 **STUDY (CCOSS)?**

11 A. Yes. Pittsburgh Water revised its CCOSS in rebuttal testimony.⁵¹

12

13 **Q. IN SUMMARY, WHAT CHANGES WERE MADE IN PITTSBURGH**
14 **WATER'S UPDATED CCOSS?**

15 A. Pittsburgh Water made modifications to nine separate line items.⁵²

16

17 **Q. WERE THESE CHANGES IN PITTSBURGH WATER'S CCOSS**
18 **SIGNIFICANT?**

19 A. No. A review of the initial and revised CCOSS, as stated in Pittsburgh Water's

⁵⁰ I&E Exhibit No. 3-SR, Schedule 3, p. 3, Column D, line 5.

⁵¹ Pittsburgh Water Exhibit HJS-1 to HJS-2-R, WW HJS-1 W to HJS-25-R, and WW HJS-1 WW to HJS-24 WW-R.

⁵² Pittsburgh Water Statement No. 8-R, pp. 2 -3.

1 rebuttal testimony reflects an overall change to proposed rates, charges, and
2 allocation to the individual rate classes that is minimal.⁵³

3
4 **WATER AND WASTEWATER RATE STRUCTURE**

5 **Q. IN PITTSBURGH WATER’S DIRECT TESTIMONY, DID IT PROPOSE**
6 **REMOVING THE MINIMUM ALLOWANCE?**

7 A. Yes, Pittsburgh Water proposed eliminating the minimum allowance.⁵⁴

8
9 **Q. HAS PITTSBURGH WATER REMOVED ITS MINIMUM ALLOWANCE**
10 **IN ITS UPDATE?**

11 A. No. Pittsburgh Water continues to propose removing the minimum allowance in
12 FY 2027.⁵⁵

13
14 **Q. DO YOU CONTINUE TO AGREE WITH PITTSBURGH WATER**
15 **IMPLEMENTING THE REMOVAL OF THE MINIMUM ALLOWANCE**
16 **IN FY 2027?**

17 A. Yes. The change from a minimum charge to a base charge should occur on the
18 first day of FY 2027 on a revenue neutral basis.⁵⁶ This means that, despite the rate
19 change, customers would be generating the same level of revenue in FY 2027 as is

⁵³ Pittsburgh Water Statement No. 8-R, p. 4.

⁵⁴ Pittsburgh Water Statement No. 6, pp. 25-26 and Pittsburgh Water Statement No. 8, pp. 31-34.

⁵⁵ Pittsburgh Water Statement No. 8-R, pp. 8-11.

⁵⁶ I&E Statement No. 3, pp. 21-22.

1 approved for the FPFTY ending December 31, 2026, but under a different rate
2 structure.⁵⁷

3
4 **SCALE BACK OF RATES**

5 **Q. WHAT SCALE BACK DID YOU RECOMMEND IF THE COMMISSION**
6 **GRANTS PITTSBURGH WATER LESS THAN THE FULL REQUESTED**
7 **INCREASE?**

8 A. If the Commission grants an increase of less than the full increase requested by
9 Pittsburgh Water in the FPFTY, I recommend that rates be scaled back based on
10 the CCOSS approved by the Commission. Once the revenue level and rates are
11 determined for the FPFTY, then the revenue neutral transition to the base charge
12 and usage rates can be determined for FY 2027.⁵⁸

13
14 **SUMMARY OF RECOMMENDED ADJUSTMENTS**

15 **Q. PLEASE SUMMARIZE YOUR UPDATED RECOMMENDATIONS.**

16 A. My updated recommendations are summarized as follows:

- 17
- The DSIC should remain capped at 5% and not be increased to 7.5%.
 - The FPFTY capital improvement increase should be reduced by \$121,296,123
18 or 35.24%, from \$344,200,122 to \$222,903,999.
19

⁵⁷ I&E Statement No. 3, pp. 21-22.

⁵⁸ I&E Statement No. 3, pp. 23-24.

- 1 • The \$6,727,000 forecast of purchased power expense (electric) for the FPFTY
2 should be reduced by \$2,087,611, which is my revised recommendation due to
3 the two-year average of 51.0% in unaccounted for water levels.
- 4 • The \$7,542,912 forecast of chemical expense for the FPFTY should be reduced
5 by \$2,340,816, which is my revised recommendation due to the two-year
6 average of 51.0% in unaccounted for water levels.
- 7 • If the Commission grants less than the full FPFTY increase requested by
8 Pittsburgh Water, rates should be scaled back based on the CCROSS approved
9 by the Commission.
- 10 • Once the revenue level and rates are determined for the FPFTY, the revenue
11 neutral transition to the base charge and usage rates can be determined for FY
12 2027.

13

14 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

15 **A. Yes.**

**I&E Exhibit No. 3-SR
Witness: Esyan A. Sakaya**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

THE PITTSBURGH WATER & SEWER AUTHORITY

D/B/A PITTSBURGH WATER

Docket Nos. R-2025-3055010, R-2025-3055011, & R-2025-3055012

Exhibit to Accompany

The

Surrebuttal Testimony

of

Esyan A. Sakaya

Bureau of Investigation and Enforcement

Concerning:

**Stormwater Rates
Capital Improvement Projects
Distribution System Improvement Charge
Unaccounted-for Water
Class Cost of Service Study
Water and Wastewater Rate Structure
Scale Back of Rates**

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water to the Data
Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RS
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

#	Attachment	Responsive Document
10	I&E-RS-10 Attach A	PWSA AAOP for CY 2021 as filed 2.25.22
10	I&E-RS-10 Attach B	PWSA AAOP for CY 2022 as filed 2.27.23
10	I&E-RS-10 Attach C	PWSA AAOP for CY 2023 as filed 2.21.24
10	I&E-RS-10 Attach D	Pittsburgh Water AAOP for CY 2024 as filed 2.20.25

All discovery responses and attachments are available at Eckert password protected ShareFile site at <https://eckertseamans.sharefile.com/f/fo86ffe3-22bf-452b-ba22-a5f17778a828>. To gain access, please contact Deanne O’Dell at 717-255-3744 or dodell@eckertseamans.com.

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburg Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RS
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RS-10 Reference Table 2-8 of Pittsburgh Water and Sewer Authority’s

Response: (Pittsburgh Water) Long-Term Infrastructure Improvement Plan (LTIIP) at Docket No. P-2022-3035953. For each Water System Eligible Property to be Improved, provide a schedule showing the LTIIP budgeted expenditures and/or quantities as well as the actual expenditures and/or quantities for each year from 2022 through the most recent year.

Please see attachments I&E-FS-10 Attach A for Attach D for Pittsburgh Water’s as filed for Annual Asset Optimization Plans for calendar years ended 2021, 2022, 2023 and 2024. Tables 3.1 and 3.2 provide the requested information.

Response provided by: Ed Baraca, Director of Finance

Date Response provided: October 3, 2025

Table 3-1: 2021 Actual versus Projected - Water AAOB			
Line	Project Group (A)	2021 Actuals (B)	2021 Projections (C)
1	Lead Service Line Replacement	\$1,970,719.58	\$3,111,200
2	Small Diameter Main Replacement	\$47,894,901.48	\$55,902,458
3	Large Diameter Main Replacement	\$2,548,067.77	\$10,500,000
4	Hydrant and Valve Replacement	\$2,151,196.84	\$1,498,333
5	Unmetered and Flat Rate Properties	Incorporated in the Small and Large Meter Replacement	\$1,548,564
6	Small Meter Replacement	\$559,972.40	\$1,357,684
7	Large Meter Replacement	\$228,276.32	\$1,512,919
8	Total	\$55,353,134.39	\$75,431,158

Table 3-1: 2022 Actual versus Projected - Water AAOP			
Line	Project Group (A)	2022 Actuals	2022 Projections
		(B)	(C)
1	Lead Service Line Replacement	\$8,951,231.07	\$12,896,512
2	Small Diameter Main Replacement ¹	\$19,495,658.98	\$30,079,542
3	Large Diameter Main Replacement	\$12,934,025.05	\$15,030,564
4	Hydrant and Valve Replacement	\$2,652,902.17	\$1,228,536
5	Unmetered and Flat Rate Properties	\$0	\$462,500
6	Small Meter Replacement	\$312,128.28	\$2,114,155
7	Large Meter Replacement	\$60,186.10	\$1,693,609
8	Total	\$44,406,131.65	\$63,505,418

Table 3-1: 2023 Actual versus Projected - Water AAOP			
Line	Project Group (A)	2023 Actuals (B)	2023 Projections (C)
1	Lead Service Line Replacement	\$1,559,756.31	\$1,778,654
2	Small Diameter Main Replacement	\$20,622,702.39	\$9,032,238
3	Water Relay Replacement	\$1,414,610.26	\$2,145,000
4	Valve Replacement	\$1,561,974.42	\$2,505,485
5	Total	\$25,159,043.38	\$15,461,377

3-1-2024 Water AAOP					
Line	Project Group	2024 Actuals	2024 Actuals by Water DSIC	2024 Projection	Funding Source(s)
	(A)	(B)	(C)	(D)	(E)
1	2023 Urgent Lead Service Line Replacement	1,393,422	1,188,296	721,566	Revenue Bonds/ Water DSIC
2	2024 Urgent Lead Service Line Replacement	-	-	1,027,628	Revenue Bonds/ Water DSIC
3	2021 Small Diameter Water Main Replacement	1,084,856	-	-	PENNVEST / Water DSIC
4	2022 Small Diameter Water Main Replacement	54,685,275	2,241,057	-	PENNVEST / Water DSIC
5	2023 Small Diameter Water Main Replacement	1,641,567	-	26,104,038	PENNVEST / Water DSIC
6	2024 Small Diameter Water Main Replacement	949,563	-	14,287,293	PENNVEST / Water DSIC
7	2025 Small Diameter Water Main Replacement	-	-	805,441	PENNVEST / Water DSIC
8	2023 Water Relay Replacement	1,812,879	1,784,001	1,290,000	Revenue Bonds/ Water DSIC
9	2024 Water Relay Replacement	-	-	860,000	Revenue Bonds/ Water DSIC
10	2022 Valve Replacement	398,432	-	-	Revenue Bonds/ Water DSIC
11	2023 Valve Replacement	2,886,100	2,552,373	1,166,667	Revenue Bonds/ Water DSIC
12	2024 Valve Replacement	9,500	-	1,633,333	Revenue Bonds/ Water DSIC
	Total	\$64,861,594	\$7,765,727	\$47,895,966	

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RS
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RS-11 Reference Table 3-6 of Pittsburgh Water’s LTIIP at Docket No.

P-2022-3035956. For each Sewer System Eligible Property to be Improved, provide a schedule showing the LTIIP budgeted expenditures and/or quantities as well as the actual expenditures and/or quantities for each year from 2022 through the most recent year.

Response: See Response to Request I&E-RS-11.

Response provided by: Ed Barca, Director of Finance

Date Response provided: October 3, 2025

Table 3-8 2021 WW AAOP

Line	Project Group (A)	2021 Projections	
		2021 Actuals (B)	(C)
1	Small Diameter Sewer Rehabilitation	\$7,207,503.47	\$22,403,869
2	Large Diameter Sewer Rehabilitation	\$3,662,358.56	\$2,211,491
3	Sewer Reconstruction	\$126,546.62	\$970,174
4	Sewers Under Structures	\$822,731.13	\$3,081,151
5	Total	\$11,819,139.78	\$28,666,685.00

Table 3-8: 2022 Actual versus Projected WW AAOB

Line	Project Group (A)	2022 Actuals (B)		2022 Projections (C)	
1	Small Diameter Sewer Rehabilitation		\$10,790,384		\$24,797,923
2	Large Diameter Sewer Rehabilitation		\$1,768,536		\$5,700,224
3	Sewer Reconstruction		\$2,021,448		\$3,201,777
4	Sewers Under Structures		\$1,650,059		\$3,253,531
5	Total		\$16,230,427		\$36,953,455.00

Table 3-4: 2023 Actual versus Projected WW AAOB

Line	Project Group (A)	2023 Actuals (B)	2023 Projections (C)
1	Small Diameter Sewer Rehabilitation	\$13,629,162.33	\$2,537,758
2	Sewer Reconstruction	\$1,526,316.34	\$2,691,769
3	Total	\$15,155,478.67	\$5,229,527

2024 WW AAOB					
Line	Project Group	2024 Actuals	2024 Actuals by Wastewater DSIC	2024 Projection	Funding Source(s)
	(A)	(B)	(C)	(D)	(E)
1	2023 Small Diameter Sewer Rehabilitation	541,783	204,948	1,016,000	Revenue Bonds/ Wastewater DSIC
2	2024 Small Diameter Sewer Rehabilitation	2,458,531	2,458,531	2,205,000	Revenue Bonds/ Wastewater DSIC
3	2022 Sewer Reconstruction	263,832	156,282	-	Revenue Bonds/ Wastewater DSIC
4	2023 Sewer Reconstruction	1,203,824	696,720	775,080	Revenue Bonds/ Wastewater DSIC
5	2024 Sewer Reconstruction	1,075,538	1,075,538	1,034,920	Revenue Bonds/ Wastewater DSIC
6	Total	\$5,543,508	\$4,592,019	\$5,031,000	

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RS
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RS-1 Provide copies of Pittsburgh Water’s unaccounted for water based on the PUC Section 500 Method for the calendar years 2023 and 2024. Include the procedure for estimating non-revenue water such as water used for blow-offs, street sweeping, flushing, firefighting, main breaks, and Highland Reservoir overflows and evaporation, etc. Explain all assumptions used in the calculations.

Response:

See **I&E-RS-1 Attach A through Attach F.**

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date Response provided: July 25, 2025

The Pittsburgh Water and Sewer Authority

For the Year Ended December 31, 2023

(Company Name)

500. WATER DELIVERED INTO SYSTEM DURING YEAR

Every estimated value shall be supported by such detailed information as will permit a ready identification, analysis, & verification of all relevant facts. The Company shall be prepared to furnish to the Commission this detailed information.

Line No.	Description (a)	(Gallons) (b)	(gpd) (c)
1	Water Delivered for Distribution & Sale:		-
2	Water Obtained from Company Sources	22,357,650,000	61,253,836
3	Water Obtained from Other Independent Utilities		
4	Total Water Delivered	22,357,650,000	61,253,836
5	Metered Sales:		
6	Residential	2,651,172,000	7,263,485
7	Commercial	3,167,794,000	8,678,888
8	Industrial	157,644,000	431,901
9	Public	1,034,432,000	2,834,060
10	Other Water Utilities	783,121,000	2,145,537
11	Private Fire Protection	7,448,000	20,405
12	Public Fire Protection		
13	Other Metered Sales <small>Flower Gardens</small>	1,027,000	2,814
14	Total Metered Sales	7,802,638,000	21,377,090
15	Unmetered Sales:		
16	Residential	12,460,800	34,139
17	Commercial		
18	Industrial		
19	Private Fire Protection		
20	Public Fire Protection		
21	Other Unmetered Sales		
21	Total Unmetered Sales	12,460,800	34,139
22	Total Sales	7,815,098,800	21,411,230
23	Non-Revenue Usage Allowances: Unbilled Metered Usage	34,293,000	93,953
24	Authorized Unmetered Usage:		
25	Main Flushing	23,230,746	63,646
26	Blow-off Use		
27	Others: <small>Reservoir & Rising Main Flushing</small>	54,462,933	149,214
28	Unauthorized Use	17,580,000	48,164
29	Unavoidable Leakage <small>1,466 gpd/mile of main</small>	510,700,000	1,399,178
30	Adjustments:		
31	Located & Repaired Breaks in Mains & Services	3,916,757,718	10,730,843
32	Others		
33	Total Allowances & Adjustments	4,557,024,397	12,484,998
34	Unaccounted-for-Water	9,985,526,803	
35	Percentage Unaccounted-for-Water	44.7%	

Pittsburgh Water

(Company Name)

For the Year Ended December 31, 2024

500. WATER DELIVERED INTO SYSTEM DURING YEAR 2024

Every estimated value shall be supported by such detailed information as will permit a ready identification, analysis, & verification of all relevant facts. The Company shall be prepared to furnish to the Commission this detailed information.

Line No.	Description (a)	(Gallons) (b)	(gpd) (c)
1	Water Delivered for Distribution & Sale:		-
2	Water Obtained from Company Sources	22,142,910,000	60,665,507
3	Water Obtained from Other Independent Utilities	0	0
4	Total Water Delivered	22,142,910,000	60,665,507
5	Metered Sales:		
6	Residential Residential and CAP	2,563,079,000	7,022,134
7	Commercial	3,636,335,000	9,962,562
8	Industrial	271,020,000	742,521
9	Public Health & Education	1,288,683,000	3,530,638
10	Other Water Utilities	772,831,000	2,117,345
11	Private Fire Protection	8,263,000	22,638
12	Public Fire Protection		0
13	Other Metered Sales Identify Flower Gardens	946,000	2,592
14	Total Metered Sales	8,541,157,000	23,400,430
15	Unmetered Sales:		
16	Residential	19,360,000	53,041
17	Commercial	0	0
18	Industrial	0	0
19	Private Fire Protection	0	0
20	Public Fire Protection	0	0
21	Other Unmetered Sales Identify	0	0
21	Total Unmetered Sales	19,360,000	53,041
22	Total Sales	8,560,517,000	23,453,471
23	Non-Revenue Usage Allowances:	142,583,000	390,638
24	Authorized Unmetered Usage:		
25	Main Flushing	16,959,403	46,464
26	Blow-off Use	0	0
27	Others: Identify Reservoir & Rising Main Flushing	44,478,089	121,858
28	Unauthorized Use	19,469,000	53,340
29	Unavoidable Leakage 1.466 gpd/mile of main	509,674,544	1,396,369
30	Adjustments:	0	0
31	Located & Repaired Breaks in Mains & Services	96,612,831	264,693
32	Others Identify Lanpher Leak	29,200,000	80,000
33	Total Allowances & Adjustments	858,976,868	2,353,361
34	Unaccounted-for-Water	12,723,416,132	
35	Percentage Unaccounted-for-Water	57.5%	

**Response of the Pittsburgh Water and Sewer Authority d/b/a Pittsburgh Water
to the Data Requests of the
Bureau of Investigation and Enforcement (I&E”), Set RB-1-3
Docket Nos. R-2025-3055010 (Water), R-2025-3055011 (Wastewater)
R-2025-3055012 (Storm Water)**

Request: I&E-RB-3 Reference Pittsburgh Water Statement No. 2, p. 16 regarding FPPTY 2026 and FY 2027 Direct Operating Expenses of \$63,784,191. For water operations, provide a breakdown showing the projected amount of expenses related to:

- A. Purchased power; and
- B. Chemicals.

Response:

- A. Purchased power or electricity is not found within Direct Operating of \$63,784,191. It is under General & Administrative and totals \$6,727,000. Refer to the “O&M” tab within 2025 Cost of Service Model, row 238, column AA. Within that same tab, also reference columns L, M, and N for the utility cost allocation.
- B. Chemicals are found under Direct Operating Expenses and total \$7,542,912. Refer to the “O&M” tab within 2025 Cost of Service Model, rows 139-153, column AA. Within that same tab, also reference columns L, M, and N for the utility cost allocation.

The 2025 Cost of Service excel model available at is available at:

<https://eckertseamans.sharefile.com/f/fo86ffe3-22bf-452b-ba22-a5f17778a828>

Response provided by: Edward Barca, Director of Finance for Pittsburgh Water

Date: August 14, 2025

Pittsburgh Water and Sewer Authority
Water
R-2025-3055010 (Water), R-2025-3055011(WW), R-2025-3055012 (SW)

Water Delivered into System

Water Delivered into System 2023 -2024 (Average with I&E Adjustment)

Line	(A) Description	(B) Gallons
1	Obtained From Company Sources	22,250,280,000
2	Total Metered Sales	8,171,897,500
3	Total Unmetered Sales	15,910,400
4	Non-Revenue Allowance	88,438,000
5	Main Flushing	20,095,075
6	Resevior Main Flushing	49,470,511
7	Unauthorized Use	18,524,500
8	Unavoidable Leakage	510,187,272
9	Located & Repaired Breaks	2,006,685,275
10	Others	14,600,000
11	Adjustments	0
12	I&E Total - 2 yr avg UFW	11,354,471,468
13	I&E LUFW Percentage - 2 yr Avg	51.0%
14	I&E Adjustment	-6,905,000,000
15	Target UFW	4,449,471,468
16	Target UFW Percentage	20.00%

Pittsburgh Sewer and Water
 Water Division
 R-2025-3055010 (Water), R-2025-3055011(WW), R-2025-3055012 (SW)
 Unaccounted For Water related Expenses

Line No.	(A)	(B)	(C)	(D)
1	Expense*	** Purchased Power \$6,727,000	**Chemicals \$7,542,912	TOTAL \$14,269,912
2	Total Send Out -2023 and 2024 Avg	22,250,280,000	22,250,280,000	22,250,280,000
3	Cost Per Thousand	\$0.302333	\$0.339003	\$0.641336
4	Excess UFW 2023 and 2024 Avg	-6,905,000,000	-6,905,000,000	-6,905,000,000
5	UFW Adjustment	-\$2,087,611	-\$2,340,816	-\$4,428,427
6	I&E Expense Adjusted	\$4,639,389	\$5,202,096	\$9,841,485

** Response to I&E-RB-3 - A
 ** Response to I&E-RB-3- B

**I&E Statement No. 4-SR
Witness: Ethan H. Cline**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PITTSBURGH WATER AND SEWER AUTHORITY

Docket Nos. R-2025-3055010, R-2025-3055011, & R-2025-3055012

Surrebuttal Testimony

of

Ethan H. Cline

Bureau of Investigation and Enforcement

Concerning:

Multi-Year Rate Plan

TABLE OF CONTENTS

INTRODUCTION 1

MULTI-YEAR RATE PLAN 1

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Ethan H. Cline. My business address is Pennsylvania Public Utility
4 Commission, 400 North Street, Harrisburg, PA 17120.

5

6 **Q. ARE YOU THE SAME ETHAN H. CLINE WHO SUBMITTED I&E
7 STATEMENT NO. 4 AND I&E EXHIBIT NO. 4?**

8 A. Yes.

9

10 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

11 A. The purpose of my surrebuttal testimony is to address the rebuttal testimony of
12 Edward Barca, identified as the Pittsburgh Water and Sewer Authority (Pittsburgh
13 Water) Statement No. 2-R, which was submitted on behalf of Pittsburgh Water.

14

15 **Q. DOES YOUR SURREBUTTAL TESTIMONY INCLUDE AN EXHIBIT?**

16 A. No.

17

18 **MULTI-YEAR RATE PLAN**

19 **Q. WHAT IS A MULTI-YEAR RATE PLAN?**

20 A. Section 1330 of the Pennsylvania Public Utility Code (Code) defines an MYRP as
21 follows:

1 A rate mechanism under which the commission sets base rates
2 and revenue requirements for a multiyear plan period and
3 authorizes periodic changes in base rates, including, but not
4 limited to, adjustments to account for inflation and capital
5 investments without the necessity for base rate proceedings
6 during the approved plan period.
7

8 Act 58 of 2018 added Section 1330 to Chapter 13 of the Code to allow
9 utilities to seek approval of alternative rate making mechanisms, such
10 as an MYRP.
11

12 **Q. SUMMARIZE PITTSBURGH WATER’S PROPOSAL IN THIS**
13 **PROCEEDING FOR AN MYRP.**

14 A. Pittsburgh Water is proposing a two-year rate increase which would increase
15 revenues by \$63.7 million in the FPFTY and \$20.7 million in FY 2027.¹
16

17 **Q. BASED ON THE INFORMATION YOU HAVE REVIEWED, DID YOU**
18 **DETERMINE THAT THE COMMISSION CAN RELIABLY DETERMINE**
19 **THAT THE RATES PROPOSED IN THE MYRP WOULD BE JUST AND**
20 **REASONABLE?**

21 A. No. In my direct testimony, I concluded that the Commission cannot reliably
22 determine that Pittsburgh Water’s proposed rates in FY 2027 would be just and
23 reasonable.² The projections are too far away with too little information, with

¹ Pittsburgh Water Statement No. 2, p. 4.

² It should be noted that, on I&E Statement No. 4, pp. 9-10 this statement referenced FY 2026 in error. My recommendation relates only to the MYRP in FY 2027.

1 estimations that are too unreliable to create rates that are reliably just and
2 reasonable. Further, the historical data provided by Pittsburgh Water shows that
3 its past attempts at budgeting have frequently resulted in budgets that far exceed
4 actual results.³ Therefore, based on the reasons set forth in my direct testimony
5 and the direct testimony of I&E witness D.C. Patel, I recommended the
6 Commission deny in full the MYRP proposal and the proposed revenue increase
7 for FY 2027.⁴

8
9 **Q. WHAT TOPICS DID YOU ADDRESS IN YOUR DIRECT TESTIMONY?**

10 A. I addressed why Mr. Barca's responses to certain questions that the Commission
11 set forth in a Policy Statement after Section 1330, regarding alternative rate
12 mechanisms, which were added to the Public Utility Code did not support
13 Pittsburgh Water's MYRP proposal. Specifically, I addressed Mr. Barca's
14 responses to the following questions:

- 15 (1) How the ratemaking mechanism and rate design align with cost
16 causation principles as to both fixed and variable costs.
17 (3) Whether the ratemaking mechanism and rate design reflect the level of
18 demand associated with the customer's anticipated consumption levels.
19 (12) Whether the alternative ratemaking mechanism and rate design include
20 appropriate consumer protections.

³ I&E Exhibit No. 1, Schedule 2, p. 2.

⁴ I&E Statement No. 4, pp. 9-10 and I&E Statement No. 1, pp. 9-10.

1 **Q. DID PITTSBURGH WATER RESPOND TO YOUR**
2 **RECOMMENDATION?**

3 A. Yes. Pittsburgh Water witness Barca disagreed with my recommendation and
4 provided a suggestion of what the Pennsylvania General Assembly intended when
5 it passed Act 58 of 2018, a description of the proposed “mini-proceeding” that
6 would precede the rate increase in the MYRP, and responses to each of the
7 criticisms of Mr. Barca’s responses to the questions as identified in my direct
8 testimony.

9
10 **Q. WHAT DID MR. BARCA STATE REGARDING THE PENNSYLVANIA**
11 **GENERAL ASSEMBLY’S PASSING OF ACT 58 OF 2018, WHICH**
12 **ADDED SECTION 1330 TO THE CODE?**

13 A. Mr. Barca claimed that Pittsburgh Water’s proposal seems to be exactly what the
14 General Assembly has in mind when it enacted the law and requested that the
15 Commission not let the Parties remove the alternative ratemaking options from the
16 Code, simply because the intervening parties find forcing utilities to file constant
17 rate cases is better for them.⁵

⁵ Pittsburgh Water Statement No. 2-R, pp. 58-59.

1 **Q. DOES YOUR RECOMMENDATION REMOVE THE ALTERNATIVE**
2 **RATEMAKING OPTIONS FROM THE CODE?**

3 A. No. Contrary to Mr. Barca's assertion, opposition to Pittsburgh Water's proposal
4 does not result in removing alternative ratemaking options from the Code. Each
5 alternative ratemaking proposal, such as the MYRP, must be assessed on a case-
6 by-case basis. While I&E is recommending that Pittsburgh Water's proposed
7 MYRP in this case be denied, that does not affect the ability of Pittsburgh Water
8 or any other utility to propose an alternative ratemaking option in future base rate
9 cases. However, the fact remains that the rates generated by an MYRP, or any
10 other alternative ratemaking option, must be just and reasonable. Therefore, Mr.
11 Barca's assertion that I&E's determination that Pittsburgh Water's MYRP does
12 not result in just and reasonable rates, and the resulting recommendation to deny
13 the proposed MYRP, somehow goes against the General Assembly's intention and
14 the language of Section 1330 of the Code is without merit.

1 **Q. PLEASE RESPOND TO MR. BARCA’S CLAIM THAT PITTSBURGH**
2 **WATER WAS ONLY TRYING TO BE CONSERVATIVE BY APPLYING**
3 **ONLY THE DEBT EXPENSE TO THE MYRP AND THAT THE**
4 **INTENTION OF MY RECOMMENDATION WOULD BE TO**
5 **TRANSFORM THE MYRP INTO A BASE RATE CASE.⁶**

6 A. The intention of my direct testimony was to point out the factual inaccuracy of Mr.
7 Barca’s response to Question 3, which asks whether the proposed alternative
8 ratemaking mechanism properly aligns costs and revenues. Mr. Barca’s claim that
9 if all expenses were included in the MYRP then the revenue requirement would be
10 much higher⁷ is further proof that the MYRP as proposed does not properly align
11 costs and revenues. As has been explained ad nauseum, Pittsburgh Water is a cash
12 flow utility and, as such, if the expenses not accounted for in the MYRP increase
13 to the degree suggested by Mr. Barca, then some of the revenues generated by the
14 rate increase in FY 2027 may need to be used to pay for those expenses rather than
15 the debt expenses for which they are intended.

⁶ Pittsburgh Water Statement No. 2-R, p. 65.

⁷ Pittsburgh Water Statement No. 2-R, p. 65.

1 **Q. IS MR. BARCA’S STATEMENT THAT “THE COST OF SERVICE**
2 **ANALYSIS IS NEITHER BETTER NOR WORSE IN REGARD TO**
3 **ANTICIPATED CONSUMPTION THAN SETTING RATES BASED ON A**
4 **FPFTY AND LEAVING THEM IN PLACE UNTIL THE NEXT BASE**
5 **RATE CASE”⁸ CORRECT?**

6 A. No. Mr. Barca’s claim is incorrect and shows that he does not understand or
7 simply ignores the fundamentals of Pennsylvania utility ratemaking. When setting
8 rates in the FPFTY, the rates are calculated based on the revenue requirement and
9 billing determinants at the end of the test year with each item aligned to the same
10 point such that there can be a reasonable level of certainty that the rates will
11 recover the costs determined in the base rate case. These rates are not designed to
12 be accurate beyond the end of the FPFTY. However, there are options, such as the
13 Distribution System Improvement Charge, that allow utilities to recover certain
14 costs beyond what was identified in the base rate cases. In the case of the MYRP,
15 Pittsburgh Water is proposing to increase rates to recover a certain subset of
16 increased costs through rates designed based on billing determinants that are not
17 changing beyond the end of the FPFTY. This shows that the accuracy of
18 Pittsburgh Water’s projections for its rates to actually collect its projected costs is
19 questionable at best.

⁸ Pittsburgh Water Statement No. 2-R, p. 66.

1 **Q. WHAT DID MR. BARCA STATE TO CLARIFY HIS POSITION**
2 **REGARDING THE EXAMINATION OF REVENUES, EXPENSES, AND**
3 **CASH NEEDS FOR THE FPFTY AND MYRP?**

4 A. Mr. Barca stated that, “[w]hen I stated that there would be an examination of
5 revenues, expenses and cash needs, I was actually referencing back to the FPFTY,
6 2026, which is the year before the MYRP would go into effect. The Commission
7 will have thoroughly examined Pittsburgh Water’s revenues, expenses and cash
8 needs for 2026. And, as I state above, it is very likely that Pittsburgh Water’s
9 revenue requirement generally will only be higher in 2027.”⁹

10

11 **Q. DOES MR. BARCA’S CLARIFICATION ADDRESS YOUR CONCERNS**
12 **REGARDING THE MYRP?**

13 A. No. The review of the data for the FPFTY ending December 31, 2026 is not
14 relevant to the projected FY 2027 increase. Each test year represents a “snapshot”
15 look at the revenue requirement, rates, billing determinants, and revenue for that
16 specific twelve-month period. Mr. Barca’s statement that the revenue requirement
17 will likely increase beyond Pittsburgh Water’s projections further illustrates that
18 Pittsburgh Water is not accurately projecting its revenue requirement for FY 2027
19 and is not properly aligning its projected costs and revenues.

⁹ Pittsburgh Water Statement No. 2-R, pp. 66-67.

1 **Q. HOW DID MR. BARCA RESPOND TO YOUR CRITICISM OF HIS**
2 **STATEMENT THAT SETTING RATES USING A TEST YEAR CONCEPT**
3 **IS JUST NOT VALID FOR PITTSBURGH WATER?**

4 A. Mr. Barca stated that he is standing by his statement and pointed to complaints
5 from Philadelphia Gas Works (PGW), the other cash flow utility in Pennsylvania,
6 in its most recent fully litigated base rate case as support.¹⁰

7
8 **Q. WHAT WAS THE RESULT OF PGW’S MOST RECENT FULLY**
9 **LITIGATED BASE RATE CASE?**

10 A. In PGW’s fully litigated base rate case, at Docket No. R-2023-3037933, the
11 Commission determined that a \$58,961,000 reduction in PGW’s requested
12 revenue requirement of \$85,162,000 to \$26,201,000 would result in just and
13 reasonable rates. The Order referenced the statement by the Administrative Law
14 Judge (ALJ) in the Recommended Decision that “this recommended revenue
15 increase and revenue requirement is just and reasonable because it addresses
16 PGW’s cash flow needs and recognizes that the Company has a history of
17 projecting the need for more construction-related cash flow than it actually
18 spends.”¹¹ This shows that the Commission does not agree with PGW, and
19 therefore Pittsburgh Water, regarding the claim that cash flow utilities should

¹⁰ Pittsburgh Water Statement No. 2-R, pp. 67-68.

¹¹ *PA PUC v. Philadelphia Gas Works*, Docket No. R-2023-3037933, Opinion and Order, p. 19 (Order Entered November 9, 2023).

1 somehow not be subject to test year ratemaking like every other utility in
2 Pennsylvania.

3
4 **Q. WHAT IS THE PROCEDURE PROPOSED BY MR. BARCA FOR A “MINI**
5 **PROCEEDING” PRIOR TO THE MYRP YEAR IN 2027 THAT WOULD**
6 **ALLOW THE PROPOSED MYRP RATE INCREASES TO BE ADJUSTED?**

7 A. Mr. Barca proposed that Pittsburgh Water submit a filing including a copy of its
8 cost-of-service model, with current projections and available actual results for
9 bond issuances, on or before November 1, 2026, with a proposed effective date for
10 the MYRP rate increase of January 1, 2027, and calculate the revenue requirement
11 capped at \$20.7 million with the updated terms. Pittsburgh Water also stated that
12 it will consent to responding to data requests from the Parties and Commission
13 review and approval through a Secretarial Letter.¹² Mr. Barca claims that this
14 “mini-proceeding” invalidates all of my concerns that the projections are too far
15 away with too little information, with estimations that are too unreliable to create
16 rates that are reliably just and reasonable.¹³

¹² Pittsburgh Water Statement No. 2-R, pp. 60-61.

¹³ Pittsburgh Water Statement No. 2-R, pp. 68-69.

1 **Q. DO YOU AGREE THAT THE MINI-PROCEEDING RESOLVES YOUR**
2 **CONCERNS?¹⁴**

3 A. No. Mr. Barca’s “mini proceeding” does not resolve the concerns discussed in my
4 direct testimony and above. Specifically, Mr. Barca’s description of what will be
5 provided and reviewed does not include any mention of the possible changes in
6 customer usage levels. This is a problem because any decrease in usage would
7 result in the proposed increase in rates not generating sufficient revenue to recover
8 the projected \$20.7 million let alone any other increases in revenue requirement
9 that Mr. Barca claims are likely to exist. This problem is an example of why the
10 alignment of costs, revenues, and billing determinants at the end of the test year is
11 so important and Pittsburgh Water’s failure to do so in the MYRP would not result
12 in just and reasonable rates.

13
14 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION?**

15 A. No. For the reasons discussed above, I continue to recommend the Commission
16 deny the proposed increase in the MYRP.

17
18 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

19 A. Yes.

¹⁴ Please note that I&E witness D.C. Patel addresses Pittsburgh Water’s response to the budget variance issues in I&E Statement No. 1-SR.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
v. : Docket Nos. R-2025-3055010 (Water)
: R-2025-3055011 (Wastewater)
: R-2025-3055012 (Stormwater)
The Pittsburgh Water and Sewer Authority :

**VERIFICATION OF
ETHAN H. CLINE**

I, Ethan H. Cline, on behalf of the Bureau of Investigation and Enforcement, hereby verify that the documents identified as:

- I&E Statement No. 4
- I&E Statement No. 4-SR

were prepared by me or under my direct supervision and control. Furthermore, the facts contained therein are true and correct to the best of my knowledge, information and belief and I expect to be able to prove the same at an evidentiary hearing in this matter. This Verification is made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

/s/ Ethan H. Cline

Ethan H. Cline

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement

Dated: 10/21/2025