

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. R-2024-3045192

AND

DOCKET NO. R-2024-3045193

PREPARED DIRECT TESTIMONY

OF

LARRY FINNICUM

REGARDING

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

VEOLIA WATER PENNSYLVANIA, INC.

February 2024

VWPA STATEMENT NO. 1
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REGARDING OPERATIONS AND CAPITAL ADDITIONS

1 I. Introduction

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

3 A. Larry Finnicum. My business address is 6310 Allentown Blvd., PA 17112.

4

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

6 A. I am employed by Veolia Water Pennsylvania, Inc. ("VWPA" or the "Company") as
7 General Manager and Vice President.

8

9 **Q. What is your education background?**

10 A. I received a Bachelor of Science Degree in Business Administration from Drexel
11 University.

12

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

14 A. I have twenty years of experience in the water utility sector starting in 2003 with
15 Aqua America, Inc. as a Continuing Property Records Analyst. I was hired by the
16 former United Water Pennsylvania, Inc. as Company Superintendent in 2012, and
17 have held multiple positions of increasing responsibility since then, being promoted
18 to Vice President and General Manager in 2022.

19

20 **Q. Have you previously testified before any regulatory commissions?**

21 A. No.

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1 **Q. What is the subject of your testimony?**

2 A. In addition to a general overview of the Company's operations, I will present
3 testimony on the following:

- 4 ● An outline of the Company's rate case and sponsoring witnesses.
- 5 ● The Company's need for rate relief and the rate impact to its
6 customers;
- 7 ● A description of the Company;
- 8 ● The Company's educational efforts regarding conservation and the
9 value of water;
- 10 ● The Company's capital additions through the fully-projected future
11 test year ending October, 2025 (the "FPFTY") as well as a review of
12 its capital expenditures under its rate filing;
- 13 ● The Company's Long Term Infrastructure Investment Plan ("LTIIIP");
- 14 ● The Company's efforts to control costs and maintain rate stability;
- 15 ● The Company's organizational changes since the last base rate
16 case;
- 17 ● The Company's safety and compliance culture;
- 18 ● The Company's customer service;
- 19 ● The Company's non-revenue water program; and
- 20 ● The proposed changes to the Company's tariff Rules and
21 Regulations.

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1 **Q. Please identify the exhibits you are sponsoring.**

2 A. I am sponsoring the following exhibits:

- 3 ● LKF-1 - Plant in Service as at end of HTY 09/30/2023, FTY
4 09/30/2024 and FPFTY 10/31/2025.
- 5 ● LKF-2 - A comparison of estimated versus actual capital
6 expenditures, as required in the terms of the settlement in the
7 Company's previous base rate case.
- 8 ● LKF-3 - Text of the bill insert for customer notification.
- 9 ● LKF-4 - Customer complaint log from 2019 to present, as required in
10 the terms of the settlement in the Company's previous base rate
11 case.

12

13

II. Other Witnesses

14 **Q. Please identify the other VWPA witnesses being presented in VWPA's direct**
15 **case and their subject matter areas.**

16 A. The other VWPA witnesses in this case are listed below:

- 17 ● Greg Herbert, Gannett Fleming- – Income Statement, Operating
18 Revenue, Expense Adjustment and Rate Base.
- 19 ● Constance Heppenstall, Gannett Fleming - Cost of Service
20 Allocation & Customer Rate Design.
- 21 ● Herbert Walker, III.-Cost of Capital and Lead Lag Study/Working
22 Capital.

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- 1 ● Dane Watson, Alliance Consulting Group - Depreciation Study.
- 2 ● Jim Cagle, Veolia VP of Rates and Regulatory Affairs – Income
- 3 Taxes, CTA, TCJA, and terms of the Suez-Veolia Merger
- 4 Agreement.
- 5 ● Judith Jordan, Veolia Director of Programs - Low Income Assistance
- 6 Program.
- 7 ● Anupa Jacob, Veolia VP and Chief Accounting Officer - M&S
- 8 Expenses, M&S fee benefits, shared assets.

III. VWPA’s Need for Rate Relief

11 **Q. Why is VWPA seeking rate relief at this time?**

12 A. VWPA’s last base rate case was filed nearly six years ago in Docket Number. R-
13 2018-3000834 on April 30, 2018 (“2018 Base Rate Case”). The case was settled
14 and rates became effective February 1, 2019. Veolia Water Bethel, whose merger
15 with VWPA was approved by Commission Order issued on February 9, 2023,¹ last
16 filed a base rate case over thirteen years ago on October 28, 2011 in Docket
17 Number R-2011-2770261 (“2011 Base Rate Case”). The rates became effective
18 March 16, 2012. Since the 2018 Base Rate Case and 2011 Base Rate Case, the
19 Company has invested approximately \$84.6 million in water and wastewater
20 infrastructure through the end of the historic test year (HTY) ended September 30,

¹ See, *Joint Application of Veolia Water Pennsylvania, Inc. and Veolia Water Bethel, Inc., Pursuant to Section 1102(a)(3) of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1102(a)(3), for Approval of a Change of Control of Veolia Water Bethel, Inc. through a Merger*, Docket Nos. A-2022-3035967 et al. (Order entered February 9, 2023).

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1 2023. The company projects that it will invest an additional \$85.7 million through
2 the end of the fully projected test year (“FPFTY”).

3

4 **Q. What are the major drivers of the Company’s request for rate relief?**

5 A. The most significant driver for the request is the Company’s continuing
6 infrastructure investments to improve the safety, security, environmental and
7 regulatory compliance, reliability, and efficiency of our systems, all in an effort to
8 enhance the quality of service to our customers. As noted above, the Company’s
9 infrastructure investments have been, and will continue to be, significant, as
10 evidenced by the Company’s two most recent Distribution System Improvement
11 Charge (“DSIC”) filings in which the Commission-approved cap was reached
12 earlier this year.

13

14 **Q. Please summarize the rate increase being requested by VWPA.**

15 A. VWPA is requesting a rate increase for its water and wastewater services that will
16 generate an additional \$16 million, or 26.7% over VWPA’s current annualized
17 revenues, including DSIC revenues. Constituting the \$16 million increase is the
18 requested increase for water services of \$15.4 million, or 26% over current
19 annualized revenues, including DSIC revenues, and the requested increase for
20 wastewater services of \$568 thousand, or 35% over current annualized revenues.

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1 **Q. What is the current consumption water rate per hundred gallons?**

2 A. The residential rate is \$0.90510 per hundred gallons, which means that one penny
3 will buy 1.1 gallons of water. All other classifications have the same rate
4 (\$0.90510) for the first 25,000 gallons. For additional usage, the commercial rate
5 is \$0.65790 per hundred gallons, and the industrial rate is \$0.74700 per hundred
6 gallons.

7

8 **Q. How much does an average residential customer use per day for water
9 service and what does that equate to on a cost per day under current rates?**

10 A. In 2023, a residential customer used approximately 115 gallons per day or 3500
11 gallons per month which equated to one dollar and four cents (\$1.04) per day plus
12 an additional forty-eight cents (\$0.48) per day for customer charge.

13

14 **Q. How would the Company's proposed increase impact the residential
15 customer?**

16 A. The cost for 115 gallons per day, not including DSIC surcharges, would increase
17 by approximately thirty-seven cents (\$0.37) per day.

18

19 **Q. How much does an average residential customer use per day for wastewater
20 service and what does that equate to on a cost per day under current rates?**

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1 A. In 2023, a residential customer paid a monthly flat rate of fifty-six dollars and twenty
2 cents (\$56.20) for wastewater service, or one dollar and eighty-five cents (\$1.85)
3 per day.

4

5 **Q. How would the Company's proposed increase impact the residential**
6 **customer?**

7 A. The cost for wastewater service would increase by approximately sixty-eight
8 (\$0.68) cents per day.

9

10 **Q. Is VWPA proposing to spread any wastewater costs to its water customers**
11 **under Act 11 of 2012?**

12 A. No.

13

14 **IV. Description of the Company**

15 **Q. Please give a general description of VWPA.**

16 A. VWPA provides water service to approximately 69,800 customers in 11 counties
17 and 49 municipalities throughout Pennsylvania. It operates five surface water
18 treatment plants ranging in size from three quarters to twelve million gallons per
19 day. It also operates 36 wells with varying degrees of treatment, 30 booster
20 stations and 42 storage facilities. Its infrastructure includes over 900 miles of main,
21 14,000 valves and 4,400 hydrants. In addition, VWPA provides wastewater

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1 services to approximately 1,600 customers in 2 counties. It operates 1 wastewater
2 treatment plant along with a collection system of over 2 miles.

V. Acquisitions

5 **Q. Please discuss acquisitions made by VWPA since the last base rate case.**

6 A. There have been three acquisitions since the last base rate case proceeding that
7 are not yet reflected in rate base: the water and wastewater systems of the
8 Township of Mahoning (“Mahoning”), the Kensington Water Company
9 (“Kensington”), and the Overbrook Water Company (“Overbrook”).

11 **Q. Please discuss the Mahoning acquisition and how the Company proposes
12 to treat this transaction for rate purposes.**

13 A. The Mahoning systems serve approximately 1,200 water customers and 1,200
14 wastewater customers. The systems were acquired under section 1329 of the
15 Pennsylvania Public Utility Code (“Code”)², which was approved by the
16 Commission on December 20, 2018 in Docket Nos. A-2018-3003517 and A-2018-
17 3003519. The Commission approved a rate base addition of \$9.5 million for
18 ratemaking rate base purposes, with \$4,734,800 of that amount being allocated to
19 water rate base and \$4,765,200 being allocated to wastewater rate base. The
20 assets acquired were recorded on the Company’s regulatory books of accounts at

² 66 Pa. C.S. § 1329. Hereafter all references to a “Section” are to the Code, 66 Pa. C.S. §§ 101 *et seq.*, unless indicated otherwise

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1 the depreciated original cost. The Company requests a return on and return of this
2 purchase price, which is reflected as a “positive” acquisition adjustment to be
3 amortized over a ten year period.

4
5 **Q. Please discuss the Kensington acquisition and how the Company proposes**
6 **to treat this transaction for rate purposes.**

7 A. VWPA’s acquisition of Kensington was approved by the Commission on October
8 24, 2019 in Docket Nos. A-2019-3012193 and A-2019-3012194. Kensington,
9 which has been fully depreciated since 2011, was purchased for \$265,000 and
10 serves approximately sixty-five (65) customers. The resulting positive acquisition
11 adjustment was booked in the Company’s regulatory books as a regulatory asset.
12 For purposes of this base rate case, the Company has elected to rely on the
13 original cost records of Kensington and the Commission. The Company requests
14 a return on and return of the purchase price (plus acquisition costs) pursuant to
15 section 1327 and proposes to amortize the positive acquisition adjustment over
16 ten years and the acquisition costs over a five year period as shown in Exhibit
17 GRH-3, Schedule 30 and Schedule 34 and Exhibit GRH-5, Schedule 20.

18
19 **Q. Please discuss the Overbrook acquisition and how the Company proposes**
20 **to treat this transaction for rate purposes.**

21 A. VWPA’s acquisition of Overbrook was approved by the Commission on October
22 24, 2019 in Docket Nos. A-2019-3014990 and A-2019-3014991. Overbrook was

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1 purchased for \$324,000 and serves approximately one hundred seventy-three
2 (173) residential and seven (7) non-residential customers. The resulting positive
3 acquisition adjustment was booked in the Company's regulatory books as a
4 regulatory asset. For purposes of this base rate case, the Company has elected
5 to rely on the original cost records of Overbrook and the Commission. The
6 Company requests a return on and return of the purchase price (plus acquisition
7 costs) pursuant to section 1327 and proposes to amortize the positive acquisition
8 adjustment over ten years and the acquisition costs over a five year period as
9 shown in Exhibit GRH-3, Schedule 30 and Schedule 34.

10
11 **Q. Do the Kensington and Overbrook acquisitions meet the criteria included in**
12 **Section 1327 for the recovery of an acquisition adjustment?**

13 A. Yes, I believe they do. I am advised by counsel that Section 1327 creates a
14 rebuttable presumption that a purchase price in excess of the original cost less
15 depreciation of an acquired system is reasonable and should be included in rate
16 base if certain conditions are met. Those conditions are: (1) the property is used
17 and useful in providing water or wastewater service; (2) the acquired system had
18 3,300 or fewer customer connections or was not viable; (3) the acquired system
19 was not providing adequate, efficient, safe and reasonable service and facilities;
20 (4) reasonable and prudent investments will be made to provide adequate,
21 efficient, safe and reasonable service and facilities; (5) the acquired entity agrees
22 to the acquisition and the negotiations were conducted at arm's length; (6) the

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1 actual purchase price is reasonable; (7) the acquiring public utility is not affiliated
2 with the acquired entity; (8) the rates charged to the acquiring utility's
3 preacquisition customers will not increase unreasonably because of the
4 acquisition; and (9) the excess of the acquisition cost over depreciated original cost
5 will be added to rate base to be amortized over a reasonable period with
6 corresponding reductions in the rate base.

7 With respect to the Kensington system:

8 (1) The property is used and useful in providing water service.

9 (2) The acquired system had fewer than 3,300 customers (it had only 67
10 residential customers).

11 (3) The acquired system was not providing safe, adequate and efficient
12 service because the existing treatment was not removing
13 manganese from the water which was over the stated EPA Ten Day
14 Health Advisory Level of 0.3 mg/l. This triggered a Tier 1 notification
15 to all customers stating a do not consume for infants under the age
16 of 6 months. Additionally, it did not have a business license and had
17 exhibited insufficient cash for certain operating expenses in the past.

18 (4) Reasonable and prudent investments will be made to provide
19 adequate, efficient, safe and reasonable service, including
20 interconnecting the system with the Bear Valley Water Authority that
21 did not have the water quality issues with manganese.

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- 1 (5) Kensington agreed to the acquisition and negotiations were
2 conducted at arm's length.
- 3 (6) The actual purchase price (\$265,000) was reasonable, as
4 demonstrated by the acquisition cost of approximately \$4,000 per
5 customer, which is less than the per-customer net-utility plant
6 investment of approximately \$5,000 per customer in the VWPA
7 system.
- 8 (7) Kensington was not affiliated with SUEZ Water Pennsylvania Inc.
- 9 (8) The rates charged to Kensington's customers will not increase
10 unreasonably. SUEZ Water Pennsylvania Inc. adopted Kensington's
11 rates for metered service for all classes of service at the time of the
12 acquisition (\$15 per month for the first 1,667 gallons per month and
13 \$7.10 per thousand gallons above that). VWPA proposes that the
14 rates to Kensington's residential customers utilizing a 5/8"-3/4" meter
15 increase to a \$19.80 meter charge plus \$11.71 per thousand gallons,
16 and rates to Kensington's Commercial customers utilizing a 5/8"-3/4"
17 meter increase to a \$19.80 meter charge plus \$11.71 per thousand
18 for the first twenty-five thousand gallons, and \$9.32 per thousand
19 gallons for all additional consumption. These proposed rates are
20 reasonable because these customers' rates have not increased
21 since the acquisition, the proposed rates are more reflective of the
22 cost of providing service, the proposed rates are moving toward

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1 harmonization with the rest of VWPA's system, and, the proposed
2 rates are designed to encourage conservation.

3 (9) the excess of the acquisition cost over depreciated original cost will
4 be added to rate base to be amortized over a reasonable period of
5 ten years with corresponding reductions in the rate base.

6 With respect to the Overbrook system:

7 (1) The property is used and useful in providing water service.

8 (2) The acquired system had fewer than 3,300 customers (it had
9 approximately 180 residential and non-residential customers).

10 (3) The acquired system was not providing safe, adequate and efficient
11 service because the it did not properly install and permit water
12 treatment equipment with PA DEP, the system did not have proper
13 log ground water calculations in place, and it was viewed as a
14 'troubled' water system by PA DEP.

15 (4) Reasonable and prudent investments will be made to provide
16 adequate, efficient safe and reasonable service, including over \$2.4
17 million of investment since acquiring the system in water mains and
18 services as well as an interconnection with our Dallas system and
19 upgrades to the wells as it relates to water quality and SCADA in
20 Overbrook.

21 (5) Overbrook agreed to the acquisition and negotiations were
22 conducted at arm's length.

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- 1 (6) The actual purchase price (\$324,000) was reasonable, as
2 demonstrated by the acquisition cost of approximately \$1,800 per
3 customer, which is less than the per-customer net-utility plant
4 investment of approximately \$5,000 per customer in the VWPA
5 system.
- 6 (7) Overbrook was not affiliated with SUEZ Water Pennsylvania Inc.
- 7 (8) The rates charged to Overbrook's customers will not increase
8 unreasonably because of the acquisition. SUEZ Water Pennsylvania
9 Inc. adopted Overbrook's rates, which were billed on a per-fixture
10 basis (e.g., per spigot, bathtub, lavatory, automatic dishwasher, etc.)
11 resulting in flat rates, for all classes of service at the time of the
12 acquisition. VWPA proposes that the rates to Overbrook's
13 residential customers utilizing a 5/8"-3/4" meter structurally change
14 and increase to a \$19.80 meter charge plus a consumption charge
15 of \$11.71 per thousand gallons. These proposed rates are
16 reasonable because the rates of these customers have not
17 increased since the acquisition, the proposed rates are more
18 reflective of the cost of providing service, the proposed rates are
19 moving toward harmonization with the rest of VWPA's system, and,
20 the proposed rates are designed to encourage conservation.

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1 (9) The excess of the acquisition cost over depreciated original cost will
2 be added to rate base to be amortized over a reasonable period of
3 ten years with corresponding reductions in the rate base.
4

5 **Q. Why is the Company presenting a separate Cost of Service study for**
6 **Mahoning?**

7 A. As presented by company witness Constance Heppenstall, the Company is
8 presenting a separate Cost of Service study for Mahoning to satisfy the terms of
9 the Commission’s approval under Section 1329 to acquire the Mahoning systems,
10 which required that at the time of filing its next base rate case, the Company shall
11 submit a cost of service study that removes all costs and revenues associated with
12 the Mahoning systems and also provide separate water and wastewater cost of
13 service studies for the Mahoning systems.
14

VI. Outreach and Education

16 **Q. Describe the Company’s efforts to educate the public in conservation and**
17 **the value of water.**

18 A. The Company knows that water is one of our most precious natural resources. As
19 a responsible steward of this resource, the Company is committed to educating
20 the public about the value of water and the importance of conservation. See
21 Minimum Filing Requirement XI.06 for a more-complete description of the
22 Company’s efforts in this regard.

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1 **Q. Please describe in general the Company’s outreach program to customers.**

2 A. The Company has taken several proactive steps not only to educate its customers,
3 but also to receive input and feedback from its customers. These steps are listed
4 below:

- 5 ● Social Media – The Company routinely posts customer-centric
6 information related to operations and services on our Facebook and
7 Twitter sites. In addition to notifying customers of events that may
8 impact their water service, the posts include seasonal, weather-
9 related tips, such as how to avert frozen indoor pipes and when to
10 avoid watering lawns and gardens during summer.
- 11 ● Customer Emergency Notification System – A system, known as
12 “Notify,” which interfaces with the Company’s GIS platform, was
13 implemented in 2018 and allows for notification via text and email in
14 addition to phone to alert customers of service-related urgencies.
15 These include water main breaks, boil water advisories, water
16 conservation requests, and urgent operational issues such a spot
17 flushing of hydrants in a small area.
- 18 ● Web Alerts - Website messages are routinely posted to detail water
19 service-related urgencies, including those listed above. The website
20 link is included within the Company’s social media posts regarding
21 the same information.

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- 1 ● The Company has invited Legislators to visit the operations in their
2 respective territory and has provided tours of the Water Treatment
3 Facilities in their area.
- 4 ● The Company has done special engagements with local non-profits
5 such as the Fishing Creek Watershed Association, Columbia County
6 Conservation District, and Salvation Army Harrisburg hosting
7 residents for informal educational opportunities.
- 8 ● The Company has hosted educational opportunities for youth, from
9 plant tours to classroom lessons on water conservation, in addition
10 to attending youth job fairs and discussing the types of jobs available
11 in the water industry.
- 12 ● The Company has participated in several community events to
13 increase public engagement including Mechanicsburg's Annual
14 Jubilee Day, touting over 70,000 guests each year; Representative
15 Fleming's Annual Senior Fair; as well as Water Education Day
16 hosted by Columbia County Conservation District.

17

18 **Q. How has the Company promoted environmental causes within the**
19 **community?**

20 A. The Company routinely works with regional environmental preservation
21 organizations intent on promoting natural resources. We have collaborated with
22 the Columbia County Conservation District to promote water conservation and

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1 protection of drinking water sources. In addition, the Company provided financial
2 resources to Columbia County Conservation District in 2023 for a streambank
3 restoration project in Fishing Creek (the source water for the Company's
4 Bloomsburg Water Treatment Plant). Also, in the Columbia County region, the
5 Company has actively supported the Fishing Creek Watershed Association,
6 through educational opportunities for the community and through participation at
7 local community events. The Company participated in a streambank clean up that
8 was coordinated by the Manada Conservancy and financially supported the
9 Conservancy's educational public outreach efforts, impacting the Harrisburg area
10 and more specifically the Swatara creek (the source water for the Company's
11 Hummelstown Treatment Plant). Since 2001, the Company has also partnered
12 with the Yellow Breeches Watershed Association ("YBWA") to promote watershed
13 protection through an annual "Trout Day" community environmental preservation
14 event held at one of our surface water treatment plants on the first day of trout
15 season in South Central Pennsylvania. Anglers and other event attendees are
16 provided with educational information by Veolia and YBWA that stress the value
17 of recycling and water conservation. This event has resulted in regional news
18 media coverage regarding the vitality of environmental preservation.

19
20 **VII. Prudent Management of Costs and Promotion of Efficiency**

21 **Q. Please describe how the Company has prudently managed its costs.**

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1 A. The Company recognizes that overall costs are going to increase each year.
2 Labor, material costs, health insurance, etc. are some examples of annual cost
3 increases that cannot be avoided or, even in some circumstances, mitigated. The
4 Company also understands its responsibility to provide an excellent level of
5 services to its customers. Cutting costs simply to keep rates low is not an option
6 where the public is dependent upon the quality and reliability of the services.
7 Therefore, the Company must find ways to operate more efficiently. The Company
8 strives to continuously improve its service level by utilizing new technology,
9 changing business processes and continuing to invest prudently in its assets.

10 The Corporate Procurement department at Veolia secures chemicals for the
11 Company through a centralized process and continues to bid out pricing for the
12 majority of its chemicals annually. Annual bidding achieves the best market price
13 at the time of the bid, aggregates volume among locations, and presents a wide
14 range of suppliers opportunities to quote on VWPA chemical requirements. Please
15 note that aggregating volume doesn't necessarily allow for uniform pricing across
16 all Company locations due to the variable cost of transportation and delivery of
17 these products. Capital improvement projects and subcontractor work are bid out
18 and selection is based on a combination of qualifications and price to ensure the
19 best value for the Company and its ratepayers. The Company also continues to
20 manage its vehicle fleet through Element, which reviews repairs and assists in
21 recommending which repairs should be made and which suggested repairs are not
22 necessary. Pipeline repair and construction components are sourced with a

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1 preference for lower priced vendors whenever possible, taking into consideration
2 lead time and supply chain constraints as evidenced during the Covid-19
3 Pandemic. Regional and national contracts for these items are negotiated,
4 leveraging the volume of Veolia's operations across the Mid-Atlantic region. The
5 Company's Procurement team actively uses 3rd party purchased power contracts
6 to manage electricity prices and establishes fixed pricing by executing advance
7 purchases at three separate points over a rolling 18 month period. This hedging
8 strategy provides the following benefits: it establishes a steady annual budget for
9 a purchased power price that can rapidly fluctuate, allows the Company to employ
10 a consistent methodology to avoid buying all electricity at the top or the bottom of
11 the market, and minimizes year over year price volatility.

12
13 **Q. Can you give a few examples of how the Company is utilizing new**
14 **technology to reduce costs, improve business efficiency, or meet regulatory**
15 **requirements?**

16 A. Yes, I will highlight the following:

- 17 • **SCADA** - The company has begun the process to update its existing
18 Supervisory Control And Data Acquisition ("SCADA") system to the
19 Veolia National Standard. This will update the nearly 30 year old
20 technologies to modern standards. The Company is transitioning
21 from Emerson Controls to GeoSCADA. The new system will provide
22 operators the same control and communication with assets they are

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1 used to, but will provide a greater reliability to our customers because
2 of communication redundancy, spare part optimization as all parts
3 will be standard, and increased cyber security through the use of the
4 most up to date technology.

5 ● **GIS** – The Company has updated its GIS to a real-time cloud based
6 system and has provided all of its utility employees with laptop
7 computers or IPADs to view the Company’s linear assets. The ability
8 to both view and edit assets in the field has resulted in a number of
9 benefits; namely a paperless system, the ability to “facetime” others
10 for advice -- thus reducing the number of trips and allowing for timely
11 decisions, and empowering the field employees to make decisions
12 resulting in better customer service. In support of the GIS program
13 the Company has also equipped the field personnel with GPS
14 devices to capture assets within a several inches accuracy. The data
15 captured in the field is then updated regularly, providing field
16 employees with accurate and reliable data.

17 ● **Asset Management** – The Company’s asset management utilizes
18 the HEXAGON computer software to capture vertical assets. To
19 date, over 2,650 assets have been inputted into the system
20 generating approximately 400 work orders per month capturing both
21 preventative maintenance on assets along with correct actions taken
22 on failed assets.

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1 strategic pumps to track the real time power usage of the pumps.
2 Strategic pumps are identified as higher horsepower pumps that
3 operate more than half of the year. Of the 30 strategic pumps
4 identified, 20 now have power metering with the remaining to be
5 completed this year. The power meters are connected to SCADA
6 and our online database, eOps. The Company is working on
7 comparing field flow data to energy data to learn how increased flows
8 and demands impact electric costs. Once the comparisons are
9 complete, the Company will be able to learn to optimize operations
10 of its pumps and motors.
11

VIII. Customer Service Improvements

13 **Q. Please describe the Company's ongoing efforts to measure and provide**
14 **continuous improvement in the services that it delivers to its customers.**

15 A. In addition to previous information provided in my testimony about customer
16 outreach, the Company has taken the following steps to improve customer
17 relations:

- 18 ● Customer service personnel attended training workshops on the AMI
19 system as well as enhancements made on the website.
- 20 ● AMI Enhancements - as customers are moved to the AMI system,
21 they can review monthly, daily and hourly water usage. This helps
22 to assist customers in understanding the time of day when water

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1 usage occurs, and in determining if there may be abnormal water
2 usage or potential leakage at a property. AMI data can also assist
3 our billing department in recognizing higher than normal usage when
4 processing high bills and alert customers of this usage by sending a
5 high bill letter to the customer.

- 6 ● Process improvements have been developed with a focus on
7 reducing field service orders and the amount of “truck rolls” for field
8 staff. This is achieved by continuously revising and training customer
9 service representatives on the AMI system, and improving process
10 flows for our customer service representatives when scheduling field
11 service orders.
- 12 ● Web Enhancements - after the Veolia Merger, mysuezwater.com
13 was rebranded in May of 2022 to mywater.veolia.us. Customers are
14 encouraged to register on mywater.veolia.us and login to manage
15 their account. Customers can view bill and payment history and print
16 their current and previous bills. Customers can view water usage,
17 enroll in paperless billing, set up automatic payments, make one-
18 time payments, and start and stop water service. Customers can
19 sign up for alert messages by telephone, text, or email. The
20 customer can also obtain information through the “Amazon Alexa”
21 application. The customer-facing website offers our registered and
22 non-registered customers access to additional resources such as the

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1 water quality reports, water conservation tools and tips and a
2 conservation survey. Customers can also view alerts about outages,
3 water flushing, and other water related topics specific to their zip
4 code area.

5 Another way the Company gauges its customer satisfaction is the number
6 of informal and formal complaints the Company receives. The company received
7 a total of 160 informal complaints from 2019 thru December of 2023, averaging 32
8 informal complaints per year. From 2019 through December of 2023, the
9 Company received 29 Formal complaints averaging 5.8 formal complaints per
10 year. Ten of the formal complaints received were related to customers responding
11 to an engineering project that reduced the pressure to customers in the
12 Mechanicsburg area; the Company was unable to settle two of those complaints.
13 Additional detail on formal complaints since the last rate proceeding can be found
14 in Minimum Filing Requirement IX.04 and in Exhibit LKF-4, which provides a
15 complaint log as required in the settlement terms of the 2018 Base Rate Case.

16

17 **Q. What other initiatives has VWPA promoted to improve service to its**
18 **customers?**

19 A. The Company has, among other things, implemented the following initiatives for
20 customers:

21 • **E-billing** -- The Company offers e-billing to its customers. As of
22 December 2023, 26,338 customers were utilizing e-billing to realize

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1 a “Green” solution to routine billing. E-billing adds customer
2 convenience and reduces the cost of bill procurement. The
3 Company also offers direct debit and as of December 2023, 18,150
4 customers were enrolled.

- 5 ● **Customer Inquiries** -- The Company utilizes its call center located
6 near Harrisburg. The Company has a goal of answering all customer
7 calls in less than thirty (30) seconds. This is monitored on a weekly
8 basis. The average speed to answer from January 2019 through
9 December 2023 was 24 seconds.
- 10 ● **Abandoned Phone Call Rate** -- The Company has set a goal for
11 having an abandoned phone call rate of three percent. This is
12 monitored on a daily basis. The average abandoned rate from
13 January 2019 through December of 2023 was 2.4% percent.
- 14 ● **VEOLIA Cares** -- The Company maintains a customer assistance
15 program called “Veolia Cares” (formerly called “SUEZ Cares”) for
16 those genuinely impacted by challenging economic times. A total of
17 471 grants were issued to customers between January 2019 through
18 December 2023, totaling \$80,906.06.

IX. Personnel Requirements

20 **Q. What organizational changes has the Company made to ensure that its**
21 **operations remain current?**

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1 A. In 2022, the Company reorganized to regionalize the Engineering Department -
2 Mid Atlantic Region of the Company, which covers the Company Operations in
3 Delaware and Pennsylvania. Prior to this, the department was much more siloed
4 in resources between Delaware and Pennsylvania. The Company made this
5 organizational change to ensure that best practice management and efficiencies
6 are in place in the delivery of the Company's capital plan. Another organizational
7 change that the Company made in 2022 was the addition of a Director of
8 Operational Technology for the Mid Atlantic Division. This role leads the execution
9 of strategy and work in the areas of Operational Technology for the Division which
10 will include Non-Revenue Water ("NRW"), AMI, Asset Management, SCADA, and
11 Data Analytics. Lastly, in 2023, the Company reorganized customer service at a
12 regional level under a regional Customer Service Manager for the Mid Atlantic
13 Region. Prior to this both Delaware and Pennsylvania had their own Customer
14 Service Supervisor. The Company made this organizational change to ensure that
15 standardization of policy and procedures are in place throughout the Region to
16 ensure a positive and effective customer experience to the Company's customers.

17

18 **Q. Has the Company laid off any employees since the last base rate filing?**

19 A. No.

20 **Q. Has the Company eliminated or reduced any positions since the last rate**
21 **filing?**

22 A. No.

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Q. Is the Company planning on adding any new full time positions by the end of the FPFTY to its current operations?

A. Yes, there are eleven full time new positions approved for hire: (1) SCADA/Electrician; (2) Engineer Manager; (3) Plant Operator-Bloomsburg; (4) Project Manager (PFAS); (5) Project Manager (PFAS); (6) GIS Technician; (7) Capital Investment Accounting Analyst; (8) Program Manager (PFAS); (9) Business Development Manager; (10) Engineering Associate; (11) Treatment Project Engineer. These positions are necessary to ensure continuous improvement and oversight of the Company’s operations.

Q. Have any of these positions been filled?

A. Yes, the Plant Operator in Bloomsburg, GIS Technician, and Program Manager (PFAS) have been filled. The Company’s goal is to recruit and on-board the new positions within the first quarter of 2024.

X. Unaccounted for Water

Q. Please discuss the Company’s efforts to reduce Unaccounted for Water.

A. The Company continues to implement standard and innovative approaches to reduce Unaccounted for Water (“UFW”). Please reference MFR XI.05 for a basic understanding of how UFW is calculated. In the next three paragraphs, I will share the basis of our UFW reduction program, the recent innovative technologies we

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1 have used to combat this challenge, and our plans going forward to continue
2 making progress.

3 The basis for our UFW program revolves around the accurate capture and
4 reporting of data. To begin at the production facilities, at least every 5 years we
5 calibrate our production meters to ensure that the amount of water put into the
6 system is accurately measured. Moving on to the distribution systems, we
7 continue to install additional meters to create district metered areas (“DMA’s”)
8 which are smaller zones that allow us to see variations or anomalies faster. On
9 the customer side, we continue to replace customer meters as they age, and
10 relocate meters to property lines to properly meter all water going onto a
11 customer’s property. In areas where AMI has been installed, customer data can
12 be obtained on a daily basis versus a monthly basis. Data from DMA zones
13 comparing production and sales volumes are gathered in databases and compiled
14 for weekly analysis. These comparisons of each DMA provide clear data indicating
15 where UFW is likely to be found.

16 To investigate UFW, VWPA uses innovative leak detection technologies to
17 locate leaks. The company has experienced success with the implementation of
18 Aquarius Spectrum Sensors. These permanent leak detection loggers work very
19 well on metal pipes and accurately pinpoint leaks within a few days of occurrence.
20 In areas of the system that are not primarily metal pipe, standard field techniques
21 for locating leaks using acoustical devices continue to be deployed.

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1 VWPA has spent significant time trying to locate long-running and difficult-
2 to-find leaks. In Hummelstown for example, leaks were located and repaired in
3 late 2022 and early 2023, which reduced low flows in the Borough to levels not
4 seen since before 2007. Learning from the data collected, daily comparison of
5 water lost, allows the UFW team to react faster when leaks occur, and assists field
6 teams in prioritizing where to be looking for leaks. Finally and critically, having the
7 proper staff in the field is critical to achieving the mission to reduce UFW.

8
9 **XI. Quality and Reliability of Service**

10 **Q. Has the Company had any Tier One or Tier Two violations since its last rate**
11 **case proceeding?**

12 A. Yes. See MFR IX-01.

13
14 **Q. Has the Company had any informal or formal PUC complaints regarding**
15 **water quality since its last rate proceeding?**

16 A. Yes, the Company received 3 Formal complaints. One 1 was settled and 2 went
17 to hearing, resulting in Company fines.

18
19 **Q. Did the Company have any customers out of service for a period longer than**
20 **24 hours?**

21 A. No.

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XII. Capital Additions

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Q. Please discuss the Company's capital additions through the end of the FPFTY.

A. Exhibit LKF-1 is a list of capital improvement projects to be placed in service after the end of the historic test year, but prior to the end of the FPFTY, and budgeted for 2024 and 2025, which are projected to be in service within the FPFTY. Associated plant retirements, advances, contributions, and costs to remove related to these projects are also included in this Exhibit. This information was used by Company Witness Greg Herbert in his rate base calculations.

Q. How many individual projects are over \$5,000,000?

- A. There are four projects budgeted over \$5,000,000 as follows:
- Rabold Water Treatment Plant Upgrade - \$21,200,000.
 - South Centre Township main extension - \$8,900,000.
 - SCADA Implementation of National Standards - \$8,100,000.
 - SR 83 Sect. 78 - \$6,600,000.

Q. What is the status of the four projects to date?

A. The Company has awarded the Rabold Water Treatment Plant Upgrade design to AECOM Engineers. To date, they have completed about 60 percent of the design, and construction is planned for 2024 - 2025. The South Centre Township main extension project is in the second year of the three-year planned construction. The

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1 SCADA Implementation of National Standards is in the second year of the four-
2 year planned construction. The Company has awarded the design of the SR 83
3 Sect. 78 water main replacement project to Gannet Fleming. To date, they have
4 completed about 90 percent of the design; construction is planned for 2024 - 2025.

5

6 **Q. Did SWPA submit a Long Term Infrastructure Improvement Plan (“LTIIIP”)?**

7 A. Yes, the Company filed its second LTIIIP on August 31, 2021, which was amended
8 in a November 4, 2021 filing. It was subsequently approved by the Commission
9 on December 16, 2021, at Docket No. P-2021-3028256.

10

11 **Q. Did the Company file its Annual Asset Optimization Plan (“AAOP”) and, if so,
12 what in summary did the AAOP conclude?**

13 A. Yes, the Company filed its 2022 AAOP on February 23, 2023. It demonstrated
14 that, due to the unavailability of both material and contractors due to the lingering
15 effects of the COVID-19 Pandemic, the Company was able to replace only 7.4
16 miles of main and invest \$11.8 million in infrastructure improvements, falling short
17 of its 2022 projection of \$13.6 million. Although the Company fell short of this
18 projection due to the effects of the Pandemic in 2022, the Company still plans to
19 meet the total overall goals of the Second LTIIIP.

20

21 **Q. Does VWPA anticipate any material deviations from its LTIIIP in the future
22 test year and fully projected future test year?**

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1 A. No. The Company's capital investment for infrastructure improvements in both the
2 future test year and the fully projected future test year are aligned with the LTIIP
3 plan approved by the Commission.

4

5 **Q. Please discuss the 2018 Base Rate Case Settlement provision that requires**
6 **a comparison of projected capital expenditures in that case and actual**
7 **expenditures.**

8 A. Specifically, the settlement language states:

9 *"In SWPA's next base rate proceeding, SWPA shall prepare and submit a*
10 *comparison of its actual expenditures and rate base additions for the twelve*
11 *months ending December 31, 2019, to its projections in this case."*

12

13 **Q. Please provide the comparison.**

14 A. In the 2018 Base Rate Case, the Company estimated that it would spend a net
15 dollar amount of \$43.8 million through the FPFTY, which ended December 31,
16 2019. The Company's Actual Plant in Service Expenditures was \$4.2 million less
17 than the Company's estimated expenditures, which is presented in Exhibit LFK-2.
18 Of that \$4.2 million difference, \$2.2 million relates to the Adams Drive project,
19 which was canceled due to the decision to rent office space rather than build,
20 bringing the difference to \$2 million. The remaining \$2 million consists of delayed
21 projects and the following canceled projects:

22

- Sixth St. Enhanced Coagulation – \$0.3 million

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- 1 ● Disinfection Rule - \$0.45 million
- 2 ● Stonehenge Tank - \$0.45 million
- 3 ● Sixth St. Chemical Injection Revisions - \$0.2 million

4

5 **XIII. Changes to Tariff Rules and Regulations**

6 **Q. Please discuss the proposed changes to the Company’s tariff Rules and**
7 **Regulations.**

8 **A. The Company is proposing several changes to its tariff. The proposals are as**
9 **follows:**

- 10 1. The Company proposes reducing the due date of bills from twenty
11 days (20) to fifteen days (15) for all customer classes other than the
12 residential class, which will remain at twenty days (20). This
13 proposal is intended to improve Company cash flow.
- 14 2. The Company proposes to remove all language regarding charges
15 for testing of unmetered firelines. The Company has not found an
16 efficient way to monitor this activity and assess these charges.
- 17 3. The Company proposes a fee for hydrant flow testing of \$455.00 to
18 be charged to the customer or party requesting the test. The
19 Company believes that charging for the testing is consistent with
20 cost-causation principles.
- 21 4. The Company proposes a fee for meter tampering or theft with the
22 first occurrence being \$250.00 and subsequent occurrences being

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1 \$500.00. The Company intends for this fee to serve as a behavioral
2 deterrence.

3 5. The Company proposes to provide clarity on the grounds for rejecting
4 applications for service. Additional clarity benefits both customers
5 and the Company.

6 6. The Company proposes to revise the section referring to the Federal
7 Tax Adjustment Credit (“FTAC”) as further described in Mr. Cagle’s
8 testimony.

9 7. The Company proposes various “housekeeping” revisions to the
10 wastewater tariff to bring it into closer alignment with the water tariff,
11 to remove certain elements that are not applicable to wastewater
12 service, and to provide additional clarifications specific to wastewater
13 service.

14

15 **XIV. Customer Notification of New Rates**

16 **Q. How will the Company inform customers of the base rate case filing and the**
17 **need to increase rates?**

18 A. In compliance with the Commission’s notice requirements, the Company will inform
19 customers of our rate filing by mailing each customer a printed notice 61 days prior
20 to the proposed effective date of the tariff. The text of the customer notice is
21 attached to this testimony as Exhibit LKF-3. New customers who enroll after the
22 filing is made will be informed of the filing in accordance with the Commission’s

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1 regulations. We will also provide information about our rate request by way of a
2 letter that will be mailed to selected public officials who represent districts that
3 include areas that we serve. Internally, and in addition to our in-state call center
4 staff, all Company employees will be briefed on the rate filing and the drivers for
5 the increase. They will be provided with the name of a VWPA contact in order to
6 elevate any customer questions if there are customer inquiries they are unable to
7 fully answer. Field employees will be provided with a customer handout that
8 includes facts about our rate filing. These handouts can be given to customers
9 that have questions. A "Statement of Reasons" for the rate increase will be
10 provided to any customer upon request. Finally, a news release, describing the
11 rate request and the reasons for the request, will be distributed to the news media
12 on the day of filing to ensure that the facts of the case are accurately described.
13 This news release will also be posted on VWPA's website.

14

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

16 A. Yes. However, I reserve the right to supplement my testimony as additional issues
17 arise during the course of this proceeding.