
WUC

Water Utility Council of the
PA-Section, American Water
Works Association (PA-AWWA)



GOVERNMENT RELATIONS UPDATE

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*PA- Section, American Water Works Association
National Association of Water Companies
Water Works Operators' Association of Pennsylvania*

Pennsylvania Allocates More Than \$20 Million to Support Water Quality Improvement Projects

Statewide Growing Greener Program to Open May 14, Will Support Hundreds of Community Projects

Growing Greener Plus, Pennsylvania's most widely recognized environmental grant program, opens May 14 with more than \$20 million available to municipalities and nonprofit organizations for projects to improve water quality in their community or statewide.

"Growing Greener Plus has provided almost \$300 million for more than 2,100 projects statewide since its inception," said Department of Environmental Protection (DEP) Secretary Patrick McDonnell. "With its long history of supporting local partnerships and on-the-ground efforts, DEP's Growing Greener plays an essential role in restoring and protecting the health of streams and rivers in communities across Pennsylvania."

Grants are available for projects addressing nonpoint source pollution from farms, urban stormwater runoff, and acid mine drainage (AMD)

at abandoned coal mine sites. Projects may be small or large, addressing an individual site or creating an initiative for an entire watershed, for multiple counties, or statewide.

Last year, more than 100 grants awarded ranged from \$2.9 million to Schuylkill County Conservation District for Swatara Creek floodplain restoration, to decrease flood levels and increase wildlife habitat, to \$16,500 to Warrington Township in Bucks County for a stormwater retention basin.

County and municipal governments, county conservation districts, watershed organizations, and other organizations that work to protect and restore Pennsylvania's environment are eligible to apply.

For the second year, emphasis will be placed on projects in the 43 Pennsylvania counties in the Chesapeake Bay Watershed that implement best management practices (BMPs) to reduce nitrogen, phosphorus, and sediment runoff in streams and rivers.

Projects that are in designated environmental justice communities or Act 47 financially distressed municipalities, projects that increase job opportunities and foster sustainable businesses, and projects that help regulated stormwater communities meet their minimum control measures will also be prioritized.

Funds are available for BMPs, such as streambank fencing, streambank forest buffers, animal heavy use area protection; wetland creation or enhancement; AMD treatment systems or land reclamation at abandoned coal mine sites; projects included in a Clean Water Act Section 319 Watershed Implementation Plan; and AMD projects located in Qualified Hydrologic Units.

The application period opens at 8:30 AM on May 14, 2018 and closes at 4:00 PM on July 13, 2018. Please apply [online](#) at the Department of Community and Economic Development e-grants portal.

Find more information on the program visit [Growing Greener Plus](#).

Source: DEP Press Release, 5/9/2018

EPA Extends Deadline to Apply for a WIFIA Water Infrastructure Loan

On May 15, 2018, the U.S. Environmental Protection Agency (EPA) Administrator Scott Pruitt announced at a meeting with water sector associations that the deadline to submit letters of interest for Water Infrastructure Finance and Innovation Act (WIFIA) loans has been extended to July 31, 2018. Administrator Pruitt also sent a letter highlighting the deadline extension to [governors of 56 states and territories](#) as well as [tribal leadership](#).

“By extending the deadline to apply for a WIFIA loan, even more entities will be able to bring critical water infrastructure improvements to their communities, including projects that keep lead and other contaminants out of drinking water,” said EPA Administrator Scott Pruitt. “These projects create jobs, protect public health, and help ensure that all Americans continue to have access to clean and safe water.”

EPA’s announcement comes as part of Infrastructure Week and highlights the importance of working together with the water sector on a variety of topics, including affordability,

governance, and the Clean Water and Drinking Water State Revolving Funds (SRFs).

Also in conjunction with Infrastructure Week, the Agency released a [new interactive website](#) that showcases leading efforts by states, public water systems, and communities to replace lead service lines.

Background

Established by the Water Infrastructure Finance and Innovation Act of 2014, the WIFIA program is a federal loan and guarantee program at EPA that aims to accelerate investment in the nation’s water infrastructure by providing long-term, low-cost supplemental loans for regionally and nationally significant projects. WIFIA can provide up to 49 percent of the financing for a project and a state SRF could provide additional financing for the remaining eligible project costs. The WIFIA program received \$63 million in funding in the Consolidated Appropriations Act, 2018, which was signed into law by President Donald Trump on March 23, 2018.

On April 4, 2018, EPA announced the [availability of additional WIFIA funding](#) that could provide as much as \$5.5 billion in loans, leveraging over \$11 billion in water infrastructure projects. This year’s WIFIA Notice of Funding Availability highlights the importance of protecting public health, including reducing exposure to lead and other contaminants in drinking water systems and updating the nation’s aging infrastructure.

On April 20, 2018, EPA issued its [first WIFIA loan to King County, Washington](#). The \$134.5 million loan will help finance a new wet weather treatment station that will better protect public health, improve water quality, and create more than 1,400 jobs—all while saving up to \$32 million compared to standard financing over the life of the loan.

According to EPA’s estimate of drinking water and wastewater needs, over \$743 billion is needed over the next twenty years for water infrastructure improvements. WIFIA financing and the SRFs will play an important part in fulfilling this need. With the latest two appropriations totaling \$93 million,

WIFIA loans can be combined with other public and private funding, to finance approximately \$16 billion in infrastructure needs. EPA's FY2018 budget includes \$2.9 billion for the SRFs.

For more information about the WIFIA program and resources to use when applying, visit www.epa.gov/wifia.

Source: EPA 5/15/2018

PUC Announces Availability of Updated Utility Ratemaking Guide

On May 17, 2018, the Pennsylvania Public Utility Commission (PUC) announced the availability of an updated publication of "[A Guide to Utility Ratemaking](#)." PUC Commissioner Norman J. Kennard recently updated the original handbook he wrote more than 35 years ago with former PUC Commissioner James H. Cawley.

The new 190-page handbook is designed as an introduction to ratemaking for customers and new practitioners and also is a research tool for the more advanced participant. It updates the 1983 discussion of test year ratemaking and addresses many innovations that have made Pennsylvania a national leader in the field, including the distribution system improvement surcharge, fully projected future test year and revenue decoupling. Also updated are industry descriptions that have changed with competition and other variables, and the handbook contains a thorough guide to the procedures used by the Commission to set rates.

"This rewritten version replaces the 35-year-old original. Everything is different - the economy, technology, the state of utility infrastructure and the art of regulation. What is unchanged is the inventiveness and dedication of the employees of this Commission who rise to the challenge every day," said Commissioner Kennard.

Commissioner Cawley added: "This second edition of the Rate Case Handbook, updated with my hearty encouragement, is a giant leap forward from the 1983 version and is certain to be a very

useful guide for rate case beginners and veterans alike as well as a reliable aid to Pennsylvania's appellate courts."

About the Authors

Commissioner Cawley served two terms as a member of the Pennsylvania Public Utility Commission, from 1979 to 1985 and from 2005 to 2015, the second longest combined tenure in the Commission's (and its predecessor, the Public Service Commission's) history dating to 1913. He served as Chairman from 2008 to 2011. After completing his term of office in 2015, he became Of Counsel to Skarlotos Zonarich LLC, a Harrisburg, PA, law firm. A graduate of St. Bonaventure University and Notre Dame Law School, Cawley was one of the original law clerks for Pennsylvania's Commonwealth Court when it came into existence in 1970, served as majority counsel to the state Senate Consumer Affairs Committee and chief counsel to the Democratic floor leader in the Senate, and was a major drafter of the Pennsylvania Public Utility Code. While at the PUC, Cawley was appointed by the Federal Communications Commission to serve as a member of the Federal-State Joint Board for Universal Service.

Commissioner Kennard was sworn in as a member of the Pennsylvania Public Utility Commission on Nov. 14, 2017. Prior to that, he was engaged in the private practice of law for thirty plus years (1983-2014) representing various consumer, supplier and utility interests. The scope of his legal practice included natural gas transportation, broadband infrastructure legislation, the negotiation of power generation and gas supply contracts, interconnection agreements, intercarrier compensation and rate case filings of all sorts. He has had experience across all regulated industries, in multiple forums, state and federal, regulatory and legislative, as well as litigation and appellate representation. His career began with the Office of Consumer Advocate in 1979. He has served as counsel to two previous PUC Chairmen: Robert F. Powelson (2014-17) and Clifford L. Jones (1981-83). Kennard received his bachelor's degree from Hartwick College and earned his law degree from the University of New Hampshire School of Law.

The Pennsylvania Public Utility Commission balances the needs of consumers and utilities; ensures safe and reliable utility service at reasonable rates; protects the public interest; educates consumers to make independent and informed utility choices; furthers economic development; and fosters new technologies and competitive markets in an environmentally sound manner.

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Source: PUC Press Release, 5/17, 2018

PUC Orders 17 Utilities to Return \$320+ Million to Consumers Following Analysis of Federal Tax Reform; Other Tax Reform Impacts Considered as Part of Ongoing Utility Rate Cases

On May 17, 2018, the Pennsylvania Public Utility Commission (PUC) issued an [Order](#), requiring a "negative surcharge" or monthly credit on customer bills for 17 major electric, natural gas, and water and wastewater utilities, totaling more than \$320-million per year. The refunds to consumers are the result of the substantial decrease in federal corporate tax rates and other tax changes under the Tax Cuts and Jobs Act (TCJA) of 2017, which impacted the tax liability of many utilities.

Additionally, the PUC will consider the effects of federal tax reform on seven other public utilities as part of the investigations for rate cases which have already been filed or are expected to be filed

by Aug. 1, 2018. In those situations, the Commission has directed the parties involved to address the impact of any TCJA tax savings as part of the overall rate design for each utility.

Today's Order, along with a series of orders specific to each affected utility, were approved by 5-0 votes. The PUC's action today follows an [extensive investigation into the effects of federal tax reform](#) on the rates charged by Commission-regulated utilities - which, among other things, reflect annual taxes owed both to the federal and state governments.

"As economic regulators, it is the Commission's responsibility to ensure that utility rates are just and reasonable. Further, it is necessary for utility rates to reflect relevant tax expenses," noted PUC Chairman Gladys M. Brown in a [statement](#) at today's public meeting. "I believe this work (by PUC staff) has resulted in an innovative answer by this Commission to effectively flow-through the benefits of the TCJA back to customers."

Vice Chairman Andrew G. Place also [praised](#) staff's work in this complex proceeding and agreed with the Commission's overall approach. However, he indicated that the utilities' overall cost of capital and rate of return should apply on the accumulated balances of tax savings for the period between January 1 and June 30, 2018.

Depending on the revenue and tax impact on each utility addressed in today's PUC orders, the distribution charges on monthly consumer bills are expected to decrease from .56-percent to 8.55-percent. A list of the utilities impacted by today's PUC orders, along with the anticipated [changes in distribution rates](#), has been posted to the online docket for this matter: [M-2018-2641242](#).

Public utilities required to begin returning federal tax savings to consumers include Citizens' Electric Company of Lewisburg, Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, Pike County Light & Power Company, PPL Electric Utilities Corporation, Wellsboro Electric Company, West Penn Power Company, PECO Energy Company (Gas Division), National Fuel Gas Distribution Corporation, Peoples Gas Company LLC, Peoples

Natural Gas Company LLC-Equitable Division, UGI Central Penn Gas Inc., UGI Penn Natural Gas Inc., UGI Utilities, Inc.--Gas Division, Pennsylvania-American Water Company and Pennsylvania-American Water Company-Wastewater.

Utilities not required to take immediate action because of the continuing analysis of tax reform impacts on their current or pending rate cases include UGI Utilities, Inc. (Electric), Columbia Gas of Pennsylvania, Inc., Duquesne Light Company, PECO Energy Company (Electric), York Water Company, Suez Water Pennsylvania, Inc. and Aqua Pennsylvania, Inc. In each of those situations, any tax savings will be considered as part of the broader evaluation of their rates.

The Commission also noted that one Pennsylvania public utility saw no financial impact or an increased federal tax liability as the result of TCJA. Per today's order, Columbia Water Company is directed to file a tariff or tariff supplement within 10 days, replacing their current rates, which were declared to be "temporary" by Commission [action](#) in March 2018.

Finally, the Commission investigation determined that two utilities are receiving only a small increased tax liability from TCJA - Peoples Natural Gas Company LLC and Newtown Artesian Water Company. For these two utilities, the Commission's previous [order declaring their rates to be temporary](#) will continue, subject to annual reconciliation.

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development; and fosters new technologies and competitive markets in an environmentally sound manner.

Docket No.: [M-2018-2641242](#)

Source: PUC Press Release, 5/17/2018

Wolf Administration Opens First Driving PA Forward Grant Eligibility

PA State Clean Diesel Grant Program will be first to disburse funds from Volkswagen settlement

The Pennsylvania Department of Environmental Protection (DEP) will begin accepting grant applications to replace, repower, or retrofit fleet diesel-powered trucks, buses and other vehicles and equipment under the Pennsylvania State Clean Diesel Grant program. A portion of the funds available for the grants will be from the recently announced \$118 million settlement from Volkswagen. Applications will be accepted beginning on May 19, 2018.

"We're excited to be able to use settlement funds to strengthen this already successful grant program, and to kick off the first of our grant programs under Governor Wolf's 'Driving PA Forward' initiative" said DEP Secretary Patrick McDonnell.

Grants are available to both public and private entities, including school districts, local governments, and non-profit organizations.

"Whether it is a school district upgrading their school bus fleet or a private company repowering their delivery trucks, projects under the Clean Diesel grant program lead to cleaner air and lower emissions," said McDonnell.

The application package, including guidance and application instructions, is available electronically on the DEP's [Driving PA Forward webpage](#). The application package is also available by contacting Samantha Harmon at the Department of Environmental Protection, Bureau of Air Quality, 12th Floor, Rachel Carson State Office Building,

400 Market Street, P. O. Box 8468, Harrisburg, PA 17105-8468, (717) 787-9495.

DEP will accept online applications until 4:00 PM on July 6, 2018. A webinar on the Pennsylvania State Clean Diesel Grant Program will be held on June 6, 2018. See the program guidelines for registration information. Fax and email submissions of applications will not be accepted.

For more details, please visit the [Driving PA Forward program](#).

Source: DEP Press Release, 5/18/2018

Environmental Quality Board FINAL Regulation #7-521 (IRRC #3177): "Safe Drinking Water; General Update and Fees"

The Environmental Quality Board (Board) has submitted the above-referenced final-form regulation.

The Independent Regulatory Review Commission (IRRC) plans to meet and act on this regulation at our public meeting at 10:00 a.m. on Thursday, June 28, 2018. The agenda and any changes to the time or date of the meeting will be posted on IRRC's [Web site](#).

Please note that any comments should be submitted to the Board prior to the 48-hour blackout period, which begins at 10:00 a.m. on Tuesday, June 26, 2018. Please provide IRRC with a copy of any comments submitted, as well. Please note that all correspondence and documents relating to a regulation submitted to IRRC are a matter of public record and appear on IRRC's Web site.

For a copy of the regulation or if you have any substantive questions regarding the regulation, please contact the Board at (717) 783-8727. You can also download the final-form regulation from IRRC's Web site.

If you have questions regarding the regulatory review process, IRRC's Web site.

Source: IRRC

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