

Pennsylvania Public Utility  
Commission, et al.,  
v.  
Aqua Pennsylvania, Inc., Docket No.:  
R-2021-3027385

Pennsylvania Public Utility  
Commission, et al.,  
v.  
Aqua Pennsylvania  
Wastewater, Inc., Docket No.:  
R-2021-3027386

Public Input Hearing

Pages 366 - 450

Judge's Chambers  
Piatt Place  
301 5th Avenue  
Pittsburgh, PA 15219

Friday, November 12, 2021  
Commencing at 1:00 p.m.

INDEX TO EXHIBITS

Docket No. R-2021-3027385, R-2021-3027386

Hearing Date: November 12, 2021

<u>NUMBER</u>	<u>FOR IDENTIFICATION</u>	<u>IN EVIDENCE</u>
Meyer Exhibit 1		
Package of Papers	390	422
Day Exhibit 1		
Document	434	441

Re: Pennsylvania Utility Commission :  
Docket Nos. R-2021-3027385  
v. : R-2021-3027386  
Aqua Pennsylvania, Inc. and Aqua :  
Pennsylvania Wastewater, Inc. :

TELEPHONIC PUBLIC INPUT HEARING EXHIBIT  
GEOFFREY MEYER, NEW GARDEN TOWNSHIP RESIDENT  
AND WASTEWATER RATEPAYER

Pursuant to the Telephonic Public Input Hearing Notice in this matter issued by Administrative Law Judge Mary D. Long, I have pre-registered to testify at the telephonic hearing scheduled for Friday, November 12, 2021 at 1p.m. and provide the following as an exhibit in support thereof, which I have prepared with the assistance of concerned neighbors and fellow New Garden Township wastewater ratepayers. A Certificate of Service appears at the end of this Exhibit indicating service by email to every party to this matter in accordance with the above referenced Notice,

#### **INTRODUCTION**

As residents of New Garden Township and wastewater ratepayers, we are directly affected by the wastewater rate increase sought by Aqua Pennsylvania Wastewater, Inc. ("Aqua") in this matter. According to the filings in this matter, New Garden Township is identified as Rate Zone 11. The rate increase proposed by Aqua for New Garden is a 37.39% increase over the present rate. We find this to be unconscionable, unjustified and unwarranted, and, obviously, we strongly object. For reasons set forth in this exhibit, we urge that the proposed rate increase be rejected, and that any increase that might be approved, if any, is approved only after clear, sound financial justification is presented with respect to New Garden Township, as well as with respect to each and every other utility which is affected by Aqua's massive 8,000 page, complex and opaque filing.

Aqua acquired the New Garden Township sewer system in December 2020 pursuant to an Asset Purchase Agreement of 2016. The original asset purchase agreement provided for a purchase price of \$29,900,000 and included rate stabilization provisions which provided for a two-year freeze on rates and a limitation of 4% CAGR thereafter for 10 years from closing. The

PA PUC and the Office of Consumer Advocate (OCA) subsequently disapproved the rate stabilization provisions in 2019 to the substantial detriment of the New Garden Township wastewater ratepayers. Aqua and the Township proceeded with the Agreement without the rate stabilization provisions in 2020.

Meanwhile, New Garden Township wastewater rate payers have experienced substantial rate increases in recent years (2014-2021). The following **Table A** illustrates this.

**Table A**

<b>New Garden Sewer Rates</b>							
<b>Volume</b>	<b>Sep 2014</b>	<b>Oct 2014</b>	<b>March 2019</b>	<b>March 2020</b>	<b>March 2021</b>	<b>7 Year CAGR</b>	<b>3 Year CAGR</b>
<b>0 - 5K - fixed</b>	<b>\$80.00</b>	<b>\$88.00</b>	<b>\$96.36</b>	<b>\$104.55</b>	<b>\$112.91</b>	<b>5.0%</b>	<b>8.7%</b>
<b>5 - 15K - per K</b>	<b>\$10.50</b>	<b>\$11.50</b>	<b>\$12.71</b>	<b>\$13.91</b>	<b>\$15.17</b>	<b>5.4%</b>	<b>9.7%</b>
<b>&gt;15K - per K</b>	<b>\$13.00</b>	<b>\$14.50</b>	<b>\$16.17</b>	<b>\$17.87</b>	<b>\$19.65</b>	<b>6.1%</b>	<b>10.7%</b>
<b>CAGR = Compound Annual Growth Rate</b>							

The compound annual growth rate (CAGR) has been 5% - 6% over the last seven years and 9% - 10% over the last three years. This is well above inflation. **It also illustrates that a big “catch-up” rate hike by Aqua at this time cannot be justified.**

It is well-known that Aqua has an aggressive strategy to grow its businesses by acquisition of water and wastewater utilities. Besides the acquisition of New Garden, beginning in 2016 as a result of change in the Pennsylvania law, no doubt heavily lobbied for by Aqua and/or its parent, Essential Utilities, the company has spent \$295 million to purchase eight public utilities in southeastern PA, which include at least one formal party in this action, East Norriton Township (R. Gaw, *Chester County Press*, October 19, 2021).

To the extent such acquisition activity is causing such outlandish rate increases as are proposed by Aqua in this case, the change in the PA law incentivizing such activity and the PUC's fostering of this in its implementation of Act 12 is causing more harm than good to the public. Much of the pressure on the rate increases sought surely comes from the acquisition costs which the utility company seeks to recover. (Although this undoubtedly benefits certain corporate constituencies, such as corporate executives and shareholders).

#### **FINANCIAL INFORMATION – QUESTIONS AND ISSUES**

Aqua's filing presents copious revenue, cost and investment data. However, fully audited GAAP financial statements should be provided: P&L, balance sheet and cash flow statement. We did not find these in the 8,000+ page filing.

"Purchased Wastewater". What is this? This term appears eight times in the New Garden rate proposal as a line-item cost, without explanation or clarification. Yet it is the single largest expense at \$1.2 million, 65% of the total expenses. It does not vary from year to year. Considering that Aqua is not purchasing our wastewater, this raises several questions and requires investigation.

1. What is this \$1.2 million buying/paying for?
2. In over 8,000 pages of the rate filing there is a singular reference that **Brandywine Septic** is the service provider for this expense (**Schedule C-7.1, page 1**).
3. Who or what is **Brandywine Septic**?
4. What is the relationship between Brandywine Septic and Aqua and/or its parent company and/or affiliates?
5. What services are being performed for this \$1.2 million?
6. Are there mutually beneficial relationships being covered up?
7. Are there conflicts of interest with respect to ownership, management, members of boards of directors, family relationships?

If Brandywine Septic is a subsidiary or controlled affiliate of Aqua or Essential Utilities, then its earnings must be consolidated for rate setting purposes. **These issues require investigation and explanation.**

On page 3 of Volume 1 Aqua notes that there is *confidential information* which should not be part of the public record. There may well be proprietary information that legitimately needs to be protected. However, in this case “confidential information” must be narrowly construed. **Any information that impacts rate setting must be fully disclosed to the public. Aqua is a regulated public utility. That comes with the territory! (It is one of the many difficulties with private enterprise operating a public utility). Investigation and full disclosure of this matter must be done before any rate decisions can be made. This is essential to maintaining public trust in the PUC and this process.**

“Other” Expense Items. Two line-items on page 664 of Volume 1 (Schedule C-2, page 1) in the New Garden rate proposal are “OS Other” and “Other”. This page is a summary of operating expenses.

These two items total \$340,558 for the 3/31/22 statement year. After deducting “Purchased Wastewater” these items represent 53% of the remaining costs. More detail should be provided for these expenses, considering the significance of the amount.

“Adjustments”. Having an “adjustment” column for every year seems strange in the world of corporate financial statements. How different can it be in the utility rate setting world? Many “adjustments” are substantial and poorly explained. As one example on the New Garden income statement (Schedule A-1, Volume 1 – 5, page 652), there is a \$234,720 reduction to operating revenue, which is a 26% reduction (not trivial). Trying to track this down leads to a repetition of these numbers on pages 657, 658 and 659. On one of those pages it is labeled as “UNBILLED

REVENUE ADJUSTMENT". What in the world is that? If there are unpaid bills, an adjustment to revenue might make sense. But if something is "unbilled", it should not be recorded as revenue in the first place. Are there other sources of income besides wastewater operations? If so, explanation of why that should not be counted as revenue is necessary. If it is something else, then that must be clarified. This is only one of many examples of poorly explained, unclear information contained in the massive rate filing document.

As said, "adjustments" are poorly explained, if at all in the financial statements. Adjustment gets added to deliver a forecast at "present rates". Finally, the far right column magically comes up with the last year forecast at the proposed rates. What is omitted, and it is a major omission, is **historical performance**. At least three, and preferably five years of historical performance should be provided in the statements. **This would provide evidence if a rate increase is justified. The forecast years should be stated at current and forecast rates, rather than using this "adjustment" mechanism.**

**PROPOSED RATE INCREASES FOR NEW GARDEN (This may pertain to all the Utility Territories)**

What actually are the proposed increases? The filing contains errors and/or inconsistencies. In the New Garden filing, these inconsistencies are found in the two sources explained below.

Page 245 of rate filing volume 1 (page 10.11) states the proposed residential rates on a quarterly basis as shown in the following chart. Presumably this is the official rate statement.

Aqua rate filing for New Garden (p.245) - Quarterly Basis		
Cost Element	Present Rate	Proposed Rate
Customer Charge (5,000, gal allowance)	Not listed	\$155.13
1st block (5K - 15K gal)	Not listed	\$20.84 per 1,000 gal
2nd block (over 15K gal)	Not listed	\$27.00 per 1,000 gal

On page 1170 of Volume 1 (Schedule NG-3, page 1) residential rates are stated monthly as shown in the following chart.

New Garden Rate Statement (p.1170) - Monthly Basis		
Cost Element	Present Rate	Proposed Rate
<b>Customer Charge (1,667, gal allowance)</b>	<b>\$37.64</b>	<b>\$51.71</b>
<b>1st block (up to 5K gal)</b>	<b>\$1.5170</b>	<b>\$2.0844 per 100 gal</b>
<b>2nd block (over 5K gal)</b>	<b>\$1.9650</b>	<b>\$2.6999 per 100 gal</b>

On page 1147 of volume 1 (Schedule WW-7, page 23) there is a table showing bills for various consumptions. The discrepancies in the filing are illustrated with an invoice for 14,000 gallons as shown in the following chart.

Invoice for 14,000 gallons of wastewater			
Source	Present Rate	Proposed Rate	Increase
Schedule WW-7 table	\$224.73	\$308.78	\$84.05
Page 245 rate proposal		\$342.71	\$93.27
Actual October bill	\$249.44	NA	

We have chosen to use 14,000 gallons to illustrate this error and discrepancy because that was the volume in an actual October 2021 billing received in our residential neighborhood.

**Therefore, the Schedule WW-7 rate proposal table is misleading in that it is inconsistent with, and significantly understates the proposed rate increase indicated on Page 245 by 11%.**

The difference is that Schedule WW-7 is calculated on a monthly basis and the rate proposal (Schedule NG-3) is based on quarterly billing. Note that the billing at the present rate is also incorrect on Schedule WW-7.

This is not trivial, and it definitely is misleading. **Schedule WW-7 should be corrected and republished so that ratepayers have an opportunity to review and not be misled about their cost increases.**

## **NON-COMPLIANCE WITH DOCKET NO. A-2016-2580061**

This docket case settled an appeal about several issues before the acquisition of New Garden sewer system by Aqua was completed. A key agreement in this settlement was that when this current rate case would be presented, New Garden rates (Zone 11) would not be higher than Zone 1 rates. **Aqua's rate filing for New Garden does not comply with this.** We did not find any reference in this rate filing about compliance with this agreement in the above referenced case. **The following Table B shows that the proposed rates are NOT in compliance:**

**Table B**

<b>Cost Comparison for zones 1 and 11</b>				
<b>Usage</b>	<b>Zone 1 Proposed cost (Quarterly basis)</b>	<b>Zone 11 Cost for same volume</b>	<b>Zone 11 Excess</b>	<b>% increase</b>
3,000	\$146.09	\$155.13	\$9.04	6.2%
6,000	\$174.89	\$175.97	\$1.08	0.6%
9,000	\$203.68	\$238.49	\$34.81	17.1%
12,000	\$232.48	\$301.01	\$68.53	29.5%
15,000	\$261.27	\$363.53	\$102.26	39.1%
18,000	\$290.06	\$444.53	\$154.47	53.3%
30,000	\$405.24	\$768.53	\$363.29	89.6%
45,000	\$549.21	\$1,173.53	\$624.32	113.7%

It should be noted that the Zone 1 rate proposal is based on monthly billing. Therefore, the dollars for Zone 1 are calculated as three months cost at one third the volume. For example, 15,000 gallons of usage in a quarter for Zone 11 is equivalent to three months of using 5,000 gallons per month in Zone 1. Note that if the single month 15,000-gallon proposed cost for Zone 1 is used for the comparison, then the Zone 11 overcharge is much greater. This is because only one monthly fixed charge would be included in the comparison. In every case the Zone 11 rates are higher. As the volume increases the overcharging becomes substantial.

**Aqua Pennsylvania, Inc. rate proposal for New Garden does not meet the agreement they entered into in Docket No. A-2016-2580061 and should be reduced accordingly.**

## **AQUA PROFITABILITY**

Aqua PA is already more profitable than Essential Utilities' regulated water and wastewater businesses outside PA. It should be noted that according to the 2020 Annual Report of Essential Utilities, Aqua's parent company, Aqua-PA provides 55% of the "regulated water" revenue, but 67% of the regulated water profit. The 2019 annual report reported a wider disparity: Aqua-PA was 54% of regulated water revenue and 72% of profit. Thus, Aqua is very profitable. **Has the PUC already been too generous with Aqua in its rate setting practices? Especially in comparison to other jurisdictions?**

Looking at Essential Utilities regulated water segment, both water and wastewater, the data is stunning!

**Table C** below shows that in 2019 Aqua (in Pennsylvania) had a Net margin (after tax profit divided by revenue) of 34% which is *more than twice* the Net margin of the rest of the regulated water segment (i.e., outside Pennsylvania)!

Look at Return on Equity, ROE (PPE less depreciation, less debt). This profitability metric is perhaps more meaningful, especially for PUC rate setting purposes. **Aqua's ROE in 2019 was nearly 10%, 2.5 times that of the rest of Essential Utilities regulated water segment (i.e., outside PA)!** For a regulated, monopolistic, risk-free business such as Essential Utilities a 5%-7% ROE is reasonable. In fact, Essential Utilities' total business is at the high end of that range.

**Table C** follows on the next page.

**Table C**

Essential Utilities - Regulated Water Segment (both water and sewer)				
Dollars in Thousands	2019 Annual Report	Aqua Share	Aqua Dollars	Rest of Segment
Revenue	\$886,430	54%	\$478,672	\$407,758
Net Income	\$224,543	72%	\$161,671	\$62,872
Net margin	25%		34%	15%
Net PPE	\$6,345,790		\$3,465,147	\$2,880,643
ROI	3.5%		4.7%	2.2%
Debt	\$3,077,400		\$1,825,756	\$1,251,644
PPE - Debt	\$3,268,390		\$1,639,391	\$1,628,999
ROE	6.9%		9.9%	3.9%
Note: Aqua's PPE from schedule G-1 of the rate filing				
Note: Aqua's debt from schedule E-1 of the rate filing				

**This is rather eye-popping!** Look at the disparity between Aqua and the rest of their regulated water utilities. This indicates that the PA PUC has been very generous to Aqua. **If 4% ROE is acceptable in other jurisdictions, why not in PA?**

Why is Aqua getting such a sweet deal from the PA PUC? With respect, this needs to be answered!

Given such fine financial performance, why is Aqua asking for such large rate increases (between 20% to nearly 90%)? Aqua expects to earn \$221 million after tax with a 38% margin. **See Table D below.** That is pretty sweet considering the rate setting process protects them on the downside. In fact, the New Garden rate case illustrates how the utility is protected from losses. Their own filing indicates that they can borrow at 4% pretax and be guaranteed 7.5% after tax.

**OPERATING COSTS VS FINANCING COSTS.** The massive filing has at least 85 pages of mumbo jumbo about debt, equity, interest rates, etc. The real issues are (i) how much capital is required to operate the sewer system and (ii) how is that capital supplied. How much capital is an operating decision. How that capital is obtained is a financial decision, which should not be a concern of the PUC.

The PUC should be highly capable of determining what an *acceptable* rate of return is for a public utility. This is certainly a major charge of the PUC. The PUC should not be concerned with the financial structure of the company. The PUC can set the appropriate rate of return, and then the company can finance their capital structure to optimize their situation.

**What this means is that interest on debt should be excluded from rate setting costs.** Debt is only one means of obtaining capital to invest in the business. Depreciation, re-invested earnings and stock sales are other common sources. Separating interest costs from the rate base would allow utility companies to take on an amount of debt, and interest cost, that allows optimization of their cost of capital. Interest cost solely benefits the company and should not be a burden on the rate payers.

**CORPORATE SERVICES.** Aqua's cost structure as presented is very opaque. In reviewing the parent company's annual report, it seems certain that the parent company supplies various corporate services to Aqua, such as accounting, HR, legal, regulatory and engineering. This would be normal. The question is whether such services are supplied at actual out-of-pocket cost or are treated as a profit center for the parent company. If the latter, then that needs to be consolidated back to Aqua for rate setting purposes. **Investigation and discovery in this area should be pursued by the PUC and/or the parties before it, especially the OCA.**

#### **HOW ARE RATES DETERMINED BY THE PUC?**

What are the criteria used by the PUC for determining the different rate increases for Aqua's different territories?

The following **Table D** sets forth the revenues, net income and net margins for 2023 that Aqua forecasts for its various divisions with the proposed rate increases it is requesting. Such net margins are very high for a relatively risk-free business such as a public utility, arguably far too high. However, it should also be noted that these forecasts vary widely among the divisions. One would expect margins to be fairly consistent across the various Aqua divisions, but they are not.

Table D

<b>Aqua Revenue &amp; Income for 2023 at proposed increased rates</b>			
Divison	Revenue	Net Income	Net Margin
New Garden (p 652)	\$5,622,606	\$1,753,346	31%
East Norriton (p 596)	\$5,830,935	\$1,467,088	25%
Cheltenham (p 542)	\$10,316,074	\$2,739,572	27%
East Bradford (p485)	\$1,831,445	\$311,712	17%
Limerick (p 428)	\$9,925,667	\$3,347,533	34%
Other waste water - by difference	\$2,411,295	\$1,880,252	78%
Total Aqua waste water (p 366)	\$35,938,022	\$11,499,503	32%
<b>Total Aqua (p 289)</b>	<b>\$575,026,137</b>	<b>\$221,343,161</b>	<b>38%</b>

So, one is compelled to ask:

- What criteria did Aqua use in their rate proposals?
- What are the criteria used by the PUC for determining the different rate increases for Aqua's different territories? Is it profitability? If so, that is better measured by ROE. (See Table C). Is it something else?
- Is the criteria that is used by the PUC used consistently?

#### CONCLUDING REMARKS

We hope that the questions, comments and issues raised that are set forth in this Exhibit will be seriously considered and pursued by not only the PUC and the Administrative Law Judge, but also by the Office of Consumer Advocate as they pursue their discovery and investigative duties in this matter.

We respectfully ask the PUC to step back and ask what is currently an appropriate ROE for a relatively risk-free business such as a utility. A public utility, particularly water and wastewater, is a natural monopoly. The customers cannot go to a competitive supplier if unhappy with pricing, quality or service. The only way rate payers can vote with their feet, or even their purse, is to move out of the jurisdiction. Thus, it falls on the PUC to do right by the consumers of the utility.

Is something broken in this process? **Fundamental change is needed.** The rate setting process should be simple and straightforward. Complexity favors the utility company and works against the public interest. **One way to cause this kind of change to occur is to exclude from the rate base the \$2.2 million expense for this over 8,000 page monstrosity of a filing, because it only benefits the utility and burdens the rate payers. To take that a step further, the utility should also bear the PUC processing costs of the filing.** That would strongly incentivize the utility companies to find more cost-effective ways to file their rate cases. The way it is now, the utility companies and their lawyers, accountants and other experts are incentivized to complicate and obfuscate the filings, and run up their bills irresponsibly.

We, and, we believe, all ratepayers, who are constituents of both the utility company and the Public Utility Commission, want to see a more transparent and reasonable process and fair and reasonable outcomes. Someone recently said to me that this utility/public utility commission process is just a high stakes game being played by those parties, and the consumers/ratepayers are simply bystanders watching the game, or not watching, who just have to live with the consequences. I hope that is not the case. This must not simply be a game where the Utility throws out big numbers with vague justification and the Commission whittles them down based on some gut feeling, taking "credit" for doing some public good, because we ratepayers indeed will have to live with the consequences.

Thank you for your consideration.

Respectfully submitted,

/s/Geoffrey Meyer

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CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :

	:	Docket Nos. R-2021-3027385
v.	:	R-2021-3027386
Aqua Pennsylvania, Inc. and Aqua	:	
Pennsylvania Wastewater, Inc.	:	

I hereby certify that I have this day served by email a true and correct copy of the above document, Telephonic Public Input Hearing Exhibit, Geoffrey Meyer, New Garden Township Resident and Wastewater Ratepayer, upon the individuals listed in the “full-service list” in the parties’ list attached to the Telephonic Public Input Hearing Notice of Administrative Law Judge Mary D. Long in this case, in accordance with such notice.

Dated this 2<sup>nd</sup> day of November, 2021.

/s/ Geoffrey Meyer

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SERVICE BY E-MAIL ONLY

To the individuals listed in the attached list.

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RE: Pennsylvania Public Utility Commission . Docket Nos. R-2021-3027385  
R-2021-3027386

v. .

Aqua Pennsylvania, Inc and Aqua Pennsylvania Wastewater, Inc. .

**TELEPHONIC PUBLIC INPUT HEARING EXHIBIT**  
**JOHN DAY - LAKE HARMONY HOMEOWNER**

Pursuant to the Telephonic Public Input Hearing Notice in this matter issued by Administrative Law Judge Mary D. Long, I have pre-registered to testify at the telephonic hearings of the Pennsylvania Public Utility Commission (PUC). A Certificate of Service appears at the end of this Exhibit indicating service by email to every party to this matter in accordance with the above referenced Notice.

**COMPLAINT SUMMARY**

I believe the proposed rate increase by Aqua PA is excessive, and the present billing method of unmetered wastewater rates in Kidder Township is unjust and unreasonable. I submit this testimony and exhibits to demonstrate:

1. Aqua PA has implemented a wastewater rate for homeowners in Kidder Township that is based on assumptions that are neither fact-based to the area, nor fact-based to actual home usage of wastewater services
2. Aqua PA has no plan at this time to provision water meters to Kidder Township homeowners, in so doing continuing a practice that makes wastewater rates inequitable to the levels of service received by many homeowners

As it relates to this matter, I have put forward options / suggestions in my formal complaint in the spirit of cooperation, to redress the unjust and unreasonable impacts of unmetered wastewater rates -- with heightened and just concern for those homeowners whose actual demand for wastewater service is significantly less than Aqua PA's assumptions.

## **INTRODUCTION**

I am a homeowner in Lake Harmony / Kidder Township, PA - a municipality located in the rural Poconos mountains region of Pennsylvania. I have never participated in a public utility rate case, and I am not an attorney; matters related to such is not my 'day job.' I hold a Masters in Public Administration, and was inducted to Pi Alpha Alpha, the national honor society for public affairs and administration. I began my career as an issues analyst during the onset of deregulation in the electric utility industry.

My participation with this base rate case is one of ordinary citizen performing a civic duty and exercising my rights and obligations as proscribed by the State of Pennsylvania and its Public Utility Commission, on behalf of myself and in the service of the larger community. Homeowners in Kidder Township, like myself, are directly affected by the proposed wastewater rate increase sought by Aqua Pennsylvania Wastewater, Inc. ("Aqua"), and are impacted in two ways:

1. the 21% rate increase that is proposed, on the heels of 54% increase that the PUC approved three years ago
2. the existing Aqua PA rate design for Kidder Township, that bills customers a flat monthly rate for wastewater service regardless of their actual usage

To obtain clarity around our formal complaints, fellow homeowner Fred Weiner and I have maintained active Party-status with this base rate case, and are obliging all protocols of the Pennsylvania Public Utilities Commission and Administrative Law Judge Mary Long. We have volunteered significant personal time to this end, including propounding and filing two (2) sets of interrogatory questions to Aqua PA, totaling 47 questions. We served Set I of our questions on 18 October, to which Aqua PA supplied replies within the response timeframe specified by Judge Long. We filed Set II on 1 November, to which Aqua PA has 10 business days to respond, which is outside the 5 November deadline for submitting this exhibit document. Fred and I extend our profound appreciation to the Pennsylvania State government agencies and staff that are actively investigating this proposed base rate increase. Their communications formats and protocols have modeled the way for our unlearned yet determined participation in this rigorous process as ordinary citizens.

### ***Rate Increases***

Aqua PA proposes that our present monthly rate for wastewater service be increased by 21%, from \$103 to \$125 per month. This proposed rate increase comes on the heels of a rate increase approved by the PUC a couple years ago, that increased wastewater rates by 54%. As such, the proposed rate increase of \$125/month for wastewater service would be 92% higher than the wastewater rate paid by Kidder Township homeowners three years ago. To put this into

perspective, a 92% increase in rates over such a period of time falls between the national inflation rates of Lebanon and Sudan.<sup>1</sup>

It's difficult to believe this is the type of 'gradualism' intended by the Pennsylvania Public Utilities Commission and its principles of ratemaking. To that end, I appeal to the Pennsylvania PUC, Pennsylvania State government agencies, and the Pennsylvania Legislature to take all necessary and appropriate action to halt this rate increase. I would like to acknowledge and thank State Representative Doyle Heffley for his leadership and letter to the Public Utilities Commission, dated 22 September 2021, speaking against the proposed rate increase in the public interest.<sup>2</sup>

### ***Wastewater Rate Assumptions***

The wastewater rate Aqua PA charges monthly to homeowners in Kidder Township is based on the Company's assumption that each home unit consumes 4,000 gallons of water per month. This assumption of 4,000 gallons per month correlates to Aqua PA's average consumption for its existing systems. I contend a systemwide average is not fact-based data on residential water consumption in Kidder Township; a systemwide average for water consumption is not a fact-based, representative sample of demand for wastewater services in Kidder Township.

There is also ambiguity in how the proposed wastewater rate for Kidder Township aligns with other townships, whose customers are also unmetered for said service. The table below illustrates comparative assumptions and the proposed wastewater rates for Kidder Township and three other towns; combined, these townships represent 77% of Aqua PA's unmetered wastewater customers. I note that Aqua PA's communications to customers about the proposed increase in wastewater rates were inconsistent – calculation assumption included for some customers, absent for others.

The Unmetered <sup>3</sup>	Lake Harmony 956 homes	Tobyhanna 615 homes	Limerick 463 homes	Pinecrest 334 homes
Assumptions Aqua PA communicated to homeowners about proposed rate increase <sup>4</sup>	Not communicated to homeowners <sup>5</sup>	Not communicated to homeowners	3,800	Not communicated to homeowners
Proposed Rate/ Month	\$125	\$125	\$72.94	\$77.49

<sup>1</sup> Inflation data source: Statista

<sup>2</sup> Letter from Representative Heffley, filed with the Pennsylvania PUC, included in this exhibit

<sup>3</sup> Number of homes for each township - Aqua PA response to OCA-IX-7

<sup>4</sup> Letter samples, Aqua PA Base Rate Increase Filing, Volumes 1-5

<sup>5</sup> Through the Complainant interrogatory process, DW-1-13, Aqua PA revealed the assumption to be 4,000 gallons per month

### ***The Unmetered***

As a homeowner in Kidder Township, I am among those whose wastewater service is billed through the use of a flat, unmetered rate. We are assessed an unmetered rate because, according to Aqua PA, our local water service is not provided by a municipal utility or a private utility regulated by the Pennsylvania Public Utilities Commission (PUC). Be that as it may, the deregulatory environment for water and wastewater services in Pennsylvania is not a situation of our making. Homeowners in Kidder Township have no choice in their wastewater provider; nor do they direct a private utilities' choice in which water or wastewater systems they should acquire. Moreover, these prerequisites for metering do not address the issues of justness and reasonability at hand.

The wastewater rates in Kidder Township are presumptuous. Aqua PA is unable to furnish data on homeowner water consumption in Kidder Township, as it does not meter water rates. Aqua PA does not have homeowner profile data for Kidder Township, i.e. the percent of homes used full vs. part-time. Aqua PA cannot furnish data on whether homes used less than 15 days per month conserve more water than the same homes occupied full-time. The wastewater rates in Kidder Township are built around the assumption that all homeowners reside there full-time, with every home consuming 4,000 gallons of water per month. As a homeowner who maintains contact with local neighbors, and frequently walks the neighborhoods, I can attest first-hand many homes in Lake Harmony are used infrequently, with some sitting vacant for extended periods of time.

I do not believe flat, unmetered rates are serving the public good. The rate design rewards those who abuse water consumption and increased demand on wastewater infrastructure, by sending no pricing signal to encourage water conservation. The design is punitive to homeowners who infrequently use a residence (e.g. second home/vacation property), or reside in smaller units that demand less of wastewater service.

I contend that the same polestar of Pennsylvania PUC ratemaking that says rates should increase to cover the cost associated with services provided, is the same polestar that says rates should be lower for same rationale – as is the current and conventional practice of metered, wastewater rates. I'm hopeful the convention of metered wastewater rates can become available to my home and other homeowners in Kidder Township, and look forward to meaningful deliberations and collaborative efforts with Aqua PA and/or the Pennsylvania PUC to that end.

## **LETTER TO PENNSYLVANIA PUC – REPRESENTATIVE DOYLE HEFFLEY**

**DOYLE HEFFLEY, MEMBER  
122ND LEGISLATIVE DISTRICT**

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FAX: (717) 772-8418

204-B BRIDGE STREET  
WEISSPORT, PA 18235  
PHONE: (610) 377-6363  
FAX: (610) 377-5675

2681 STATE ROUTE 903, UNIT 3  
ALBRIGHTSVILLE, PA 18210  
PHONE: (570) 722-8700  
FAX: (570) 722-8702

Pennsylvania Public Utility Commission  
400 North Front Street  
Keystone Building  
Harrisburg, PA 17120



### **House of Representatives**

Commonwealth of Pennsylvania  
Harrisburg

AMERICAN LEGION BUILDING  
3 WEST RIDGE STREET  
LANSFORD, PA 18232  
WEDNESDAY 10 A.M. TO 2 P.M.

**COMMITTEES:**  
APPROPRIATIONS  
HUMAN SERVICES  
TOURISM &  
RECREATIONAL DEVELOPMENT  
TRANSPORTATION

September 17, 2021

Chair Brown Dutrieuille, Vice Chair Sweet, Commissioner Coleman and Commissioner Yanora,  
Re: Aqua Pennsylvania Rate Increase – R-2021-3027385  
Comments Submitted for Public Record

Thank you for allowing me to comment on this matter. I am providing these comments as a legislator who has received numerous complaints regarding this issue, and I would like to address a couple aspects of Aqua's filing that are concerning to me as a policymaker in Pennsylvania.

Aqua Water and Wastewater collectively received a \$47 million-dollar rate hike in 2018 from the Commission, and now they are requesting another \$98 million dollars per year. I have substantial concerns about the sustainability of these rate increases and the impact it causes to Aqua's customers, who are my constituents, my friends, and my neighbors.

Additionally, this rate increase request comes on the heels of a pandemic that has resulted in devastation across our communities and our economy. At a time of uncertainty in our Commonwealth, the last thing we need is to increase the cost of one of the necessities of life.

I would also like to stress that this increase is especially harmful to senior citizens, those on fixed incomes and those who are struggling to make ends meet currently. These same groups have already suffered heavily under the effects of this pandemic, including our Governor's response to it. I ask that you please do not make these groups, along with every residential, commercial, and industrial customer of Aqua, pay more than they have already during these trying times.

In closing, I ask that the Commission heavily scrutinize this rate increase request. As a legislator, it appears unjust and should be rejected as contrary to the public interest at this time.

Sincerely,

A handwritten signature in black ink, appearing to read "Doyle Heffley".

Doyle Heffley, State Representative  
122<sup>nd</sup> Legislative District

## **AQUA PA - INTERROGATORY QUESTIONS & RESPONSES**

To the issue of unmetered wastewater rates, the exhibits herein consist of Aqua PA's responses to interrogatory questions (Set I) compounded and served to the Company by Lake Harmony homeowners John Day and Fred Weiner, as well as its responses to questions served by the Pennsylvania Office of Consumer Advocate (Set IX).

Questions from Complainants Day and Weiner are prefaced with "DW, with questions from the Pennsylvania Office of Consumer Advocate prefaced with "OCA." Aqua PA replies to the respective questions are designated "RESPONSE."

Witness: William C. Packer  
Date: 10/28/2021

**AQUA PENNSYLVANIA, INC.  
AQUA PENNSYLVANIA WASTEWATER, INC.**

**JOHN DAY AND FRED WEINER**

**DATA REQUEST SET I**

**DOCKET NOS. R-2021-3027385 & R-2021-3027386**

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**DW-I-11:** Y/N - Based on water consumption data and/or behavioral patterns that Aqua PA has studied over years of providing residential water service, does water conservation occur in Pennsylvania when homes are used less than 15 days per month, compared to same homes being used full-time?

**RESPONSE:**

The Company does not have this data.

Witness: William C. Packer  
Date: 10/28/2021

AQUA PENNSYLVANIA, INC.  
AQUA PENNSYLVANIA WASTEWATER, INC.

JOHN DAY AND FRED WEINER

DATA REQUEST SET I

DOCKET NOS. R-2021-3027385 & R-2021-3027386

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- DW-I-13:** Y/N - Did Aqua PA use assumptions about monthly water consumption to determine the present flat rate of \$103/month to wastewater customers in Kidder Township? If 'Y,' explain how. If 'N,' list rationales / assumptions used.

**RESPONSE:**

The Unmetered (per EDU) rate assumes an average 4000 gallons per month which correlates to the Company's average consumption for its existing systems.

Witness: William C. Packer  
Date: 10/28/2021

AQUA PENNSYLVANIA, INC.  
AQUA PENNSYLVANIA WASTEWATER, INC.

JOHN DAY AND FRED WEINER

DATA REQUEST SET I

DOCKET NOS. R-2021-3027385 & R-2021-3027386

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- DW-I-15:** Y/N - In Kidder Township, are there circumstances, conditions, and/or options that would make homeowners eligible to receive metered, wastewater rates? If 'Y,' enumerate all. If 'N,' explain why there are none.

**RESPONSE:**

The Company designs rates that include a volumetric portion for systems that have access to and utilize metered public water from a municipality or a private utility regulated by the PUC.

Witness: William C. Packer  
Date: 10/28/2021

AQUA PENNSYLVANIA, INC.  
AQUA PENNSYLVANIA WASTEWATER, INC.

JOHN DAY AND FRED WEINER

**DATA REQUEST SET I**

**DOCKET NOS. R-2021-3027385 & R-2021-3027386**

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- DW-I-16:** Since May 2018, list the number of unmetered, residential homeowners to whom Aqua PA provisioned water meters, making them eligible for metered, wastewater rates. Detail this data by service area.

**RESPONSE:**

None.

Witness: William C. Packer  
Date: 10/28/2021

AQUA PENNSYLVANIA, INC.  
AQUA PENNSYLVANIA WASTEWATER, INC.

JOHN DAY AND FRED WEINER

**DATA REQUEST SET I**

**DOCKET NOS. R-2021-3027385 & R-2021-3027386**

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- DW-I-17:** Y/N - Is Aqua PA aware that there are homes in Kidder Township that are occupied or used less than 15 days per month?

**RESPONSE:**

The Company is aware of assertions that there are homes in Kidder Township that are occupied less than 15 days per month. The Company cannot validate these claims.

Witness: William C. Packer  
Date: 10/28/2021

AQUA PENNSYLVANIA, INC.  
AQUA PENNSYLVANIA WASTEWATER, INC.

JOHN DAY AND FRED WEINER

**DATA REQUEST SET I**

**DOCKET NOS. R-2021-3027385 & R-2021-3027386**

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- DW-I-18:** Y/N - Does Aqua PA have data or documents reporting the percentage of homes in Kidder Township that are occupied or used full-time compared to those in use less than 15 days per month? If 'Y,' provide the documentation informing Aqua PA of this census.

**RESPONSE:**

No.

Witness: William C. Packer  
Date: 10/28/2021

AQUA PENNSYLVANIA, INC.  
AQUA PENNSYLVANIA WASTEWATER, INC.

JOHN DAY AND FRED WEINER

**DATA REQUEST SET I**

**DOCKET NOS. R-2021-3027385 & R-2021-3027386**

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- DW-I-19:** List all discovery and/or market research efforts Aqua PA has performed to ascertain a census of full-time residents in Kidder Township, versus homes that are being used as vacation homes or second residences.

**RESPONSE:**

No studies exist.

Witness: William C. Packer  
Date: 10/28/2021

AQUA PENNSYLVANIA, INC.  
AQUA PENNSYLVANIA WASTEWATER, INC.

JOHN DAY AND FRED WEINER

**DATA REQUEST SET I**

DOCKET NOS. R-2021-3027385 & R-2021-3027386

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**DW-I-20:** Y/N - Does Aqua PA offer programs that credit unmetered wastewater rates for customers whose homes are used typically less than 15 days/month or 180 days/year?

**RESPONSE:**

No.

Witness: Georgetta Parisi-Knup  
Date: October 27, 2021

**AQUA PENNSYLVANIA, INC.  
AQUA PENNSYLVANIA WASTEWATER, INC.**

**OFFICE OF CONSUMER ADVOCATE**

**DATA REQUEST SET IX**

**DOCKET NOS. R-2021-3027385 & R-2021-3027386**

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**OCA-IX-7:** How many customers are billed, by each service territory, where no meter is installed that records actual usage?

**RESPONSE:** See tables below:

<b>Water</b>	<b>Count of Unmetered Prem</b>
URSM SUN VALLEY RES MTH FLAT WATER	58
URSM BELLE AIRE ACRES RS MO FLT WTR	16
URSM NUI DIV II RES MTH FLT	4
URSM NUI DIV III RES MTH FLT PERM	10
URSM PINECREST RES MTH FLT	2
<b>Total Unmetered Water*</b>	<b>90</b>

\*Excludes Unmetered Fire

<b>Sewer</b>	<b>Count of Unmetered Prem</b>
SCFM AVON GROVE PUB MO SEWER 1 DL	1
SCFM BRIDLEWD APT SW COM MTH FL	1
SCFM E NORRITON CO MTH FLAT SWR	24
SCFM KIDDER LAKE HARMONY CM FLT SWR	6
SCFM LIMERICK COM MO SEWER FLAT	14
SCFM PENN TOWNSHIP COM MTH FLAT WW	3
SCFM PINECREST SWR FLT MTH	1
SCFM PINECRST CO FLT MT (OUTSIDE)	3
SCFM TOBYHANNA TWP COM MTH FLT SWR	18

Sewer	Count of Unmetered Prem
SCFM TREASURE LAKE COM MTH FLAT SWR	4
SCFM WH (KIDDER) COM FLT SWR MTH	1
SCFM WOODLOCH PINES CO MT FLT SWR	1
SCUM HONEYCROFT COM UNIT MO SW FLAT	2
SCUM WH (KIDDER) COM UNIT M CLASS A	14
SCUM WH (KIDDER) COM UNIT M CLASS C	1
SRFM COVE VILLAGE RES MTH FLT SW	5
SRFM E NORRITON RES MTH FLAT SWR	199
SRFM EAGLE ROCK SWR RES FLT MTH	1
SRFM HONEYCROFT RES MO SW FLAT	173
SRFM KIDDER LAKE HARMONY RS FLT SWR	956
SRFM LIMERICK RES MO SEWER FLAT	463
SRFM LWWASTE RES FLT MTH	1
SRFM NEW DALESVILLE RES FLAT MO	108
SRFM NORTH HEIDELBERG RS MTH FLT SW	1
SRFM PINECRST RS FLT MT (INSIDE)	334
SRFM PINECRST RS FLT MT (OUTSIDE)	17
SRFM THORNHURST RES FLAT MTH	3
SRFM TOBYHANNA TWP RES MTH FLT SWR	615
SRFM TREASURE LAKE RES MTH FLAT SWR	27
SRFM WH(KIDDER) RS FL M S	63
SRFM WILBAR(LAUREL LAKES) RES FLT S	2
SRFM WOODLOCH SPR COM RES FLAT SW M	3
<b>Total Unmetered Sewer</b>	<b>3065</b>

Note: Yellow highlight of Kidder Lake Harmony added by Complainant

Witness: Erin M. Feeney  
Date: 10/27/2021

**AQUA PENNSYLVANIA, INC.  
AQUA PENNSYLVANIA WASTEWATER, INC.**

**OFFICE OF CONSUMER ADVOCATE**

**DATA REQUEST SET IX**

**DOCKET NOS. R-2021-3027385 & R-2021-3027386**

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- OCA-IX-8:** Does Aqua PA have any plan to install actual meters and bill on actual meter readings for customers who are not currently billed based on metered usage? If so, what is that plan and when will it be implemented? If not, why not?

**RESPONSE:**

For water customers, the Sun Valley system had meters installed in 2020 and the proposed rate design in Exhibit 5-A moves these customers from unmetered service to metered service. The Company provides meters to water customers in accordance with 52 Pa. Code § 65.7.

For wastewater customers, Aqua PA bills on actual meter readings for systems that have access to and utilize metered public water from a municipality or a private utility regulated by the PUC. The Company does not have plans at this time to install company-owned water meters on privately-owned water wells for systems that are currently unmetered.

RE: Pennsylvania Public Utility Commission . Docket Nos. R-2021-3027385  
v. . R-2021-3027386

Aqua Pennsylvania, Inc and Aqua Pennsylvania Wastewater, Inc. .

## **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served by email a true and correct copy of the above document, Telephonic Public Input Hearing Exhibit, John Day, Lake Harmony Homeowner, upon the individuals listed in the parties' list attached to the Telephonic Public Input Hearing Notice of Administrative Law Judge Mary D. Long in this case, in accordance with such notice.

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Dated this 5th day of November, 2021.

Respectfully Submitted,  
/s/ John Day  
Homeowner, Lake Harmony, PA