

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. R-2024-3045192

AND

DOCKET NO. R-2024-3045193

PREPARED DIRECT TESTIMONY

OF

ANUPA JACOB

REGARDING

MANAGEMENT & SERVICES FEES

VEOLIA WATER PENNSYLVANIA, INC.

February 2024

VWPA STATEMENT NO. 8  
DIRECT TESTIMONY OF ANUPA JACOB  
REGARDING MANAGEMENT & SERVICES FEES

1 **Q. What is your name and business address?**

2 A. My name is Anupa Jacob and my business address is Veolia Water M&S  
3 (Paramus), Inc. ("VWM&S"), 461 From Road, Suite 400, Paramus, NJ 07652.

4

5 **Q. By whom are you employed and in what capacity?**

6 A. I am the VP/Controller & Chief Accounting Officer at VWM&S (formerly SUEZ  
7 Water Management & Services Inc.) with the overall responsibility of the  
8 company's financial accounting records of the regulated companies.

9

10 **Q. Please describe your work experience**

11 A. I have over fifteen years of experience in accounting and auditing regulated  
12 utilities, publicly traded companies, and private companies. Previous to my current  
13 role, I was the Director of Utility Accounting for VWM&S, Manager of Technical  
14 Accounting and Derivatives Accounting at National Grid, Plc., and held various  
15 roles within the Assurance practice at PwC.

16

17 **Q. Please summarize your educational background and other qualifications.**

18 A. I received a Bachelor Degree in Electronics and Communication  
19 Engineering from Cochin University of Science and Technology, India and a  
20 Master of Business Administration with a concentration in Accounting from Baruch  
21 College, City University of New York. I am a Certified Public Accountant licensed  
22 in the State of New York.

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1       **Q.    In what regulatory agencies have you previously presented testimony?**

2       A.    I have previously presented testimony before the Idaho Public Utilities  
3       Commission, Delaware Public Service Commission and the New Jersey Board of  
4       Public Utilities.

5

6       **Q.    What is the purpose and nature of your testimony in this proceeding?**

7       A.    The purpose of my testimony is to describe the nature of the Management  
8       and Services Fee and its intended benefits to Veolia Water Pennsylvania, Inc.  
9       ("VWPA").

10

11       **Q.    What services does the Management and Services Fee represent?**

12       A.    VWM&S fee represents the services provided to VWPA by VWM&S  
13       employees. These services include administrative, engineering, legal, operations,  
14       accounting, finance, human resources, purchasing, insurance, data processing,  
15       customer service, billing, public relations, planning and ratemaking services and  
16       other general services necessary in the proper conduct of business.

17

18       **Q.    What are the benefits of centralizing services provided by VWM&S?**

19       A.    Through the centralization of certain specialized services, VWPA is able to  
20       enjoy economies of scale and realize savings over the cost of providing the same  
21       services at each individual operating utility.

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1       **Q.    How are these costs allocated and have there been any changes to the**  
2       **allocation methodology since the last general rate case?**

3       A.    The company continues to use the same cost allocation methodology  
4       described in the Agreement between Veolia Water Management & Services  
5       (Paramus), Inc. (formerly SUEZ Water Management & Services Inc.), which was  
6       approved by the Commission in Dockets G-2016-2546454 and G-2016-2557846,  
7       as further detailed the Cost Allocation Manual (“CAM”). Refer to the CAM  
8       document attached to 53.53 Exhibit D, III.06 Attachment C. The shared services  
9       allocation methodology did not change as a result of the merger with Veolia. When  
10      significant organizational changes occur during the year that may affect the  
11      allocation of shared costs between affiliated entities, the Company reviews the  
12      nature of the changes and determines the necessary updates to the allocation  
13      factors in accordance with the CAM. As a result of the merger with Veolia in the  
14      first quarter of 2022, there were announcements made regarding the scope and  
15      responsibilities of certain employees within the shared services. We reviewed  
16      these changes with each department, and we recalculated the new allocation  
17      percentages using the three-factor formula described in the CAM depending on  
18      the scope of responsibilities for each employee within a department.

19  
20      **Q.    Please describe the Exhibits you are presenting in support of the**  
21      **Management and Services Expense.**

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1           A.     Exhibit No. GRH-3 Schedule-12 Adjustment No.11 shows the Management  
2           and Services Fees for the Historic Test Year (“HTY”) 12 months ended 9/30/2023,  
3           the Future Test Year (“FTY”), and the Fully Projected Future Test Year ending  
4           October 31, 2025. VWM&S costs for 12 months ended 9/20/23 were normalized  
5           to remove one time costs and then adjusted upwards by a factor of 3% to account  
6           for a general increase in costs of services provided to arrive at the future test year.  
7           The future test year was then adjusted upwards by a factor of 3% to arrive at the  
8           fully projected future test year.

9  
10          **Q.     What other components are included in the Management & Services**  
11          **fee?**

12          A.     In addition to the services fees discussed above, VWM&S also includes an  
13          allocated portion of depreciation expense for Shared Assets as described in the  
14          CAM. VWM&S makes capital expenditures, generally related to investments in  
15          information technology hardware and software, as well as other assets which  
16          benefit the utility customers of VWPA as well as the utility customers of affiliates  
17          of VWPA in other states. In the absence of the VWM&S investments in these  
18          assets, VWPA would have needed to make these investments on a standalone  
19          basis in order to support its operations and the delivery of reliable services to its  
20          customers. Because these investments are utilized to provide utility service, a  
21          computation of a return on such shared asset investments is also included in this  
22          filing. The return on such shared asset investments is not a part of the VWM&S

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1 cost allocation for accounting purposes and is retained by VWPA. Previous to the  
2 CAM, capital expenditures generally related to such investments would have been  
3 allocated to each company and reflected on that company's balance sheet. As  
4 such, it would have increased the operating company's rate base and been  
5 recovered in rates through depreciation expense and return. With the current  
6 methodology, the asset appropriately remains on VWM&S's balance sheet and a  
7 portion of the costs are allocated to the operating companies and recovered  
8 through deprecation and a return. As a result, the revenue requirement is designed  
9 to be the same for these assets under either scenario. Please note, shared assets  
10 balances included in the calculation of depreciation expense for the future test year  
11 and the fully projected future test year includes projections of VWM&S assets  
12 expected to be put into service within that period.

13

14 **Q. Does this conclude your direct testimony?**

15 A. Yes, it does. However, I reserve the right to supplement my testimony as  
16 additional issues and facts arise during the course of the proceeding.