

Veolia Water Pennsylvania, Inc.
Docket No. R-2024-3045192 and
R-2024-3045193

Statement of Reasons
Proposed Base Rate
Increase

Veolia Water Pennsylvania (“VWPA”) on February 16, 2024, asked the Pennsylvania Public Utility Commission (PUC) to approve a base rate increase of approximately \$16 million to recover costs associated with recent capital investments across its eleven county service area.

VWPA provides water service to approximately 69,800 customers and wastewater service to approximately 1,600 customers in 11 counties and 49 municipalities throughout Pennsylvania. It operates five surface water treatment plants ranging in size from three quarters to twelve million gallons per day (“MGD”). It also operates 36 wells with varying degrees of treatment, 30 booster stations and 42 storage facilities. The distribution system consists of over 900 miles of main, 14,000 valves and 4,400 hydrants. In addition, VWPA provides wastewater services to approximately 1,600 customers in 2 counties. It operates 1 wastewater treatment plant along with a collection system of over 2 miles.

The \$16 million increase is in addition to the revenues generated by current rates and charges assessed to the customer as of the date of filing. Ratemaking adjustments have been made to revenues and expenses for the historic test year, the 12 months ended September 30, 2023, the future test year, the 12 months ending September 30, 2024 and the fully projected future test year (Pursuant to Act 11 of 2012), the 12 months ending October 31, 2025.

If the Company’s entire request is approved, the total water bill for a residential customer using an average of 3,500 gallons of water per month would increase from \$49.64 to \$60.79 or by 22 percent. This equates to approximately \$11.14 per month or 37 cents per day. The cost of tap water would remain at about one penny per gallon for a typical family or most small businesses.

The total water bill for a commercial customer with a 2” meter using 25,000 gallons of water per month would increase from \$353.93 to \$433.34 or by 22 percent.

The total water bill for an industrial customer with a 4” meter using 100,000 gallons of water per month would increase from \$1,191.56 to \$1,514.71 or by 27 percent.

The total wastewater bill for a residential customer would increase from a flat rate of \$56.20 to \$77.00, or by 37 percent.

The total wastewater bill for a commercial customer using 25,000 gallons of water per month would increase from \$197.32 to \$225.33, or by 14 percent.

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The total wastewater bill for an industrial using 100,000 gallons of water per month would increase from \$467.72 to \$1,569.40 or by 236 percent.

VWPA's last base rate increase was effective February 1, 2019. Veolia Water Bethel ("VWBE") was merged into VWPA in 2023. VWBE's last base rate increase was effective March 16, 2012. Since its last rate cases the Company will have invested over \$167 million through October 31, 2025, the period upon which rates are set in this case, which is the primary reason for the request to increase rates.

Some examples of completed ongoing and future capital investments across the Company's eleven county service area are listed below:

- Over \$167 million dollars in infrastructure replacement since the last rate case and included in this rate case filing.
- Over \$21 million will be spent to upgrade the Rabold water treatment plant.
- Nearly \$9 million will be spent on the South Centre Township main extension.
- Nearly \$8 million will be spent on the SCADA Implementation of National Standards.
- Over \$6 million for the SR 83 Sect. 78 water main replacement project.

Although the Company works hard at controlling operating costs and has implemented certain cost-savings measures, other costs such as labor and related expenses, medical, power, chemicals and insurance have increased since the last rate filing and are included in the current rate request.

The Company is requesting an overall rate of return of 7.95%, which includes a return on equity of 10.80% and a cost of debt rate of 4.60%. In the Company's Financial Report for the twelve months ended September 30, 2023, the calculated overall rate of return was 6.57%. This was based on the same time period as the historic test year in this proceeding. On VWPA Exhibit No. GRH-1, Schedule 1, the overall rate of return under present rates at September 30, 2023 is 5.13%.

The Company is also proposing several changes to the rules and regulations of its tariff. The Company proposes to reduce the due date of bills from twenty days (20) to fifteen days (15) for all customer classes other than the residential class, which will remain at twenty days (20) to improve Company cash flow. The Company proposes to remove all language regarding charges for testing of unmetered firelines because it has not

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found an efficient way to monitor this activity and assess these charges. The Company proposes a fee for hydrant flow testing of \$455.00 to be charged to the customer or party requesting the test to be consistent with cost-causation principles. The Company proposes a fee for meter tampering or theft with the first occurrence being \$250.00 and subsequent occurrences being \$500.00, which is intended to serve as a behavioral deterrence. The Company proposes to provide clarity on the grounds for rejecting applications for service, additional clarity benefits both customers and the Company. The Company proposes to revise the section referring to the Federal Tax Adjustment Credit ("FTAC") to flow back money to customers. Finally, the Company proposes various "housekeeping" revisions to the wastewater tariff to bring it into closer alignment with the water tariff, to remove certain elements that are not applicable to wastewater service, and to provide additional clarifications specific to wastewater service. These proposed changes will affect different customers to varying extents. No studies were undertaken to draft the proposed changes nor were customer polls taken to indicate customer acceptance.

The Company has a comprehensive communications plan in place to inform customers of our rate filing, in compliance with the Commission's notice requirements.

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The Company's witnesses are as follows:

Larry Finnicum	VWPA Statement No. 1	Rate Case Structure & Witnesses, Need for Rate Relief, Company Description, Operations, Educational Efforts, Capital Additions, Cost Control, Organizational Changes, Customer Service, Non-Revenue Water, and Proposed Changes to Tariff Rules and Regulations
Greg Herbert	VWPA Statement No. 2	Revenue Deficiency and Rate Base, Operating Revenues, Expense Adjustments
Constance E. Heppenstall	VWPA Statement No. 3	Cost of Service and Rate Design
Harold Walker	VWPA Statement No. 4	Lead Lag Study and Rate of Return
Dane Watson	VWPA Statement No. 5	Depreciation
Jim Cagle	VWPA Statement No. 6	Income Taxes, CTA, TCJA and Suez-Veolia Merger
Judith Jordan	VWPA Statement No. 7	Low Income Assistance Program
Anupa Jacob	VWPA Statement No. 8	M&S Expense

In summary, the Company is requesting an annual increase in base rates of approximately \$16M to recover its investment in facilities to serve its customers, recover increases in operating costs and taxes, and to earn a fair return on its investment.