

COMMONWEALTH OF PENNSYLVANIA



PATRICK M. CICERO
Consumer Advocate

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February 16, 2024

Via Electronic Mail Only

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission
v.
Veolia Water Pennsylvania, Inc.
Docket Nos. R-2024-3045192 (Water)
R-2024-3045193 (Wastewater)

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Formal Complaint and Public Statement in this matter.

The OCA respectfully requests that the attached Formal Complaint be docketed expeditiously and that the Public Utility Commission place the suspension of the proposed Veolia water and wastewater distribution rate filings on the carry-in agenda for the February 22, 2024, Public Meeting. Alternatively, the OCA respectfully requests that the Commission use notational voting to suspend the filing for investigation.

Addressing this matter at the February 22, 2024, Public Meeting or by notational voting will permit the case to move to the Office of Administrative Law Judge sooner than if the suspension waits until the Commission's March 14, 2024 Public Meeting. The timing is important because it will allow for a Prehearing Conference to be scheduled and for the case to proceed as soon as possible.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully submitted,

/s/Christy M. Appleby

Christy M. Appleby
Senior Assistant Consumer Advocate
PA Attorney I.D. # 85824
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Enclosures:

cc: The Honorable Charles E. Rainey, Jr. (email only)
Office of Special Assistants (**email only:** ra-OSA@pa.gov)
Paul Diskin, TUS (**email only:** pdiskin@pa.gov)
Daniel Searfoorce, TUS (email only: dsearfoorc@pa.gov)
Sean Donnelly, TUS (sdonnelly@pa.gov)
Certificate of Service
*4864-4075-6389

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
v : Docket Nos. R-2024-3045192 (Water)
Veolia Water Pennsylvania, Inc. : R-2024-3045193 (Wastewater)
:

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Formal Complaint and Public Statement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below. This document was filed electronically on the Commission's electronic filing system.

Dated this 16th day of February 2024.

SERVICE BY E-MAIL ONLY

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/s/ Christy Appleby
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555 Walnut Street
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Harrisburg, PA 17101-1923
717-783-5048
Dated: February 16, 2024
*4880-7080-5922

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Formal Complaint

1. CUSTOMER NAME (COMPLAINANT)

Patrick M. Cicero, Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

2. UTILITY NAME (RESPONDENT)

Veolia Water Pennsylvania, Inc.
Docket No. R-2024-3045192 (water)
Docket No. R-2023-3045193 (wastewater)

3. TYPE OF UTILITY

Water and Wastewater

4. COMPLAINT

- A. On February 16, 2024, Veolia Water Pennsylvania, Inc. (VWPA or the Company) filed with the Pennsylvania Public Utility Commission (Commission) Supplement No. 68 to its Tariff Water – Pa. P.U.C. No. 7 (Supplement No. 68) at Docket No. R-2024-3045192 and Supplement No. 5 to its Tariff Wastewater – Pa. P.U.C. No. 2 (Supplement No. 5) at Docket No. R-2024-3045193.
- B. Through Supplement No. 68, the Company proposes a general increase in annual water revenues of \$15.4M per year, or 26%, including DSIC revenues. Through Supplement No. 5, the Company proposes a general increase in wastewater revenues of \$568K per year, or 35%. The Company proposes that the water and wastewater rate increases become effective on April 16, 2024.
- C. Veolia is engaged in the business of providing water service to over 69,800 customers and wastewater service to 1,611 customers. The Company provides water service to customers in communities in 11 counties: (1) Columbia County: the Town of Bloomsburg, South Centre Township, Scott Township, and portions of the Townships of Hemlock and Montour; (2) Cumberland County: the Borough of Mechanicsburg and portions of the Townships of East Pennsboro, Upper Allen, Lower Allen, Hampden, Silver Spring and Monroe; (3) Dauphin County: the Boroughs of Dauphin, Highspire, Hummelstown, Paxtang and Penbrook; the Townships of Lower Paxton, Middle Paxton and Swatara; portions of the

Townships of Derry, Lower Swatara, South Hanover and Susquehanna; (4) Delaware County: portions of Bethel Township and portions of the Township of Concord; (5) Franklin County: portions of Hamilton and Letterkenny Townships; (6) Luzerne County: the Borough of Dallas, Dallas Township, Overbrook, Village of Shavertown and Vicinity, Kingston Township, Harvey's Lake Borough, Lake Township and Lehman Township; (7) Montour County: a portion of Cooper Township and Township of Mahoning; (8) Perry County: the Borough of Marysville, Rye Township and Penn Township; (9) Schuylkill County: the Village of Nuremberg, Township of North Union; (10) Wyoming County, Noxen Township; and (11) York County Newberry Township and portions of Monaghan Township. The Company provides wastewater service in Columbia County in the Township of South Centre and in Montour County in the Township of Mahoning, a portion of Cooper Township and a portion of Valley Township.

- D. In its base rate filing, the Company utilizes a fully projected future test year ending October 31, 2025.
- E. Under the Company's proposal, the typical monthly water bill for most residential customers using 3,500 gallons per month would increase from \$49.64 to \$60.79 per month, or by 22%.
- F. Under the Company's proposal, the total monthly wastewater bill for residential customers would increase from a flat rate of \$56.20 to \$77.00 per month, or by 37%.
- G. The proposed water and wastewater rate changes noted above do not reflect the changes that will be experienced by all customers; rather, they only reflect changes for customers using what Veolia has asserted to be the "typical" usage for residential customers. The increases reflected above (and on the notices sent to customers) may underestimate the impact of the rate increase for many customers.
- H. Veolia proposes to increase its water customer charge for most customers (5/8-inch or 3/4-inch meters) from \$14.50 to \$19.80 per month, which is an increase of 36.6%.
- I. Veolia proposes to move from a monthly consumption charge of \$0.905101 per 100 gallons to \$1.1710 per 100 gallons, for consumption up to 25,000 gallons per month. This change would apply to most Veolia residential customers.
- J. Veolia is also proposing to increase the water customer charge for the former Veolia Water Bethel, Inc. customers (5/8 inch meter), from \$6.31 per month to \$19.80 per month. Veolia has proposed to increase the consumption charge per 100 gallons from \$0.4290 for the first 11,000 gallons per month to \$0.5050 per 100 gallons for the first 25,000 gallons per month, for these residential customers.

- K. Veolia applies a Purchased Water Charge (PWC) to bills for water service to the former Veolia Water Bethel customers. That PWC would be reset to zero, upon establishment of new base rates.
- L. Veolia proposes to change and increase the water customer charge for the former Kensington Water residential customers in Hamilton and Letterkenny, from \$15 per month including a water usage allowance of up to 1,667 gallons, to \$19.80 per month with zero water usage allowance, for customers with 5/8-inch or 3/4-inch water meters. The volumetric rate will increase from \$7.10 per thousand gallons over 1,667 gallons to \$1.1710 per 100 gallons.
- M. Veolia proposes to change the water customer charge for the Mahoning Township residential customers, from \$21.38 per month, including a water usage allowance of up to 2,000 gallons, to \$19.80 per month with zero water usage allowance, for customers with 5/8-inch or 3/4-inch water meters. The volumetric rate for Mahoning Township customers would increase from \$0.449 per 100 gallons to \$1.1710 per 100 gallons.
- N. Veolia has proposed initial metered rates for residential water service customers in Overbrook. These Veolia customers currently pay water rates based upon the number and type of fixtures or connections in their house. Under the new proposed metered rates, these customers would pay a monthly customer charge of \$19.80 for customers with 5/8-inch or 3/4-inch water meters. The consumption charge would be \$1.1710 per 100 gallons, for monthly consumption up to 25,000 gallons.
- O. The customer notice for residential water customers attached as Exh. LFK-3 may be deficient in that it only provides the following notice to residential customers about the changes to the water rates. The notice states that “if the company’s entire request is approved, the total water bill for a residential customer using an average of 3,500 gallons per month would increase from \$49.64 to \$60.79 per month or by 22%.”
- P. The rates, charges, tariff changes, and other rules that Veolia seeks to implement would likely result in unjust and unreasonable rates in violation of the law, sound ratemaking principles, and public policy.
- Q. Veolia proposes changes to a water discount program for customers at or below 200% of the Federal Poverty Level (FPL). The program provides a full discount on the fixed monthly customer service charge and a volumetric discount on the first 2,000 gallons for the customers from 0-100% of the FPL and a volumetric discount on the first 1,000 gallons for customers from 101-150% of the FPL. The Company will also provide flexible payment arrangements that will provide an opportunity for arrearage forgiveness in the amount of \$25/per month for customers at or below 200% of the FPL. Veolia also proposes to hire contractors to provide plumbing repairs up to \$1,500 for customers at or below 150% of the

FPL if the customer is in danger of termination or has been terminated. The OCA will review these proposals to determine if they are just, reasonable and consistent with sound ratemaking principles.

- R. Veolia proposes to create a mechanism that would allow it to track the difference between the overall costs of the program and the proposed targeted amount as a regulatory asset or liability to be addressed in the next base rate proceeding. The proposed mechanism may be contrary to sound ratemaking principles and public policy and may be contrary to the provisions of prior Commission-approved settlements and orders.
- S. Veolia's proposed rate increase for water and wastewater, if approved, would produce an overall rate of return of 7.95% that includes a common equity cost rate of 10.8% and a cost of debt rate of 4.6%. The proposed rates of return are excessive and, if accepted, would result in rates that are unjust and unreasonable in violation of the law, sound ratemaking principles, and public policy.
- T. The Consumer Advocate is empowered to represent the interests of Pennsylvania consumers before the Pennsylvania Public Utility Commission, pursuant to Act 161 of the General Assembly, as amended, 71 P.S. §§ 309-1, *et seq.*
- U. In reaching a decision on whether to grant Veolia's rate increase as well as its various rule and tariff changes, the Public Utility Commission must give "due consideration to the interests of consumers." 71 Pa. Stat. Ann. §309-5(2).
- V. The Consumer Advocate avers, based on a preliminary examination of Veolia's rate increase requests, proposed allocation of costs among customer classes, proposed tracking mechanism, and proposed rate design requests indicates that the Company's proposed charges, increases and changes in rates, rules, and regulations contained within the request are or are likely to be unjust, unreasonable, and in violation of law. In addition, these proposals will likely allow Veolia an opportunity to recover an excessive rate of return on its utility property investment, in violation of the Public Utility Code; will likely discriminate against certain customers; and will or may compensate Veolia for providing inadequate service to some or all of its customers. They may also be contrary to the provisions of prior Commission-approved settlements and orders; and otherwise, may be contrary to sound ratemaking principles and public policy.
- W. The Consumer Advocate also avers that the Company's existing rates, rules, and regulations are or may not be just and reasonable or otherwise proper under the Pennsylvania Public Utility Code and applicable ratemaking principles.

5. RELIEF

The Consumer Advocate respectfully requests that the Commission take the following actions:

- A. Suspend and investigate the operation of the Company's proposed Supplement No. 68 and Supplement No. 5, pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d);
- B. Consolidate all complaints filed against the proposed increases;
- C. Hold full evidentiary hearings examining the reasonableness of the Veolia's current rates and its proposed increases in rates;
- D. After providing the public with adequate notice, hold in-person and telephonic public input hearings, in order to provide its customers with an opportunity to be heard on the record, and hold those hearings as early in the case as feasible;
- E. Deny any charges or changes contained in the proposal which cannot be fully justified by the Company, or which otherwise are contrary to the Public Utility Code, sound ratemaking principles, and public policy; and
- F. Grant such other relief that the Commission may deem to be necessary and proper.

6. VERIFICATION AND SIGNATURE

Verification:

I, Patrick M. Cicero, Consumer Advocate, hereby state that the facts above set forth are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

/s/ Patrick M. Cicero
Signature

2/16/2024
Date

7. LEGAL REPRESENTATION

Darryl Lawrence, Senior Assistant Consumer Advocate, PA Attorney I.D. # 93682
Christy M. Appleby, Senior Assistant Consumer Advocate, PA Attorney I.D. # 85824
Barrett C. Sheridan, Assistant Consumer Advocate, PA Attorney I.D. # 61138

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**PUBLIC STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
PURSUANT TO 71 P.S. SECTION 309-4(e)**

Act 161 of the Pennsylvania General Assembly, 71 P.S. § 309-2, as enacted July 9, 1976, authorizes the Consumer Advocate to represent the interests of consumers before the Pennsylvania Public Utility Commission (Commission). In accordance with Act 161, and for the following reasons, the Consumer Advocate determined to file a Formal Complaint and participate in proceedings before the Commission involving the proposed water and wastewater rate increases requested by Veolia Water Pennsylvania, Inc. (Veolia or the Company).

The objective of the Consumer Advocate in filing a Formal Complaint in this matter is to protect the interests of Veolia's customers. The Consumer Advocate will seek to ensure that Veolia is permitted to implement only a level of rates that is fully justified and in accordance with sound ratemaking principles. The Consumer Advocate will strive to prevent Veolia from collecting from ratepayers all alleged costs that cannot be justified, or are unreasonable or unduly discriminatory, or otherwise in violation of the Public Utility Code. The Consumer Advocate submits that the rates sought by Veolia may be unjustifiable and unlawful based upon information filed by Veolia in support of its claim.

The Consumer Advocate has filed this Formal Complaint and will, in the course of the proceeding, investigate Veolia's proposed annual water revenue increase of \$15.4 million and proposed annual wastewater revenue increase of \$568K and request that the Commission deny all proposed increases or changes that are not proven to be justified, reasonable, and in accordance with sound ratemaking principles. Under the proposed water rate increase, the typical monthly water bill for most residential customers using 3,500 gallons per month would increase from \$49.64 to \$60.79 per month, or by 22%. Under the Company's proposal, the total monthly

wastewater bill for residential customers would increase from a flat rate of \$56.20 to \$77.00 per month, or by 37%.

Veolia is engaged in the business of providing water service to over 65,000 customers and wastewater service to 1,611 customers. The Company provides water service in portions of 11 counties: Columbia, Cumberland, Dauphin, Delaware, Franklin, Luzerne, Montour, Perry, Schuylkill, Wyoming, and York. The Company provides wastewater service in the Township of South Centre in Columbia County and the Township of Mahoning, plus portions of Cooper Township and Valley Township in Montour County.