

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2024-3045192
	:	R-2024-3045193
	:	
Office of Consumer Advocate	:	C-2024-3046520
	:	C-2024-3046521
	:	
Office of Small Business Advocate	:	C-2024-3046893
	:	C-2024-3046956
	:	
Chris & Laurie Hays	:	C-2024-3046850
Andrew Breining	:	C-2024-3047036
Mercedes Coffman	:	C-2024-3047102
Kristen Kahn	:	C-2024-3047162
Norman Lowe	:	C-2024-3047410
Hunter & Katelyn Moyer	:	C-2024-3047288
Elisa Guisto	:	C-2024-3047315
John & Linda Brown	:	C-2024-3047522
Ida Gorman	:	C-2024-3047644
Sonya Smith	:	C-2024-3048335
Sandra Matter	:	C-2024-3048393
Martha Pritchard	:	C-2024-3048394
Classic Assets, LLC	:	C-2024-3048390
Amber Anderson	:	C-2024-3048404
Eric Solberg	:	C-2024-3048476
Karl Rinke	:	C-2024-3048581
Laura Corkle-LaManna	:	C-2024-3048956
	:	
v.	:	
	:	
	:	
Veolia Water Pennsylvania, Inc.	:	

RECOMMENDED DECISION
NON-PROPRIETARY VERSION

Before
Emily I. DeVoe
Administrative Law Judge

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I. INTRODUCTION

This decision recommends approval of the Joint Petition for Approval of Settlement of Rate Proceeding (Settlement). The Settlement will permit Veolia Water Pennsylvania, Inc. (VWPA or Company) to increase its annual water revenue by approximately \$10.9 million and increase its annual wastewater revenue by \$420,000.¹ The Settlement also establishes a state tax adjustment surcharge and a Distribution System Improvement Surcharge (DSIC). Under the terms of the Settlement, VWPA also agrees to implement a customer assistance program (CAP) and other assistance programs and conduct a comprehensive review of its tariff language.

II. HISTORY OF THE PROCEEDINGS

On February 16, 2024, VWPA filed with the Pennsylvania Public Utility Commission (Commission) Supplement No. 68 to its Tariff Water – Pa. P.U.C. No. 7 (Supplement No. 68) at Docket No. R-2024-3045192 and Supplement No. 5 to its Tariff Wastewater – Pa. P.U.C. No. 2 (Supplement No. 5) at Docket No. R-2024-3045193. Through Supplement No. 68, the Company proposed a general increase in annual water revenues of approximately \$15.5M per year, or 26%, including DSIC revenues.² Through Supplement No. 5, the Company proposed a general increase in wastewater revenues of approximately \$569K per year, or 35%.³ The Company proposed that the water and wastewater rate increases become effective on April 16, 2024.

On February 16, 2024, the Office of Consumer Advocate (OCA) filed a Rate Complaint in both the water and wastewater cases; the Complaint in the water case was docketed at C-2024-3046520, and the Complaint in the wastewater case was docketed at C-2024-3046521.

¹ VWPA Statement in Support at 4

² See Finding of Fact No. 10.

³ *Id.*

On February 21, 2024, the Bureau of Investigation and Enforcement (BIE or I&E) filed a Notice of Appearance in both the water and wastewater cases.

On February 26, 2024, the Office of Small Business Advocate (OSBA) filed a Rate Complaint in both the water and wastewater cases; the Complaint in the water case was docketed at C-2024-3046893, and the Complaint in the wastewater case was docketed at C-2024-3046956.

On March 8, 2024, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene and Answer.

On March 14, 2024, the Commission entered an Order initiating an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations in these proceedings, suspending the effective date of the proposed rates until November 16, 2024, and assigning these matters to the Office of Administrative Law Judge (OALJ) for the prompt scheduling of such hearings as may be necessary, culminating in the issuance of a recommended decision.

On March 20, 2024, the Commission issued a Notice, assigning this matter to me and scheduling a Prehearing Conference for March 27, 2024. A Prehearing Conference Order was served on March 20, 2024, which, *inter alia*, directed the Parties to file prehearing memoranda by noon on March 27, 2024.

VWPA, OCA, BIE, OSBA, and CAUSE-PA filed prehearing memoranda as directed. In its prehearing memorandum, VWPA proposed voluntarily extending the suspension period to November 22, 2024, so the Commission would have sufficient time to consider this matter at the November 7, 2024, public meeting date, on the condition that VWPA can recover approved rates from the original suspension deadline (November 16, 2024).

Prior to the Prehearing Conference, nine VWPA customers, including Elisa Guisto, filed Formal Complaints.

The Prehearing Conference convened as scheduled. VWPA, BIE, OCA, OSBA, CAUSE-PA were present and represented by counsel. Ms. Guisto was also present.

At the Prehearing Conference I granted the petition to intervene filed by CAUSE-PA, consolidated the water and wastewater cases, and approved modifications to the Commission's procedures for formal discovery. The Parties also agreed to a litigation schedule, wherein deadlines were set for the service of written testimony and exhibits, and evidentiary hearings were scheduled to begin on June 26, 2024.

The Parties further agreed to hold a series of public input hearings. After discussion, I decided to hold three public input hearings, one in-person public input hearing in Bloomsburg, PA, and two hybrid public input hearings in Harrisburg, PA.⁴ I directed the Company to publish notice in the general readership section of a newspaper local to the service area at least two weeks prior to the scheduled hearings. The Company agreed to publicize the public input hearings on its website and social media. Additionally, the Company agreed to work with the statutory advocates on the specific wording of the notice to be published.

The Parties also discussed VWPA's proposal to voluntarily extend the suspension period providing additional time for the Commission to act. No party objected to the Company's proposal.

At the Prehearing Conference, I explained to Ms. Guisto her option of participating in this matter as an active party. She decided to remain an inactive party.

⁴ The hybrid public input hearings allowed for individuals to testify either in-person or by telephone.

On March 28, 2024, VWPA filed a motion for a Protective Order which was not opposed by any Party. The Protective Order was granted on March 29, 2024.⁵

I issued a Prehearing Order on April 1, 2024, which memorialized the matters discussed at the Prehearing Conference. I further addressed the individual customers who filed Formal Complaints in this matter. I explained the option of participating as an active party and directed them to file correspondence with the Commission's Secretary's Bureau by April 12, 2024, if they wanted to participate as active parties. I explained that, absent such correspondence, they would be considered inactive parties. None of the customer Complainants filed correspondence indicating an intent to participate as an active party.

On April 1, 2024, the Commission issued a Hearing Notice, scheduling evidentiary hearings to be held in-person in Harrisburg on June 26-28, 2024.

On April 2, 2024, I issued an Interim Order approving VWPA's proposal to voluntarily extend the suspension period from November 16, 2024, to November 22, 2024, on the condition it may recover approved rates from the original suspension date. I directed VWPA to file tariff supplements reflecting (1) further suspension of this matter to November 22, 2024, and (2) approval of a surcharge to recover approved rates from November 16, 2024, until the effective date for new rates pursuant to a Commission order.

On April 5, 2024, VWPA filed the tariff supplements as directed.

On April 8, 2024, the Commission issued a Public Input Hearing Notice, scheduling in-person public input hearings for April 29, 2024, and April 30, 2024.

Eight additional customers filed Formal Complaints after the Prehearing Conference. On April 18, 2024, I issued an Interim Order directed to these customer

⁵ Due to a clerical error, the Protective Order was originally issued without my signature and a date. The Protective Order was re-issued on April 11, 2024, properly signed and dated.

Complainants. I explained the option of participating in this matter as an active party, and advised them that in order to do so, they would need to file correspondence with the Secretary's Bureau indicating their intent to do so. I further explained that unless and until they did so, they would remain listed as inactive parties. At no time throughout this proceeding did any customer Complainant file correspondence indicating a desire to participate as an active party.

Public input hearings were held on April 29 and 30, 2024. The Bloomsburg in-person hearing was held at 6:00 p.m. on April 29, 2024, and three witnesses testified. The hybrid hearings were held in the Commission's offices in Harrisburg at 1:00 p.m. and 6:00 p.m. on April 30, 2024. No witnesses testified at the 1:00 p.m. hearing. Three witnesses testified at the 6:00 p.m. hearing.

I subsequently reached out to the Parties to propose the evidentiary hearings be converted from in-person hearings to telephone hearings. No Party objected, so, on June 17, 2024, the Commission issued a Hearing Type Change Notice, converting the evidentiary hearings to telephone hearings.

On June 25, 2024, the Parties contacted me by email advising they had reached a settlement in principle, and requesting the evidentiary hearings be cancelled, and the litigation schedule suspended. The Parties further requested they be permitted to submit all testimony and exhibits via a joint stipulation.

I cancelled the hearings for June 26-27 and advised them that if they filed their joint stipulation by noon on June 27, 2024, I would cancel the hearing for July 28, 2024.

On June 27, 2024, VWPA, OCA, OSBA, I&E, and CAUSE-PA (collectively, Stipulating Parties) filed a Joint Stipulation for the Admission of Evidence (Stipulation). Each of the Stipulating Parties agreed to the authenticity of and admission into the evidentiary record in this matter of the following statements and exhibits:

PARTY	STATEMENT/EXHIBITS
VWPA	VWPA St. No. 1, Direct Testimony of Larry Finnicum, together with Exhibits LKF-1 through LKF-4
	VWPA Statement No. 1-R, Rebuttal Testimony of Larry Finnicum, together with Exhibits LKF-1-R through LKF-3-R
	VWPA Statement No. 2, Direct Testimony of Gregory R. Herbert, together with Appendix A and Exhibit GRH-1 through GRH-5
	VWPA Statement No. 2-R, Rebuttal Testimony of Gregory R. Herbert, together with Exhibits GRH-1-R through GRH-5-R
	VWPA Statement No. 3, Direct Testimony of Constance E. Heppenstall, together with Exhibit CEH-1 through CEH-4
	VWPA Statement No. 3-R, Rebuttal Testimony of Constance E. Heppenstall
	VWPA Statement No. 4, Direct Testimony of Harold Walker, III together with Exhibit HW-1 through HW-2
	VWPA Statement No. 4-R, Rebuttal Testimony of Harold Walker, III together with Exhibits HW-1R and HW-2R
	VWPA Statement No. 5, Direct Testimony of Dane Watson, together with Exhibit DAW-1 through DAW-2
	VWPA Statement No. 5-R, Rebuttal Testimony of Dane Watson together with Exhibits DAW-1-R through DAW-5-R
	VWPA Statement No. 6, Direct Testimony of James Cagle
	VWPA Statement No. 6-R, Rebuttal Testimony of James Cagle (Public Version)
	VWPA Statement No. 6-R, Rebuttal Testimony of James Cagle (PROPRIETARY VERSION)
	VWPA Statement No. 7, Direct Testimony of Judith McCoy Jordan
	VWPA Statement No. 7-R, Rebuttal Testimony of Judith McCoy Jordan together with Exhibits JMJ-1-R through JMJ-3-R
	VWPA Statement No. 8, Direct Testimony of Anupa Jacob
	VWPA Statement No. 8-R, Rebuttal Testimony of Anupa Jacob
CAUSE-PA	CAUSE-PA St. 1, Direct Testimony of Robert W. Ballenger, Esq. (as corrected June 7, 2024), together with Exhibit 1 (as corrected on June 7, 2024) and Appendices A and B
	CAUSE-PA St. 1-R (as corrected on June 12, 2024), Rebuttal Testimony of Robert W. Ballenger, Esq.
	CAUSE-PA St. 1-SR Surrebuttal Testimony of Robert W. Ballenger
	Verification of Robert W. Ballenger, Esq.
I&E	I&E Statement No. 1, Direct Testimony of Vanessa Okum (Non-Proprietary Version), together with I&E Exhibit No. 1
	I&E Statement No. 1, Direct Testimony of Vanessa Okum (PROPRIETARY VERSION), together with I&E Exhibit No. 1
	I&E Statement No. 2, Direct Testimony of D. C. Patel, together with I&E Exhibit No. 2

PARTY	STATEMENT/EXHIBITS
	I&E Statement No. 3, Direct Testimony of Esyan Sakaya, together with I&E Exhibit No. 3 (as corrected on May 24, 2024)
	I&E Exhibit No. 3-R, Rebuttal Testimony of Esyan Sakaya
	I&E Statement No. 1-SR, Surrebuttal Testimony of Vanessa Okum, together with I&E Exhibit No. 1-SR
	I&E Statement No. 2-SR, Surrebuttal Testimony of D. C. Patel
	I&E Statement No. 3-SR, Surrebuttal Testimony of Esyan Sakaya, together with I&E Exhibit No. 3-SR
OSBA	OSBA Statement No. 1, Direct Testimony of Neal Townsend, together with Attachment A
	OSBA St. No. 1-R, Rebuttal Testimony of Neal Townsend, together with Exhibit
	OSBA Statement No. 1-S, Surrebuttal Testimony of Neal Townsend
OCA	OCA St. 1, Direct Testimony of Morgan N. DeAngelo (CONFIDENTIAL VERSION), together with Appendices A and B and Exhibits MND-1 through MND-9 (Exhibits MND-4 through MND-6 are CONFIDENTIAL)
	OCA St. 1, Direct Testimony of Morgan N. DeAngelo (Public Version), together with Appendices A and B and Exhibits MND-1 through MND-3 and Exhibits MND-7 through MND-9
	OCA St. 2, Direct Testimony of Lafayette K. Morgan, together with Exhibits LKM-W-1 through LKM-W-19 and Exhibits LKM-WW-1 through LKM-WW-12
	OCA St. 3, Direct Testimony of David J. Garrett, together with Exhibits DJG-1 through DJG-27, and Appendices A through E
	OCA St. 4, Direct Testimony of Jerome D. Mierzwa, together with Exhibits JDM-1
	OCA St. 5, Direct Testimony of Terry L. Fought, together with Exhibits TLF-1 - 6 and TLF-8 - 19 (Exhibits TLF-2B and 7 are CONFIDENTIAL)
	OCA St. 6, Direct Testimony of Nicholas A. DeMarco, together with Exhibits NAD-1 through NAD-8
	OCA St. 2R, Rebuttal Testimony of Lafayette K. Morgan, together with Exhibits LKM-W-1R through LKM-W-20R and Exhibits LKM-WW-1R through LKM-WW-14R
	OCA St. 4R, Rebuttal Testimony of Jerome Mierzwa
	OCA St. 1SR, Surrebuttal Testimony of Morgan N. DeAngelo (Public Version), together with Exhibit MND-1SR
	OCA St. 1SR, Surrebuttal Testimony of Morgan N. DeAngelo, (CONFIDENTIAL VERSION), together with Exhibit MND-1SR
	OCA St. 2SR, Surrebuttal Testimony of Lafayette K. Morgan, together with Exhibits LKM-W-1S through LKM-W-20S, and Exhibits LKM-WW-1S through LKM-WW-14S
	OCA St. 3SR, Surrebuttal Testimony of David J. Garrett
	OCA St. 4SR, Surrebuttal Testimony of Jerome D. Mierzwa

PARTY	STATEMENT/EXHIBITS
	OCA St. 5SR, Surrebuttal Testimony of Terry L. Fought, together with Exhibits TLF-20 through TLF-22
	OCA St. 6SR, Surrebuttal Testimony of Nicholas A. DeMarco

The Stipulation was presented by the Stipulating Parties in conjunction with the Settlement, which was intended to settle all issues in the above-captioned proceedings.

The Stipulating Parties requested the Stipulation be adopted and the exhibits and statements identified in the Stipulation be admitted into the record on the terms and conditions set forth in the Stipulation.

On June 27, 2024, the Commission issued a Hearing Cancellation Notice, cancelling the evidentiary hearing for June 28, 2024.

On July 1, 2024, I issued an Interim Order Approving and Entering into the Record the Joint Stipulation for the Admission of Evidence. The Stipulation was attached to the Order as Attachment A, and the statements and exhibits listed in the Stipulation were admitted into the record on the terms and conditions set forth in the Stipulation.

On July 2, 2024, I issued an Interim Order directing the Parties to serve the settlement petition on all inactive parties in this matter on or before August 2, 2024, and directing all inactive parties to file comments or objections to the settlement, if any, by August 14, 2024.

No customer who filed a Formal Complaint filed comments or objections to the Settlement.

On August 2, 2024, VWPA, OCA, OSBA, I&E, and CAUSE-PA (collectively, Joint Petitioners) filed a Joint Petition for Approval of Settlement of Rate Proceeding (Settlement). The Settlement is 18 pages, not including Attachments A-M. Attached to the Settlement are the following documents: Schedule of Rates – Water and Schedule of Rates – Wastewater (Attachment A), Summary of Additional Mahoning Acquisition Costs to Plant in

Service (Schedule B), Summary of Plant in Service Activity for Years Ended September 30, 2024 and October 31, 2025 (Attachment C), Proposed Findings of Facts (Attachment D),⁶ Proposed Conclusions of Law (Attachment E), Proposed Ordering Paragraphs (Attachment F), VWPA’s Statement in Support (Attachment G),⁷ BIE’s Statement in Support (Attachment H), CAUSE-PA’s Statement in Support (Attachment I), OCA’s Statement in Support (Attachment J), OSBA’s Statement in Support (Attachment K), *Pro Forma* Tariff Supplement – Water (Attachment L), *Pro Forma* Tariff Supplement – Wastewater (Attachment M).

On August 7, 2024, the Joint Petitioners filed an Errata to Joint Petition for Approval of Rate Proceeding to correct an error in Attachment L. The filing included a corrected Second Revised Page 6E of Attachment L.

No customer Formal Complainants filed objections or comments to the Settlement.

As discussed below, I recommend the Joint Petition for Approval of Settlement of Rate Proceeding be approved, without modification.

III. PUBLIC INPUT HEARINGS

Three public input hearings convened in this matter. A total of six individuals testified.

Bloomsburg. One in-person public input hearing was conducted in Bloomsburg. Three consumers testified in opposition to the rate increase.

⁶ There is a public version and confidential version of the Proposed Findings of Fact.

⁷ There is a public version and confidential version of VWPA’s Statement in Support.

Ralph Magill testified regarding his concerns about proposals in the rate filing. He testified VWPA proposed to increase water rates by 22% and wastewater rates by 37% and these new rates would be detrimental to Bloomsburg residents and businesses. He noted that according to census data from 2020, the most recent year available, the average household income in Bloomsburg is \$41,540. The poverty rate in Bloomsburg is 28.1% and in Columbia County it is 13.9%. He further noted that, of Columbia County residents 65 years of age or older, 20.4% are living on a fixed income. He testified that this data shows that many residents are only “one misfortune away from living in poverty or even becoming homeless” and the proposed rates are simply too high. He further pointed out that VWPA is a monopoly and the customers rely on it to provide affordable, clean water, which is a “human essential.” He noted many residents are being forced off their private wells and septic systems and are having to pay thousands of dollars to “hook into” VWPA’s system. VWPA continues to report revenue growth each quarter, and VWPA has a net worth of \$23.85 billion and a median income for executive employees of \$238,000. Mr. Magill understands that money needs to be spent on maintenance and improvements to the water and sewer systems, but he posits that this should be accomplished by long-term capital improvements and proper budgeting, not unreasonable rate increases. Tr. 61-63.

Larry Pritchard also testified. Mr. Pritchard testified he is concerned about “reasonableness,” and believes the rate increases proposed by VWPA are simply not reasonable. He testified he is retired and on a fixed income. The increases proposed by VWPA would not normally be of concern to him, but together with other increases in costs, the proposed VWPA rates are not manageable. He testified that with this rate increase, VWPA is asking ratepayers to repay the money it spent on service improvements, and it is not reasonable for VWPA to expect its customers to bear the burden of making a profit for the Company. Tr. 64-68.

Valerie Tanner also testified. She testified she only receives wastewater services from VWPA, and a 37% increase in wastewater rates is not reasonable, especially for customers who receive Social Security or who are “living day to day.” Tr. 69-70.

Harrisburg. Two hybrid public input hearings were conducted in Harrisburg. Three consumers testified in opposition to the rate increase. No individuals were present at the 1 p.m. hearing to provide testimony. Three witnesses presented testimony at the 6 p.m. hearing.

Doug Hassenbein testified extensively about his concerns regarding VWPA's water quality. He testified he supports up to 75% of the proposed rate increase, but not the full amount due to discoloration and sediment in his water. He explained that he has been having water quality problems since 2018. From July 12, 2023, until the time he moved out, there were at least weekly occurrences where he would experience brown water and sediment in his water. He explained that he had to wipe sediment out of his tub, and the paper towels were discolored. His laundry would occasionally come out brown. Tr. 113-125.

When he called to report the issue to VWPA, VWPA told him it was due to his complex's old cast iron pipes. There was an 11-day period between September 25, 2023, and October 5, 2023, where Mr. Hassenbein experienced exceptionally poor water quality. He had to run his tub two to three times a day for thirty minutes to two hours at a time to get clear water. On September 26, 2023, and October 3, 2023, the water was like "liquid rust." *Id.*

After that 11-day period, Mr. Hassenbein decided to move to a brand new apartment complex three miles away in November 2023 due to the water quality being so bad. He moved to an apartment in the new complex on November 10, 2023, and experienced his first round of brown water in his new apartment on November 15, 2023. On November 17, 2023, a plumbing technician came out to do maintenance on the hot water tank in Mr. Hassenbein's apartment and expressed surprise that there was so much sediment in the tank considering it was brand new. He has had brown water and sediment 28 times since moving into his current apartment. *Id.*

He understands that costs go up, so he supports up to 75% of the proposed rate increase, but only if certain stipulations are met to ensure accountability on the part of VWPA: (1) VWPA operations at the Sixth Street treatment plant be reviewed for ice blockages and power

outages; (2) VWA procedures be reviewed for fire hydrant usage for non-emergencies; (3) the integrity of a VWPA water line that runs along Linglestown Road in Dauphin County, Susquehanna Township and Lower Paxton Township be investigated; (4) VWPA thoroughly investigate customer complaints when customers call in reporting brown water and sediment; and (5) all funds raised as a result of the rate increase be used specifically to improve water infrastructure and water quality, rather than nonprofits and charities. Mr. Hassenbein also brought in a water sample he displayed for me and all counsel present. Tr. 120-121. Mr. Hassenbein described this sample as “hazy” and testified it contained sediment at the bottom. *Id.*

Elisa Guisto, who filed a Formal Complaint in this matter, also testified. Ms. Guisto testified that inflation, as measured by the consumer price index was 3.4% in 2023, and it is “abhorrent” that VWPA is proposing to increase water rates by 22%-28% and wastewater rates by 14%-37%. She testified she believes this is an “abuse of power of hardworking single individuals like herself, as well as families who have seen costs skyrocket for childcare, groceries, gas, and housing, while not getting a similar increase in salary.” She proposes not raising rates past the inflation rate. Tr. 127-129.

Finally, Kathleen Russell testified by phone. Tr. 131-133. She testified that she is a 70-year-old senior citizen and lives off Social Security and a part-time job. She has a fixed income and has no ability to increase it. She further explained that her income is just above what would qualify her for any kind of public assistance. She testified she falls into the category of people who do not have enough money to live, but also have too much to qualify for help. She testified the proposed rates are “outrageous” and “unaffordable,” and VWPA is not the only company raising rates.

IV. LEGAL STANDARDS

A. General Rate Increase Proceedings

At issue is the Company's request for a general base rate increase, which is governed by Section 1308(d) of the Code. Section 1308(d) of the Code provides the procedures for changing base rates, the time limitations for the suspension of the new rates, and the time limitations on the Commission's actions. 66 Pa.C.S. § 1308(d).

Section 1301(a) of the Code mandates that "[e]very rate made, demanded, or received by any public utility ... shall be just and reasonable, and in conformity with [the] regulations or orders of the [C]ommission." 66 Pa.C.S. § 1301(a). Pursuant to the just and reasonable standard, a utility may obtain "a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers[,] as well as a reasonable rate of return on its investment." *City of Lancaster Sewer Fund v. Pa. Pub. Util. Comm'n*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002) (*City of Lancaster*). There is no single way to arrive at just and reasonable rates, and "[t]he [Commission] has broad discretion in determining whether rates are reasonable" and "is vested with discretion to decide what factors it will consider in setting or evaluating a utility's rates." *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958, 961 (Pa. Cmwlth. 1996) (*Popowsky II*).

The Commission is required to investigate all general rate increase filings. *Popowsky II*, 683 A.2d at 961. According to Section 315(a) of the Public Utility Code, the burden of proof to establish the justness and reasonableness of every element of a public utility's rate increase request rests solely upon the public utility. 66 Pa.C.S. § 315(a). The evidence necessary to meet that burden must be substantial. *Lower Frederick Twp. v. Pa. Pub. Util. Comm'n*, 409 A.2d at 505, 507 (Pa. Cmwlth. 1980).

In general rate increase proceedings, the burden of proof does not shift to parties challenging a requested rate increase. Rather, the utility's burden of establishing the justness and reasonableness of every component of its rate request is an affirmative one, and that burden remains with the public utility throughout the course of the rate proceeding. There is no similar burden placed on parties to justify a proposed adjustment to the company's filing.

Berner v. Pa. Pub. Util. Comm'n, 116 A.2d 738, 744 (Pa. 1955).

However, in proving that its proposed rates are just and reasonable, a public utility need not affirmatively defend every claim it has made in its filing, even those which no other party has questioned:

While it is axiomatic that a utility has the burden of proving the justness and reasonableness of its proposed rates, it cannot be called upon to account for every action absent prior notice that such action is to be challenged.

Allegheny Ctr. Assocs. v. Pa. Pub. Util. Comm'n, 570 A.2d 149, 153 (Pa. Cmwlth. 1990) (citation omitted); *see also Pa. Pub. Util. Comm'n v. Equitable Gas Co.*, 73 Pa.P.U.C. 310 (1990).

Section 523 of the Public Utility Code, 66 Pa.C.S. § 523, also requires the Commission to “consider . . . the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates.” In exchange for customers paying rates for service, which include the cost of utility plant in service and a rate of return, a public utility is obligated to provide safe, adequate, and reasonable service. *Pa. Pub. Util. Comm'n v. Pa. Gas & Water Co.*, 61 Pa.P.U.C. 409, 415-16 (1986); *see also* 66 Pa.C.S. § 1501.

Additionally, rates must not be unduly discriminatory among customer groups. 66 Pa.C.S. § 1304. The Commission has discretion to determine reasonable classification of service of rates as may be justified “by a variety of considerations including the quantity of service used, the nature of the use, the time of the use, the pattern of the use, differences of conditions of service or cost of service.” *Zucker v. Pa. Pub. Util. Comm'n*, 402 A.2d 1377, 1382 (Pa. Cmwlth. 1979) (*Zucker*).

A utility's cost of providing service guides the ratemaking process. *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010, 1019-21 (Pa. Cmwlth. 2006) (*Lloyd*). Additional important ratemaking concerns include quality of service, rate gradualism, and rate affordability. *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa, Inc.*, R-2020-3018835 at 46-47 (Opinion and Order entered Feb. 19, 2021) (*Columbia 2021*) (citing 66 Pa.C.S. §§ 523, 526(a); *Lloyd* at 1020; *Pa. Pub. Util. Comm'n v. Twin Lakes Util., Inc.*, 2020 Pa.P.U.C. LEXIS 340, *46-54 (Order Mar. 26, 2020)).⁸

The Commission must authorize a sufficient, or fair, rate of return to public utilities to ensure adequate revenues to cover operating expenses, debt service expenses and common and preferred (if necessary) dividends, as well as to maintain the financial integrity of the utility and enable the public utility to attract needed debt and equity capital in the marketplace or on reasonable terms, in competition with firms of similar risk. *Federal Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591 (1944); *Bluefield Water Works Improvement Co. v. Public Service Comm'n*, 262 U.S. 679 (1923).

The Commission has broad discretion in determining whether rates are reasonable and to decide what factors it will consider in setting or evaluating a utility's rates. *Pa. Publ. Util. Comm'n v. City of Bethlehem - Water Dep't*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021) (citing *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958 (Pa. Cmwlth. 1996); *see also, Popowsky v. Pa. Pub. Util. Comm'n*, 665 A.2d 808 (Pa. 1995).

B. Legal Standards for Settlements

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. In most cases, settlements lessen the time and expense that the parties must expend litigating a case, and at the same time, conserve precious administrative resources. Settlement results are often

⁸ Available at <https://www.puc.pa.gov/pcdocs/1693880.docx>.

preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. Pub. Util. Comm'n v. MXenergy Elec. Inc.*, Docket No. M-2012-2201861 (Opinion and Order entered Dec. 5, 2013). In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. Windstream Pa., LLC*, Docket No. M-2012-2227108 (Opinion and Order entered Sept. 27, 2012); *Pa. Pub. Util. Comm'n v. C S Water & Sewer Assoc.*, 74 Pa. PUC 767 (1991).

It is unusual for a proposed settlement in a general base rate case to be rejected. *Pa. Pub. Util. Comm'n v. Cmty. Utils. of Pa., Inc. – Wastewater Div.*, Docket No. R-2021-3025206, at 10 (Opinion and Order entered Jan. 13, 2022) (reversing the presiding officer's order recommending rejection of a joint petition for settlement of a rate case concluding that on balance, the settlement is in the public interest and should be approved).

The Commission recognizes that settlements represent “a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.” *Pa. Pub. Util. Comm'n v. C S Water and Sewer Assoc.*, 74 Pa. P.U.C. 767, 771 (1991).

C. Revenue Requirement

A utility's revenue requirement represents the total revenue that the utility needs to collect through rates charged to the public to cover its cost of service. The formula to calculate the utility's revenue requirement is:

$$RR = E + ROR(RB)$$

Where:

RR = Revenue Requirement

E = Expenses (including depreciation and taxes)

ROR = Overall Rate of Return

RB = Rate Base

A public utility is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service. *Pa. Gas & Water Co. v. Pa. Pub. Util. Comm'n*, 341 A.2d 239 (Pa. Cmwlth. 1975) (citations omitted). In determining a fair rate of return, the Commission must adhere to the constitutional standards established by the United States Supreme Court in the seminal cases *Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923) (*Bluefield*), and *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944) (*Hope Natural Gas*). In *Bluefield*, the Supreme Court stated:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.

Bluefield, 262 U.S. at 692-93.

Twenty years later, in *Hope Natural Gas*, the Supreme Court reiterated:

From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. By that standard the return to equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence

in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.

Hope Natural Gas, 320 U.S. at 603.

D. Black Box Settlements

The Settlement is a “black box” settlement. That is, the Joint Petitioners have agreed to an overall revenue requirement without agreeing to each and every adjustment of the components of the rate filing. The Commission has historically permitted the use of “black box” settlements as a means of promoting settlement:

We have historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings. Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company's revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company's cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases.

Pa. Pub. Util. Comm'n v. Peoples TWP, LLC, Docket No. R-2013-2355886 (Opinion and Order entered Dec. 19, 2013), at p. 28 (*Peoples TWP*) (citations omitted).

The Commission has also stated:

Despite the policy favoring settlements, the Commission does not simply rubber stamp settlements without further inquiry. In order to accept a settlement such as those proposed here, the Commission must determine that the proposed terms and conditions are in the public interest. The focus of the inquiry for determining whether a proposed settlement should be approved by the Commission is whether the proposed terms and conditions foster, promote and serve the public interest. Because

the Joint Petitioners request the Commission enter an order in this proceeding approving the Partial Settlement without modification, they share the burden of proof to show that the terms and conditions of the Partial Settlement are in the public interest.

Pa. Pub. Util. Comm'n v. PECO Energy Co., Docket No. R-2018-3000164 at 15 (Opinion and Order entered Dec. 20, 2018).

A “black box” settlement does not specifically identify the resolution of any disputed issues. Instead, an overall increase to base rates is agreed to and parties retain all rights to further challenge all issues in subsequent proceedings. A “black box” settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses. A former Chairman of the Commission has commented on “black box” settlements and stated that:

Determination of a company’s revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company’s cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black box settlements are an integral component of the process of delivering timely and cost-effective regulation.

See Pa. Pub. Util. Comm'n v. Wellsboro Elec. Co., Docket No. R-2010-2172662, Statement of Commissioner Robert F. Powelson (Order entered Jan. 13, 2011); *see also Pa. Pub. Util. Comm'n v. Citizens' Elec. Co. of Lewisburg, Pa.*, Docket No. R-2010-2172665, Statement of Commissioner Robert F. Powelson (Order entered Jan. 13, 2011).

V. FINDINGS OF FACT

Attached to the Settlement as Appendix D was Proposed Findings of Fact.⁹ The Joint Petitioners agree these Findings of Fact are sufficient to support a finding that the Settlement is in the public interest. Settlement ¶ 69.

Parties

1. VWPA, f/k/a SUEZ Water Pennsylvania Inc., is a regulated public utility corporation (Utility Codes 210013 (water) and 230077 (wastewater)) that provides water service to approximately 69,800 customers in 11 counties and wastewater service to approximately 1,600 customers in 2 counties. VWPA St. No. 1 p. 8.

2. BIE is the prosecutory arm of the Commission for purposes of representing the public interest in ratemaking and service matters, and enforcing compliance with the Pennsylvania Public Utility Code (“Code”) and Commission Regulations and Orders. I&E St. No. 1 p. 1; *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered Aug. 11, 2011).

3. OSBA is a Commonwealth agency created by Act 181 of 1988 to represent the interests of small businesses before the Commission. 73 P.S. § 399.41.

4. OCA is a Commonwealth agency created by Act 161 of 1976 to represent the interests of consumers before the Commission. 71 P.S. § 309-2.

5. CAUSE-PA is an unincorporated association of low- and moderate income individuals that advocates on behalf of its members to enable consumers of limited economic

⁹ The Proposed Findings of Fact are included here verbatim, but there may be formatting edits for consistency and readability.

means to connect to and maintain affordable water, electric, heating, and telecommunication services. CAUSE-PA St. 1 p. 2.

Background

6. In *Joint Application of Veolia Environment S.A., Veolia North American, Inc., SUEZ S.A., SUEZ Water Pennsylvania Inc. and SUEZ Water Bethel Inc. for all approvals pursuant to Section 1102(a)(3), (4) and 1103 of the Pennsylvania Public Utility Code, and as otherwise required under the Pennsylvania Public Utility Code for the change in control of SUEZ Water Pennsylvania Inc. and SUEZ Water Bethel Inc.*, Docket Nos. A-2021-3026515 et al. (Order entered December 2, 2021) (the Veolia Change of Control Order), the Commission approved a change in control of VWPA.

7. In *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., the Commission approved a merger of Veolia Water Bethel, Inc. with VWPA.

8. The Company's last base rate case was Docket No. R-2018-3000834. Rates became effective February 1, 2019. VWPA St. No. 1 p. 5

9. The last base rate case for Veolia Water Bethel Inc. was Docket No. R-2011-2770261. Rates became effective on March 16, 2012. VWPA St. No. 1 p. 5.

Revenue Requirement

10. VWPA initially requested an increase of (a) \$15,494,620 (or approximately 26.7% over VWPA's current annualized revenues) for the water system, and (b)

\$568,719 (or approximately 35% over current annualized revenues) for the wastewater system. VWPA St. No. 1 p. 6.

11. VWPA did not propose to spread any wastewater costs to water customers under Act 11 of 2012, 66 Pa. C.S. § 1311(c). VWPA St. No. 1 pp. 6-8.

12. The OCA initially recommended an increase of \$4,566,589 for the water system and \$427,859 for the wastewater system. OCA St. 1 p. 3.

13. I&E initially recommended an increase of \$9,489,484 for the water system and \$209,362 for the wastewater system. I&E St. No. 1 pp. 5-10.

14. The OSBA did not take a position on the overall revenue requirement, but argued that rates for non-residential customers of the Mahoning wastewater system should not increase. OSBA St. No. 1 p. 5.

Depreciation

15. VWPA calculates its depreciation using the Equal Life Group (“ELG”) methodology. VWPA St. No. 5-R p. 2.

16. OCA witness Garrett proposed using the Average Life Group (“ALG”) methodology to calculate depreciation. OCA St. 3 p. 64.

17. OCA witness Garrett also proposed using certain useful life parameters that produce lower depreciation rates than what the Company proposed. OCA St. 3 pp. 67-79.

State Tax Adjustment Surcharge

18. VWPA proposed that its state tax adjustment surcharge (“STAS”) be reset to zero. VWPA St. No. 2 p. 5.

Amortizations

19. Since its last base rate cases, VWPA has acquired the Township of Mahoning (Mahoning) water and wastewater systems, the Kensington Water Company (Kensington), and the Overbrook Water Company (Overbrook). VWPA St. No. 1 p. 9.

20. The Company’s rate request included the proposed amortization of certain expenses, including the amortization of acquisition adjustments for Brown Manor and other systems that were previously acquired by VWPA, as well as the Kensington, Overbrook and Mahoning systems. VWPA St. No. 2 pp. 14, 16 and 30.

21. I&E recommended removing the acquisition adjustment for the acquisition of the Mahoning systems, and all related depreciation expenses. I&E St. No. 3 p. 10.

22. OCA recommended amortizing the transaction costs for the Company’s acquisitions over ten years rather than five years. OCA St. 2 p. 21.

Proposed Positive Acquisition Adjustments

23. VWPA proposed acquisition adjustments pursuant to 66 Pa. C.S. § 1327 for its acquisition of the Kensington and Overbrook water systems. VWPA St. No. 1 pp. 10-11.

24. I&E did not object to VWPA’s proposal, but the OCA opposed it. VWPA St. No. 1-R pp. 15-16.

25. When the Commission approved the acquisition of the Mahoning systems pursuant to 66 Pa. C.S. § 1329, it approved a rate base addition of \$9.5 million for the acquisition. VWPA St. No. 1 pp. 9-10. Unlike later Commission orders approving Section 1329 acquisitions, the order approving the Mahoning acquisition did not include an Ordering Paragraph that stated the amount of net plant in service to be recorded. The Company accounted for the transaction by referencing the estimated original cost of the acquired assets and the estimated remaining book value. The difference between the estimated remaining book value and the purchase price was then recorded as an acquisition adjustment. VWPA St. No. 8-R pp. 4-5.

26. I&E opposed the acquisition adjustment for the Mahoning systems because the original cost of the acquisition should have been adjusted to reflect the purchase price per the Section 1329 fair market valuation. VWPA St. No. 1-R p. 17.

27. OCA did not contest including the full \$9.5 million purchase price in VWPA's rate base. VWPA St. No. 1-R p. 17.

Distribution System Improvement Surcharge

28. VWPA proposed that the DSIC be reset to zero (it is currently 7.5%). VWPA St. No. 2 pp. 5 and 7.

Unaccounted-For Water

29. The unaccounted-for water for VWPA's and Veolia Water Bethel's combined systems are under 13%. OCA St. 5SR p. 6.

30. In Docket No. R-2018-3000834, the settlement approved by the Commission provided:

[SUEZ Water Pennsylvania Inc. (“SWPA”)] shall prepare Section 500 forms for each of its operating systems for which it submits a Chapter 110 Report and provide them to the OCA and the Pennsylvania Public Utility Commission’s Bureau of Technical Utility Services (“TUS”) in live Excel format at the time of its Chapter 110 Report submission. SWPA will include records supporting its estimate of “Located and Repaired Breaks in Mains & Services.”

Docket No. R-2018-3000834, Joint Petition for Approval of Settlement of Rate Proceeding p. 8.

31. VWPA did not submit any UFW estimates on Form 500 and did not provide separate UFW estimates for each of its Chapter 110 Report systems. OCA St. 5 p. 19.

32. Due to employee turnover, current VWPA staff were not aware of the requirement that Form 500 be separated and submitted for each system where the Company completes a Chapter 110 Report. This will be corrected going forward, starting with the 2024 reports. VWPA St. No. 1-R pp. 8-9.

Customer Complaint Log

33. In Docket No. R-2018-3000834, the settlement approved by the Commission required the Company to prepare a complaint log in sortable Excel format. The log was to include complaints made to the Company about its service or facilities, showing the name and address of the complainant, the date and character of the complaint, and the final disposition of the complaint. *Pa. Pub. Util. Comm’n v. SUEZ Water Pennsylvania, Inc.*, Docket No. R-2018-3000834 (Recommended Decision issued October 31, 2018) p. 14 (adopted by the Commission by Order entered December 6, 2018).

34. VWPA has difficulty providing a complete complaint log because VWPA uses software for a “work order log” that files complaints in a separate file for each customer. It is difficult to adapt the Company’s “work order log” to a “complaint log.” OCA St. 5 pp. 4-5.

Minimum Flow at Fire Hydrants

35. The Department of Environmental Protection's Public Water Supply Manual states that the minimum size permitted for a water main connected to a fire hydrant is six inches. OCA Exhibit TLF-6.

36. VWPA has 71 fire hydrants that are connected to water mains less than six inches in diameter. OCA St. 5 p. 10.

37. OCA witness Fought recommended that any fire hydrants connected to water mains less than 6 inches in diameter be marked so that they will only be used for flushing and blow-offs. OCA St. 5 p. 11.

Customer Notice

38. VWPA provided notice of the instant rate increase to customers, as required by the Commission's notice requirements. VWPA St. No. 1 p. 36.

39. VWPA provided notice based on an average consumption of 3,500 gallons per month for a residential customer. Over 60% of residential customers consume between 3,500 and 3,600 gallons per month. VWPA St. No. 1 pp. 14-15.

40. The Company's notice invited customers to contact Veolia Customer Service to more specifically see how the proposed increase may affect their water or wastewater bill. VWPA St. No. 1-R p. 14-15.

41. OCA witness DeAngelo expressed concern that VWPA's notice only provided the rate impact for Main VWPA customers, which does not provide an accurate representation of the rate impact for the Company's Bethel, Overbrook, Kensington and Mahoning customers. OCA St. No. 1 pp. 11-12.

42. OCA witness DeAngelo noted that Pennsylvania-American Water Company sends a different notice to customers in each of its rate zones. Similarly, she argued that VWPA should send a different notice to customers in each of its systems. OCA St. 1-SR pp. 4-5.

43. OCA witness DeAngelo also recommended that VWPA's notice include the rate impact for customers who use 5,000 and 10,000 gallons per month. OCA St. No. 1 pp. 11-12.

Fully Projected Test Year Reporting

44. VWPA Exhibit LKF-1 contains a summary of the anticipated plant in service activity for the years ended September 30, 2024 (the Future Test Year (FTY)) and October 31, 2025 (the FPFTY)).

45. I&E witness Sakaya testified:

I&E believes there is value in determining how closely Veolia's projected investments in future plant compare with the actual investments that are made by the end of the FTY and the FPFTY. Determining the correlation between Veolia's projected and actual results will help inform the Commission and the parties in Veolia's future rate cases.

I&E St. No. 3 p. 11.

46. I&E witness Sakaya recommended that the Company provide the statutory advocates with periodic updates of VWPA Exhibit LKF-1. I&E St. No. 3 p. 11.

Miscellaneous

47. OCA witness Fought testified that water utilities periodically inspect and clean storage tanks to maintain good water quality and to maintain the service life of the tank. Tanks may be periodically painted inside and/or outside, depending on their construction. OCA St. 5 p. 22.

48. OCA witness Fought recommended that: (a) once a tank is more than 15 years old, it should be inspected by an experienced tank inspection contractor, who would submit a report of recommendations; (b) existing tanks that have not been repainted for over 20 years should be inspected by an experienced tank inspection contractor, who would again submit a report of recommendations; and (c) after an inspection, the tank should be reinspected at a frequency based on the inspection report's recommendations and Veolia's experience with similar tanks. OCA St. 5 p. 22.

[BEGIN CONFIDENTIAL]

■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

■ [REDACTED]

[REDACTED]

[END CONFIDENTIAL]

51. VWPA is (a) engaging Experian IdentityWorks to extend the complimentary Experian IdentityWorks credit monitoring services for an additional three months, and (b) in the process of sending a second notification to those affected persons that

have not enrolled into the complimentary monitoring program informing them of the three month extension to enroll into the credit monitoring service. Settlement ¶ 47.

Customer Assistance Program

52. In the *Veolia Change of Control Order*, the Commission approved a settlement in which the Company agreed to establish a Low-Income Advisory Committee (LIAC) and use input from the LIAC to develop improvements to its low-income programs, which would be proposed in the Company's next base rate case. The Company also agreed to provide a shareholder contribution of \$300,000 to support the low-income changes proposed in its next base rate case. VWPA St. No. 7 p. 3.

53. In this proceeding, the Company proposed a customer assistance program (CAP) for water services. The CAP proposal does not apply to wastewater customers. The CAP is modeled on other programs currently offered by other Commission-regulated investor-owned water utilities in the Commonwealth. VWPA St. No. 7 pp. 4-6.

54. As proposed by the Company, the CAP proposal includes a bill discount program, a service line repair program, and an arrearage forgiveness program. VWPA St. No. 7 p. 4.

55. As proposed by the Company, the bill discount program is a tiered discount, providing the most financial relief to those who need it the most. As a conservation component to the discounts, customers below 150% of the Federal Poverty Level ("FPL") will receive conservation education, conservation kits, and installation of kits by plumbers for Seniors if needed or those with a disability. VWPA St. No. 7 pp. 7-8.

56. As proposed by the Company, the arrearage forgiveness portion of the proposed CAP would give customers at or below 200% of the FPL who are unable to pay their past due bill flexible payment arrangements that allow an opportunity for forgiveness of \$25 per

month of the outstanding balance each time the customer pays his currently monthly bill by the due date. VWPA St. No. 7 p. 8.

57. As proposed by the Company, the service line repair program would involve the Company hiring contractors to provide plumbing repairs of up to \$1,500 (for each occurrence) to eligible low-income residential customers at or below 150% of the FPL. To be eligible, the customer must be in threat of termination, or have been terminated, and the leak must occur on an exposed internal line and/or consist of minor plumbing repairs such as faucets and toilets. External customer service side leaks would be repaired from the curb box to the face of the customer's home. VWPA St. No. 7 p. 9.

58. Because the CAP proposal is new, enrollment levels and total costs are difficult to estimate. The Company estimated costs for the CAP assuming that approximately three percent of eligible customers will enroll in the program. VWPA St. No. 7 p. 10.

59. VWPA proposed that a target budget of \$1,000,000 for CAP costs be included in its revenue requirement. VWPA St. No. 7 p. 11. The Company further proposed to track the difference between the overall costs of the program and the proposed target amount as a regulatory asset or liability, to be addressed in the Company's next base rate case filing. After gaining experience with the program, adjustments to the level of costs included in base rates would be adjusted to reflect the costs of the program more accurately in that future case. The shareholder contribution of \$300,000 would be included in the reconciliation as a direct offset of the overall program costs. VWPA St. No. 6 p. 7.

60. The proposed CAP program is in addition to the existing Veolia Cares program, which will continue. VWPA St. No. 7 p. 4.

61. Veolia Cares offers assistance to customers that are experiencing a hardship such as job loss, illness, or an unforeseen circumstance that prevents a customer from paying his water and/or wastewater bill. Qualifying customers may receive grants of up to \$300

annually toward their water bill and up to \$150 toward their wastewater bills. VWPA St. No. 7 p. 5.

62. The OCA used the asset limited, income and employed (ALICE) index, rather than the FPL, to estimate the number of Veolia customers who might need assistance. OCA St. No. 6 p. 3.

63. The OCA proposed numerous changes in the CAP. Among other things, the OCA proposed: expanding the number of discount tiers in the bill discount program, changing the discounts in the program, taking a more incremental approach to cost recovery, and increasing VWPA's low-income outreach efforts. OCA St. No. 6 p. 11.

64. CAUSE-PA proposed numerous changes in the CAP. Among other things, CAUSE-PA recommended: modifying the proposed bill discounts; extending the bill discount program to wastewater customers; increasing outreach to low-income customers; and only requiring CAP customers to pay their discounted CAP bill to receive arrearage forgiveness. CAUSE-PA St. No. 1 pp. 24-25, 29.

65. CAUSE-PA also recommended changes in the Veolia Cares program (e.g., that VWPA work with LIAC to establish objective criteria for program eligibility). CAUSE-PA St. No. 1 p. 21.

Tariff Issues

66. The Company proposed several changes to its tariff, including but not limited to reducing the due date of bills for all classes of customers except residential customers and proposing a fee of \$455 for a hydrant flow test. The Company also proposed various "housekeeping" revisions to the wastewater tariff to bring it into closer alignment with the water tariff, to remove certain elements that are not applicable to wastewater service, and to provide additional clarifications specific to wastewater service. VWPA St. No. 1 pp. 35-36.

67. CAUSE-PA witness Ballenger argued that VWPA should perform a comprehensive review of its water tariff to ensure that it accurately reflects present Pennsylvania law. CAUSE PA St. 1 pp. 34-37.

68. VWPA witness Finnicum testified that the tariff states that the Company will comply with Pennsylvania law and regulations. He also argued that the tariff does not need to re-state every applicable provision in Pennsylvania laws and regulations. Since the tariff concerns service to residential and non-residential customers, whereas the regulations at Chapter 56 only apply to residential customers, the Company disagrees that the tariff should incorporate the provisions of Chapter 56. VWPA St. No. 1-R pp. 18-22.

69. VWPA witness Finnicum testified that there are several errors in the proposed tariff that should be corrected. He proposed two changes in the water tariff as initially proposed by the Company (e.g., correcting a citation in Paragraph 41 of the tariff and revising the definition of “customer,” which ends in mid-sentence). VWPA St. No. 1-R pp. 18-22.

VI. TERMS AND CONDITIONS OF THE SETTLEMENT

The Joint Petitioners have agreed to the Settlement terms as set forth below. These terms are stated verbatim and, for ease of reference, retain the same paragraph numbers as they appear in the Settlement.

II. SETTLEMENT TERMS

24. The Joint Petitioners agree as follows:

A. Water Revenue Requirement

25. Following entry of a Commission final order approving this Settlement, VWPA shall file a compliance water tariff supplement, effective no

sooner than November 1, 2024, with new rates designed to produce \$10.9 M in additional annual operating revenue based upon the pro forma level of usage/billing determinants as filed in the case.

26. Veolia will not file for an increase in distribution water or wastewater base rate revenues before the end of the Fully Projected Future Test Year in the instant proceeding.

27. VWPA's allowed water revenue requirement will be recovered based upon the schedule of rates as shown in **Attachment A**.

B. Wastewater Revenue Requirement

28. Following entry of a Commission final order approving this Settlement, VWPA shall file a compliance wastewater tariff supplement, effective no sooner than November 1, 2024, with new rates designed to produce \$420 K in additional annual operating revenue based upon the pro forma level of usage/billing determinants as filed in the case.

29. VWPA's allowed wastewater revenue requirement will be recovered based upon the schedule of rates as shown in **Attachment A**.

C. Depreciation

30. For purposes of this settlement, VWPA's depreciation rates as filed in its base rate filing will be utilized. The parties to this proceeding continue to disagree about the appropriate depreciation method to be used by VWPA, and this settlement should not be construed as agreement to the methodology. All parties preserve their respective rights to address the depreciation methodology in any future proceeding.

D. State Tax Adjustment Surcharge

31. In accordance with 52 Pa. Code § 69.55, the State Tax Adjustment Surcharge (“STAS”) for VWPA shall be established at 0% effective with the effective date of Settlement Rates in this proceeding. The STAS shall be utilized to reflect the impacts of future changes in state income tax rates.

E. Amortizations¹⁰

32. The amortizations set forth in VWPA Exhibit No. GRH-3, Schedule 1, Summary of Adjustments, are not specifically included in this Settlement except for the following amortizations which are submitted for approval as an integral part of this Settlement and are reflected in the Settlement’s base rate allowance.

Description	Amortization Period	Annual Amortization
TCJA Liability (Protected)	Amortization is reflective of ARAM computations.	(\$300,000)
TCJA Liability (Unprotected)	Three (3) Years	(\$416,247)
Amortization of Acquisition Transaction Costs	Ten (10) Years	\$58,785
Amortization of Acquisition Adjustment	Twenty (20) Years ¹¹	\$57,744

¹⁰ Subheading D was apparently omitted from the Settlement, which skips from subheading C to subheading E.

¹¹ Prior acquisition adjustment (Brown Manor *et al.*) remains at the amortization period of 20 years and an amount of \$57,744 which will be fully amortized in early 2027.

F. Proposed Positive Acquisition Adjustments

33. The Parties agree that they will not propose, in this or any future proceeding, to amortize or otherwise pass through to ratepayers the difference between the net original cost and the purchase price (“positive acquisition adjustment”) with respect to the Kensington Water Company and the Overbrook Water Company.

34. The Parties agree that Veolia may include the full \$9.5 million for the Mahoning Township Water and Wastewater systems, acquired pursuant to Section 1329 of the Public Utility Code, in ratemaking rate base without a separate line item for an acquisition adjustment. Plant in service balances will be adjusted on a pro-rata basis as shown in **Attachment B** to this agreement.

G. Distribution System Improvement Charge

35. The Distribution System Improvement Charge (“DSIC”) for VWPA shall be established at 0% of billed revenues effective with the effective date of Settlement Rates. The DSIC shall remain at 0% of billed revenues until the later of: (i) the end of the FPFTY; or (ii) when VWPA’s total plant in service balance exceeds the \$569,106,389 (Water) and \$9,125,095 (Wastewater) levels projected by the Company in this proceeding at October 31, 2025 as shown on Attachment C. The foregoing provision is included solely for purposes of calculating VWPA’s DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing.

36. For purposes of calculating its DSIC, VWPA shall use the equity return rate for water utilities contained in the most recent Bureau of Technical Utility Services Quarterly Earnings of Jurisdictional Utilities Report as released by the Commission and shall update the equity return rate each quarter consistent

with any changes to the equity return rate for water utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

H. Unaccounted-For Water

37. VWPA shall prepare Section 500 forms for each of its operating systems for which it submits a Chapter 110 Report and provide them to the OCA and the Pennsylvania Public Utility Commission's Bureau of Technical Utility Services ("TUS") in live Excel format at the time of its Chapter 110 Report submission.

I. Customer Complaint Log

38. Veolia agrees to maintain complete data regarding customer complaints, work order and service logs which can be made available via Excel in response to any discovery requests by the parties in, *e.g.*, Veolia's next base rate case. The Company will include in the complaint log all formal and informal complaints received by the Company whether submitted to the PUC or directly to the Company. The Company will also agree to work with the parties to create a list of key words for complaints that Veolia will search as identified in the Direct Testimony of Terry Fought, Exh. TLF-3.

39. If the data is requested as part of discovery, the parties agree to collaborate on an informal basis to ensure that it is provided in a mutually acceptable and reasonably sortable format.

J. Minimum Flow at Hydrants

40. Veolia agrees to paint the bonnets of the identified fire hydrants on mains less than 6 inches in diameter in the color red as per the NFPA coding.

41. The Company's hydraulic models of all its distribution systems, which are used to determine that all its fire hydrants attached to water mains larger than 6-inch can provide the minimum fire flow criteria of providing 500 gallons per minute (gpm) at a residual pressure of 20 pounds per square inch (psi) for a duration of 2 hours without reducing the pressure in other areas of the distribution system to less than 20 psi, are currently under review by VWPA's qualified engineers. The Company commits to concluding the review by end of CY 2024. Should fire hydrants of concern be identified either in the model or via periodic field fire flow testing, VWPA commits to collaborating with local fire protection agencies to identify solutions to the benefit of public safety.

K. Customer Notice

42. Veolia will provide customer notices of proposed rate increases for systems that have been acquired since the previous rate case that will include the bill impacts for such systems.

L. Fully-Projected Future Test Year Reporting

43. VWPA agrees to provide the Commission's Bureau of Investigation and Enforcement, OCA and OSBA, on or before January 31, 2025, an update to VWPA Exhibit No. LKF-1, to include actual plant additions and retirements by month for the twelve months ending September 30, 2024. On or before July 31, 2025, VWPA shall update VWPA Exhibit No. LKF-1, for the twelve months ending March 31, 2025. In VWPA's next base rate proceeding,

VWPA shall prepare and submit a comparison of its actual expenditures and rate base additions for the twelve months ending October 31, 2025, to its projections in this case.

M. Miscellaneous

44. All other provisions of VWPA’s base rate filing as reflected in Tariff Supplement No. 5 to Tariff Wastewater – Pa. P.U.C No. 2 and Tariff Supplement No. 68 to Tariff Water – Pa. P.U.C. No. 7 shall be adopted without modification in VWPA’s base rate increase compliance tariff supplement filing,¹² except for the following three changes to the water tariff, described in VWPA St. No. 1-R:

- a. The definition of “customer” shall be modified to read: “A Customer shall mean a customer of record, or end user, or both, contracting for a supply of water.”
- b. The reference in Paragraph 41 to Section 56.112 through 56.118 of 76 P.R.M.D. - 10 will be replaced with a reference to 52 Pa. Code §§ 56.111 through 56.118.
- c. In Paragraph 33, the reference to “information complaints” will be changed to “informal complaints.”

Pro forma versions of the tariff supplements are attached as **Attachment L** (water) and **Attachment M** (wastewater).

¹² The Joint Petitioners acknowledge that proposed changes to VWPA’s water tariff are currently pending before the Commission in *Petition of Veolia Water Pennsylvania, Inc. for Approval of a Lead Service Line Replacement Program*, Docket No. P-2023-3042107 (Recommended Decision issued Jul. 2, 2024).

45. The Company agrees that tanks more than 15 years old, and tanks not repainted at the 20 year mark, will be inspected by a tank inspection contractor who will submit a report to the Company.

46. In regard to cybersecurity issues, the Parties acknowledge that VWPA is engaging Experian to (1) extend the complimentary Experian IdentityWorks credit monitoring services for an additional three (3) months, and (2) is in the process of sending a second notification to those affected persons that have not enrolled into the complimentary monitoring program informing them of the three (3) month extension to enroll into the complimentary credit monitoring services. Similar to VWPA's previous notice delivered to affected customers following the January 9, 2024 ransomware incident, in the event of a future breach involving customers' personal information, the Company will notify all affected customers of the breach, and include a description of the incident, what personal information was breached, and a list of steps that customers could take to protect their information going forward.

N. Customer Assistance Program ("CAP") and Other Assistance Programs

47. The Company's proposal to implement a CAP based on the details set forth in Veolia's direct, rebuttal, and/or surrebuttal testimony is approved, as modified by the terms of this Settlement.

48. The Company will continue to hold Low Income Advisory Committee (LIAC) meetings semi-annually where it will discuss and solicit input regarding its CAP program including outreach. The Company will share its CAP outreach materials with the LIAC and consider feedback from members.

49. The Company will maintain a \$35,000 per year shareholder contribution to the existing Veolia Cares hardship program. Unspent funds will continue to roll over and be added to the available program budget for the following year.

50. The hardship fund program grants for wastewater customers will be increased from \$150 to \$300.

51. The Company will add a fourth income tier to its proposed CAP to reflect the following:

<u>Poverty Level</u>	<u>Service Charge Discount</u>	<u>Volumetric Discount</u>
0-50%	\$0 fixed charge	First 3,000 gallons
50-100%	\$0 fixed charge	First 2,000 gallons
101-150%	\$0 fixed charge	First 1,000 gallons
151-200%	\$0 fixed charge	First 500 gallons

52. The Company will maintain the proposal to implement the proposed CAP (as adjusted) for water customers only. The Company will analyze census-based estimated low-income data for its wastewater districts to determine the number of households in poverty, as well as termination and arrearage data for wastewater customers, and will produce a report on the need for and feasibility of extending its CAP program to wastewater customers. The Company will provide the results to the LIAC within one year of effective rates in this case.

53. Regarding CAP Arrearage Forgiveness Payments, the Company will track and report on the length of time it takes for program participants to remediate their arrearages through the program and the rate of success of customers achieving full forgiveness through the program. The Company will report on this data to the LIAC annually. The Company affirms that its proposal

does not require participants to enter a separate payment arrangement to earn monthly forgiveness on pre-program arrears.

54. Plumbing repair will install measures included in the conservation kit, provided the customer agrees.

55. In addition to the census-based estimates for wastewater customers articulated above, the Company will begin calculating its census-based estimated low-income water and wastewater customers on an annual basis, consistent with the methodology used by the Company in this case, and report the number to the LIAC.

56. The Company will begin tracking its confirmed low-income water and wastewater customers at or below 150% FPL and at or below 200% FPL on a monthly basis and will provide the results to the LIAC. The Company will define “confirmed low income” as: Accounts where the Company has obtained information that would reasonably place the customer in a low-income designation, including but not limited to enrollment in assistance programs, requests for income-based payment arrangements, self-certification by the customer, or information obtained in § 56.97(b) (relating to procedures upon rate-payer or occupant contact prior to termination).

57. The Company will request input from the LIAC to develop and implement a process to routinely screen for confirmed low-income status during relevant customer contacts, and refer potentially eligible customers to its low income programs.

58. The Company will request input from the LIAC to design affirmative customer outreach for the purpose of identifying and enrolling low-income customers in the bill discount program.

59. For the first two semi-annual LIAC meetings after rates in this rate case go into effect, the Company will discuss and solicit input from the LIAC regarding opportunities and challenges related to 1) identifying leaks for CAP participants before they are in threat of termination, and 2) leak repair program accessibility for CAP customers not in threat of termination.

60. The Company will launch its CAP program within 180 days of the effective date of rates in this case and will provide updates on its progress at the semi-annual LIAC meetings.

61. The Company will track all costs associated with the administration of the CAP program, including the provision of services under the program. The Company will report these costs on an annual basis to the LIAC. In its next base rate proceeding, the Company shall identify those costs it seeks to recover as part of its ongoing administration of the CAP program.

O. Comprehensive Review of Tariff Language

62. Within 180 days of the effective date of rates in this case, the Company will initiate a comprehensive review of its tariff to ensure that the language and citations are consistent with applicable laws and the Commission's regulations and will file a compliance tariff if further changes are necessary for compliance.

P. Standard Settlement Conditions

63. It is recognized by the settling parties that this is a "black box settlement" that is a compromise of the settling parties' positions on various issues.

64. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in the Settlement without modification. If the Commission modifies the Settlement, any Petitioner may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an Order modifying the Settlement. The Joint Petitioners acknowledge and agree that the Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding.

65. Each term and condition set forth in this Joint Petition, whether or not set out in a numbered paragraph, shown in a table or other graphic presentation, bolded, italicized or otherwise emphasized, or set forth in the body, a footnote, a parenthetical, an appendix, and exhibit, or otherwise, is material consideration to the entry into this Settlement by the signatory parties.

66. Unless otherwise expressly indicated, all terms and conditions contained herein shall take effect immediately upon issuance of a final order in this proceeding, without the need for additional Commission review or approval.

67. This Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceedings. If the Commission does not approve the Settlement and the proceedings continue, the Joint Petitioners reserve their respective procedural rights, including the right to present additional testimony and to conduct full cross-examination, briefing and argument. The Settlement is made without any admission against, or prejudice to, any position which any Petitioner may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

68. The Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any Petitioner's position with respect to any issues raised in these proceedings. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

69. The Joint Petitioners have prepared Proposed Findings of Fact (**Attachment D**), Proposed Conclusions of Law (**Attachment E**), and Proposed Ordering Paragraphs (**Attachment F**). The Joint Petitioners further agree that the facts agreed to in the Proposed Findings of Fact are sufficient to find that the Settlement is in the public interest.

70. Each Petitioner has prepared a Statement in Support of Settlement setting forth the bases upon which the Petitioner believes the Settlement to be in the public interest. **Attachment G-K.**

71. If the ALJ recommends approval of the Settlement without modification, the Joint Petitioners will waive their rights to file Exceptions.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

72. The Joint Petitioners submit that the Settlement is in the public interest because it: (i) provides for the maintenance of safe and adequate service at just and reasonable rates and (ii) avoids the additional cost associated with litigation and the administrative burdens of continuing this proceeding.

VII. PARTIES' POSITIONS ON THE SETTLEMENT

A. Veolia Water Pennsylvania

VWPA explains that the Settlement, if approved, will resolve all the issues raised by the Joint Petitioners in these proceedings, including revenue requirement, revenue allocation, and certain other rate design, operational and tariff issues (including the creation of a CAP). VWPA Statement in Support, pp. 1-2. The Settlement was achieved only after a comprehensive investigation of VWPA's claims and operations. In addition to informal discovery, VWPA responded to hundreds of formal discovery requests (many of which had multiple subparts). The active parties filed several rounds of testimony and accompanying exhibits, and the active parties participated in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement. *Id.* at 3.

VWPA suggests the Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners to this proceeding, is in the best interest of VWPA, its customers, and the Joint Petitioners and is otherwise in the public interest, and should be approved, without modification. *Id.* at 2-3.

1. Revenue Requirement (Settlement ¶¶ A.25-B.29)

VWPA requested that the Commission approve base rate increases totaling approximately \$16 million. This was composed of an increase of (a) \$15,494,620 (or approximately 26.7% over VWPA's current annualized revenues) for the water system, and (b) \$568,719 (or approximately 35% over current annualized revenues) for the wastewater system. VWPA St. No. 1 p. 6. In contrast, OCA initially recommended an increase of \$4,566,589 for the water system and \$427,859 for the wastewater system. OCA St. 1 p. 3. I&E initially recommended an increase of \$9,489,484 for the water system and \$209,362 for the wastewater system. I&E St. No. 1 pp. 5-10.

In the Settlement, the Joint Petitioners agree to a revenue increase of approximately \$10.9 million (or approximately 18.9% over current annualized revenues) for the water system and \$420,000 (or approximately 25.9% over current annualized revenues) for the wastewater system. Settlement ¶¶ 25-29.

VWPA explains that the Settlement is a “black box settlement.” Settlement ¶ 63. As a result, the Joint Petitioners do not explain how they derived the revenue requirement. Further, in the Settlement, the Joint Petitioners agree that VWPA will not file for an increase in water or wastewater rates before the end of the FPFTY in these proceedings (October 31, 2025). Settlement ¶¶ 26.

VWPA avers these provisions in the Settlement are in the public interest and should be approved. They reduce the total amount of the rate request, but still provide the Company with the funds necessary to continue to provide safe, adequate and reasonable water and wastewater service, plus a fair rate of return. VWPA Statement in Support, p. 4. These provisions also ensure that the Company will not seek another rate increase for a brief period, which promotes rate stability for customers but allows the Company to seek another rate increase promptly if necessary to address the infrastructure investments required by the U.S. Environmental Protection Agency’s recent regulations regarding Per- and Polyfluoroalkyl Substances (PFAS) or other developments. *Id.*

2. Depreciation (Settlement ¶ C.30)

VWPA explains it calculates its depreciation using the Equal Life Group (ELG) methodology, and that it has used this approach for nearly thirty years. VWPA St. No. 5-R p. 2. In contrast, OCA witness Garrett proposed using the Average Life Group (ALG) methodology. OCA St. 3 p. 64. In addition, OCA witness Garrett proposed using certain useful life parameters that produce lower depreciation rates than what the Company proposed. OCA St. 3 pp. 67-79.

The Joint Petitioners compromised by agreeing to disagree about the depreciation methodology to be used by VWPA, but for these proceedings, the Joint Petitioners agreed to

utilize VWPA's depreciation rates as originally proposed by the Company. Settlement ¶ 30. VWPA notes all Joint Petitioners preserve their respective rights to address the depreciation methodology in a future proceeding.

VWPA argues the Settlement is in the public interest because it allows the Joint Petitioners to avoid litigating the issue of the appropriate depreciation methodology for VWPA. VWPA Statement in Support, p. 5. Instead, they reserve the right to litigate the issue in a future proceeding. In the meantime, the issue may be presented to, and resolved by, the Commission in another utility's base rate case, eliminating the need for the Joint Petitioners to litigate the issue in the future. *Id.*

For purposes of this proceeding, the Joint Petitioners agree that the Commission should use the depreciation rates as filed by the Company in its original filing. This gives the ALJ and the Commission the substantial evidence on which they can base a decision. *Id.*

3. State Tax Adjustment Surcharge (Settlement ¶ D.31)

52 Pa. Code § 69.55 provides:

If a utility has on file a State tax adjustment surcharge or gross receipts tax rider at a rate other than zero, the State tax adjustment surcharge and gross receipts tax rider shall be zeroed and the tax expense recovered by the surcharge and rider shall be rolled into base rates in the next general rate increase filed by the utility. If the utility files a cost of service study with its proposed rate increase, the tax expense previously recovered through the surcharge and rider shall be allocated to the various classes of service in a manner consistent with the cost of service study. If a cost of service study is not provided with the rate filing, the surcharge and rider revenues shall be rolled into base rates by applying the same percentage rate to each class of service so that there will be no effective change in total revenues

recovered from each service classification as a result of the roll-in.

Consistent with the Commission's regulation at 52 Pa. Code § 69.55, VWPA proposed that its state tax adjustment surcharge (STAS) be reset to 0%. VWPA St. No. 2 p. 5. No party objected. The Settlement provides that the STAS will be reset to 0% effective with the effective date of settlement rates in this proceeding and the STAS will be utilized to reflect the impacts of future changes in state income tax rates. Settlement ¶ 31.

VWPA submits that this provision is in the public interest because it sets rates consistent with the Commission's regulations. VWPA Statement in Support, p. 6.

4. Amortizations (Settlement ¶ E.32)

The Company's initial rate request included the proposed amortization of certain expenses, including the amortization of acquisition adjustments for Brown Manor, the Kensington Water Company, the Overbrook Water Company, and the Mahoning Township water and wastewater systems. VWPA St. No. 2 pp. 14, 16, 30. Some of the Joint Petitioners disputed portions of this claim. For example, I&E recommended removing the acquisition adjustment for the acquisition of the Mahoning water and wastewater systems, I&E St. No. 3 p. 10, and OCA recommended amortizing the transaction costs for the Company's acquisitions over ten years rather than five years, as proposed by the Company. OCA St. 2 p. 21. In rebuttal testimony, the Company accepted some, but not all, of these proposals. VWPA St. No. 2-R pp. 21, 33.¹³

The Settlement does not include the Company's proposed amortizations, except for four amortizations that are specifically listed (along with the annual amortization and the amortization period). Settlement ¶ 32. The Settlement maintains the amortization of a prior

¹³ VWPA discussed the resolution of Joint Petitioners' dispute over the amortization of acquisition adjustments for Kensington, Overbrook, and Mahoning in the Proposed Positive Acquisition Adjustments section of its Statement in Support. *See* VWPA Statement in Support, pgs. 6-8.

acquisition adjustment (for the acquisition of Brown Manor *et al.*) and memorializes that this prior acquisition adjustment will expire as currently scheduled in early 2027.

VWPA argues this provision of the Settlement is in the public interest because it represents a reasonable compromise of the Joint Petitioners' positions on the amortization issue. VWPA Statement in Support, pp. 6-7. The Company agreed to concede certain amortization claims, and the statutory advocates agreed to concede some of their proposed amortization adjustments. *Id.* VWPA argues that these compromises are a key part of the Settlement, which ensures that the Company will be able to continue to provide water and wastewater service to customers at just and reasonable rates. *Id.*

5. Proposed Positive Acquisition Adjustments (Settlement ¶¶ F.33-34)

The Company proposed acquisition adjustments pursuant to 66 Pa.C.S. § 1327(a) for its acquisition of the Kensington and Overbrook water systems. VWPA St. No. 1 pp. 10-11. I&E agreed with VWPA's proposal, but OCA opposed it. VWPA St. No. 1-R pp. 15-16.

With respect to the Section 1329 acquisition of the Mahoning systems, the Commission approved a rate base addition of \$9.5 million for the acquisition (with \$4,734,800 being allocated to water rate base and \$4,765,200 being allocated to wastewater rate base). VWPA Statement in Support, p. 7. VWPA explained that the assets were recorded on the Company's books at depreciated original cost. *Id.* The Company requested a return on and of the purchase price. VWPA St. No. 1 pp. 9-10. I&E argued that there should be no acquisition adjustment because the original cost of the acquisition should have been adjusted to reflect the purchase price per the Section 1329 fair market valuation. The OCA did not contest including the full \$9.5 million purchase price into rate base. VWPA St. No. 1-R p. 17.

In her Rebuttal Testimony, VWPA witness Jacob explained:

In the Commission's Order approving the Mahoning acquisition the full amount of the acquisition price was approved for

inclusion in rate base. However, the Order did not include an Ordering paragraph which stated the amount of net plant in service to be recorded. Since the Company's acquisition, VWPA has noted this statement has been included in the Orders for other Section 1329 acquisitions in Pennsylvania. At the time of the recording of the acquisition, the Company accounted for the transaction as it believed was appropriate, referencing the estimated original cost of the acquired assets and the estimated remaining book value. The difference between the estimated remaining book value and the purchase price was then recorded as acquisition adjustment.

The Company believes, absent an Order to the contrary, that this accounting was appropriate and complies with the Uniform System of Accounts. However, accepting [I&E] witness Sakaya's interpretation, the Company has included this adjustment as a part of Company witness Herbert's workpapers whereby the Company would reclassify the acquisition adjustment amount as an addition to plant in service and an elimination of the related acquisition adjustment which would then be depreciated at the proposed depreciation rates in this case. Consequently, if the recommendation to reject the Mahoning acquisition adjustment is adopted, VWPA recommends that the Commission adopt the Company's rebuttal adjustment.

VWPA St. No. 8-R pp. 4-5.

In the Settlement, the Joint Petitioners agree that VWPA will not propose, in this or any future proceeding, that it receive an acquisition adjustment for the Kensington or Overbrook systems. Settlement ¶ 33. The Joint Petitioners also agreed that VWPA may include the full \$9.5 million purchase price for the Mahoning water and wastewater systems in rate base without a separate line item for an acquisition adjustment. The Joint Petitioners further agreed that the plant in service balances will be adjusted on a *pro rata* basis as shown on **Attachment B**. *Id.* ¶ 34.

VWPA argues these provisions are in the public interest. VWPA posits the Settlement provisions concerning Mahoning put VWPA in the position it would have been in if the Commission had included what is now a standard ordering paragraph in the order for

VWPA's acquisition of the Mahoning systems. VWPA Statement in Support, p. 8. They also help keep rates just and reasonable by preventing VWPA from requesting an acquisition adjustment for the Kensington and Overbrook systems. *Id.*

6. Distribution System Improvement Charge (Settlement ¶¶ G.35-36)

66 Pa.C.S. § 1358(b)(1) requires a utility's distribution system improvement charge ("DSIC") to be reset to zero on the effective date of new base rates that provide for the prospective recovery of the annual fixed costs of eligible property that were previously recovered under the utility's DSIC. Consistent with this statutory directive, Settlement ¶ 35 provides that VWPA's DSIC will be reset at 0% of billed revenues effective with the effective date of Settlement rates. The DSIC will remain at this level until the later of: (i) the end of the FPFTY or (ii) when VWPA's total plant in service balance exceeds the \$569,106,389 (water) and \$9,125,095 (wastewater) levels projected by the Company at October 31, 2025, as shown on **Attachment C**.

The Commission has held that parties may stipulate to a cost of common equity in the settlement of a base rate proceeding for purposes of calculating a DSIC. This figure may be used for up to two years. *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611 p. 35 (Final Implementation Order entered Aug. 2, 2012). After that date, the cost of equity in the Commission's most recent quarterly report on the earnings of jurisdictional utilities would be used for the cost of equity component of pretax return. 66 Pa.C.S. § 1357(b)(3). In Settlement ¶ 36, the Joint Petitioners agree that VWPA will calculate its DSIC using the equity return rate for water utilities contained in the most recent quarterly report on the earnings of jurisdictional utilities.

VWPA argues the DSIC provisions are in the public interest because they are consistent with applicable law. VWPA Statement in Support, p. 9. In addition, consistently using the Commission's most recent quarterly report on the earnings of jurisdictional utilities to determine the cost of equity ensures that DSIC rates will be stable and just and reasonable. *Id.*

The DSIC provisions of the Settlement are also in the public interest because they ensure that VWPA will not begin to charge a DSIC until the Company's plant in service balance exceeds the amounts that VWPA projected through the end of the FPFTY. *Id.* This provision protects consumers against an overestimation of the plant in service that the Company will install by the end of the FPFTY. *Id.*

7. Rate Structure / Rate Design

VWPA proposes to move toward consolidating the rates of its five water service territories (Main Division, Mahoning, Kensington, Bethel and Overbrook) and toward rates that are more in line with the cost to serve. OCA witness Mierzwa proposed moderating some of the proposed rates to avoid rate shock and provide for gradualism. OCA St. 4 p. 3. He recommended other changes in VWPA's proposed rate structure, including increasing public fire charges to recover 25% of the cost of service (limited to a maximum increase of twice the system average increase), modifying the monthly customer charges to be based on the direct costs associated with the costs of adding or subtracting a customer, and proportionately adjusting customer charges and volumetric usage charges based on the revenue requirement allowed in this case. *Id.* at 4.

VWPA agreed with some of these proposals in its rebuttal testimony but disagreed with other proposals. For example, VWPA witness Heppenstall disagreed with Mr. Mierzwa's proposed methodology for determining monthly customer charges. VWPA St. No. 3-R pp. 2-3. VWPA witness Herbert agreed to Mr. Mierzwa's proposed increase in public fire charges, but not his proposal to modify the proposed customer charge. VWPA St. No. 2-R p. 24.

OSBA generally agreed with VWPA's rate design but proposed that VWPA not increase rates for non-residential customers of Mahoning's wastewater system. Instead, OSBA proposed moving the residential class closer to its cost of service. OSBA St. No. 1 p. 5. VWPA

opposed this recommendation because it might cause rate shock for residential wastewater customers of the Mahoning wastewater system. VWPA St. No. 2-R p. 36.

In the Settlement, the Joint Petitioners agreed on the schedule of rates. Schedules of water and wastewater rates are attached to the Settlement as **Attachments A and B**. *Pro forma* versions of the tariff supplements are attached as **Attachments L and M**. As reflected in these schedules of rates, the Settlement reflects the mutual balancing of various issues and positions. Additionally, the schedule of rates addresses the OSBA's concerns about VWPA's proposed increase for Mahoning's non-residential wastewater customers by moving toward rates reflecting revenues more closely aligned to those indicated by the filed cost of service study. VWPA Statement in Support, p. 10. VWPA argues these provisions are in the public interest and should be approved because they represent a reasonable compromise of the positions of the various parties. *Id.*

8. Unaccounted-for Water (Settlement ¶ H.37)

The Commission has a Statement of Policy concerning water conservation measures. 52 Pa. Code § 65.20. That statement of policy provides that, in rate proceedings of water utilities, the Commission will review utilities' efforts to comply with the Statement of Policy when determining just and reasonable rates. This includes compliance with the Statement of Policy's provisions regarding unaccounted-for water (UFW): "Levels of unaccounted-for water should be kept within reasonable amounts. Levels above 20% have been considered by the Commission to be excessive." 52 Pa. Code § 65.20(4). OCA witness Fought found that the total UFW for Veolia's Pennsylvania and Bethel combined systems is under 13%, OCA St. 5SR p. 6, which is well within acceptable levels of UFW.

However, OCA witness Fought found that the Company is not in compliance with some UFW provisions from the settlement in its previous (2018) rate case. In that settlement, which was approved by the Commission, the parties agreed as follows:

[SUEZ Water Pennsylvania Inc. (“SWPA”)] shall prepare Section 500 forms for each of its operating systems for which it submits a Chapter 110 Report and provide them to the OCA and the Pennsylvania Public Utility Commission’s Bureau of Technical Utility Services (“TUS”) in live Excel format at the time of its Chapter 110 Report submission. SWPA will include records supporting its estimate of “Located and Repaired Breaks in Mains & Services.”¹⁴

Pa. Pub. Util. Comm’n v. SUEZ Water Pa., Inc., Docket No. R-2018-3000834, Joint Petition for Approval of Settlement of Rate Proceeding, p. 8 (Order entered Dec. 6, 2018).

In his Direct Testimony, OCA witness Fought stated that VWPA did not submit any UFW estimates on Form 500 and did not provide separate UFW estimates for each of its Chapter 110 Report systems. OCA St. 5 p. 19. In his Rebuttal Testimony, VWPA witness Finnicum explained that, due to employee turnover, current VWPA staff were not aware of the requirement that Form 500 be separated and submitted for each system where the Company completes a Chapter 110 Report. He stated that this will be corrected going forward, starting with the 2024 reports. VWPA St. No. 1-R pp. 8-9.

In the Settlement, the Joint Petitioners agreed to include a provision very similar to the UFW provision that was included in the settlement of VWPA’s 2018 rate case. Settlement ¶ 37. The only significant difference between the 2018 settlement and the Settlement proposed in this proceeding is that the final sentence quoted above (concerning supporting records) has been removed in the 2024 Settlement. VWPA Statement in Support, p. 12.

VWPA avers the UFW provision in the Settlement proposed in this proceeding is in the public interest. It ensures that VWPA will provide information for discrete systems, consistent with the 2018 agreement. *Id.* This will help ensure that each discrete system is less

¹⁴ SWPA is now VWPA.

than 20% UFW, which will benefit the Company and its ratepayers by promoting the efficiency of each system. *Id.*

9. Customer Complaint Log (Settlement ¶¶ I.38-39)

In the settlement of VWPA's 2018 rate case, the Company agreed to prepare a complaint log in sortable Excel format. *Pa. Pub. Util. Comm'n v. SUEZ Water Pa., Inc.*, Docket No. R-2018-3000834 Recommended Decision p. 14 (Order entered Dec. 6, 2018). The log would include complaints made to the Company about its service or facilities, showing the name and address of the complainant, the date and character of the complaint, and the final disposition of the complaint. *Id.* OCA witness Fought testified that it was difficult for VWPA to provide a complete complaint log because of the computer software used by VWPA. OCA St. 5 pp. 4-5.

The Joint Petitioners agreed to a complaint log provision that is more robust than the complaint log provision in the settlement of VWPA's 2018 rate case proceeding. Settlement ¶ 38. The complaint log will include data regarding customer complaints, work orders and service, and will be available in Excel format in discovery in future cases, including Veolia's next base rate case. The complaint log will include formal and informal complaints submitted to the Commission, as well as complaints directly submitted to the Company. *Id.* Finally, the Joint Petitioners will collaborate to create a list of key words for complaints that Veolia will search.

The complaint log provision is in the public interest because it will allow VWPA and other parties to more efficiently review data concerning VWPA's responses to customer complaints. VWPA Statement in Support, p. 13. VWPA avers this information will be helpful to the Company in conducting normal business operations, as well as being helpful to parties in future litigation. By reviewing and analyzing this data, the Company will be better able to ensure that it is providing reasonable and adequate service (including customer service) to its ratepayers. *Id.*

10. Minimum Fire Flow at Hydrants (Settlement ¶ J.40-41)

OCA witness Fought noted that the Department of Environmental Protection's Public Water Supply Manual states that the minimum size permitted for a water main connected to a fire hydrant is six inches. OCA St. 5 p. 10; OCA Exhibit TLF-6. VWPA, however, has 71 fire hydrants that are connected to water mains less than six inches in diameter. OCA witness Fought recommended that any fire hydrants connected to water mains less than six inches in diameter be marked so that they will only be used for flushing and blow-offs. OCA St. 5 pp. 10-11. In the Settlement, the Joint Petitioners agree that the bonnets of fire hydrants on mains less than six inches in diameter will be painted red. Settlement ¶ 40.

In addition, the Settlement notes that the Company is currently reviewing its hydraulic models, which are used to determine that all fire hydrants attached to water mains larger than six inches can provide the minimum fire flow of 500 gallons per minute at a residual pressure of 20 pounds per square inch for a duration of two hours, without reducing the pressure in other areas of the distribution system to less than 20 pounds per square inch. VWPA commits to completing this review by the end of 2024. If fire hydrants of concern are identified, either through the model or through periodic field fire flow testing, VWPA will collaborate with local fire protection agencies to identify solutions that will benefit public safety. Settlement ¶ 41.

VWPA argues these provisions of the Settlement are in the public interest because they promote public safety without exposing the Company to potential liability by making the Company a guarantor of fire service. Additionally, these provisions are consistent with the Commission's Statement of Policy on Public Fire Protection Service and System Hydraulic Monitoring. That Policy Statement provides that the Commission may consider a water public utility's effort to meet the recommendations of the policy statement when determining just and reasonable rates. 52 Pa. Code § 69.1501(a). VWPA notes it is making a good faith effort to meet the recommendations of the Policy Statement. VWPA Statement in Support, p. 14.

The Policy Statement further provides that a Class A water public utility (such as VWPA) “should operate with a sophisticated level of technical expertise including the use of modern water industry tools such as computerized hydraulic modeling software.” 52 Pa. Code § 69.1501(b). VWPA is using computerized hydraulic modeling software. Finally, the Statement of Policy provides:

Where the water public utility determines a fire hydrant does not provide service at the minimum operating characteristics for fire protection service and may serve a useful purpose as a flushing hydrant, the water public utility can mark the fire hydrant as such, either permanently or until the hydrant can be removed, remediated or replaced.

52 Pa. Code § 69.1503(b)(4).

In the Settlement, VWPA commits to reviewing its hydraulic models, by the end of 2024, to determine whether all the fire hydrants on water mains larger than six inches provide service at the Company’s minimum operating characteristics for fire protection service. Settlement ¶ 41. If they cannot, the Company will work with local fire protection agencies to determine whether the hydrant should be removed, remediated, replaced, or used only for flushing/blowoff purposes. *Id.*

VWPA The Settlement’s provisions concerning minimum fire flow at hydrants are reasonable and consistent with the Commission’s Statement of Policy. VWPA Statement in Support, p. 15. Therefore, VWPA argues they should be approved without modification.

11. Customer Notice (Settlement ¶ K.42)

VWPA provided notice of the rate increase to customers as required by the Commission’s notice requirements. VWPA St. No. 1 p. 36. OCA witness DeAngelo had several concerns with the form of VWPA’s customer notice. First, she was concerned that the notice only provides the rate impact for Main VWPA customers, which does not provide an accurate

representation of the rate impact for the Company's Bethel, Overbrook, Kensington and Mahoning customers. OCA St. No. 1 pp. 11-12. Second, she notes that VWPA provides notice based on an average consumption of 3,500 gallons per month for a residential customer. She recommended that the notice also include the rate impact for customers who use 5,000 and 10,000 gallons per month. *Id.*

In rebuttal, VWPA witness Finnicum noted that the Company's notice invites customers to contact Veolia Customer Service to more specifically see how the proposed increase may affect their water or wastewater bill. VWPA St. No. 1 pp. 14-15. He also argued that over 60% of residential customers consume between 3,500 and 3,600 gallons per month, and few consume 5,000 or 10,000 gallons per month. *Id.*

In her Surrebuttal, OCA witness DeAngelo noted that Pennsylvania-American Water Company sends a different notice to customers in each of its rate zones. OCA St. 1SR pp. 4-5. She argued that VWPA should do the same. She also continued to argue that the Company should include several usage levels in its customer notice. *Id.*

In the Settlement, the Company agreed that, in the future, it will provide a separate customer notice for customers of systems that have been acquired since the previous rate case. Settlement ¶ 42. VWPA argues this provision is in the public interest because customers of acquired systems tend to experience the more dramatic rate impacts than continuing customers of VWPA. VWPA Statement in Support, p. 16. VWPA contends this provision is also in the public interest because it is administratively easier, as well as less costly, for VWPA to develop and distribute a limited number of different versions of its customer notice. *Id.*

12. Fully-Projected Test Year Reporting (Settlement ¶ L.43)

VWPA Exhibit LKF-1 contains a summary of the anticipated plant in service activity for the years ended September 30, 2024 and October 31, 2025. I&E witness Sakaya testified:

I&E believes there is value in determining how closely Veolia's projected investments in future plant compare with the actual investments that are made by the end of the [future test year ("FTY")] and the FPFTY. Determining the correlation between Veolia's projected and actual results will help inform the Commission and the parties in Veolia's future rate cases.

I&E St. No. 3 p. 11.

Consequently, Mr. Sakaya recommended that the Company provide the statutory advocates with periodic updates of VWPA Exhibit LKF-1. *Id.*

The Settlement provides that the Company will provide an update of VWPA Exhibit LKF-1 to I&E, OCA and OSBA by January 31, 2025 and by July 31, 2025. Settlement ¶ 43. In addition, when the Company files its next base rate case, VWPA will include a comparison of its actual expenditures and rate base additions for the twelve months ending October 31, 2025 to the projections in this case. *Id.*

VWPA agrees that there is value in comparing the Company's expected plant additions and retirements during the FTY and the FPFTY to actual plant additions and retirements during those periods. VWPA Statement in Support, p. 15. The updates described in the Settlement will allow the Commission and all parties to future rate proceedings assess the accuracy of VWPA's projections, VWPA submits this provision should be approved as being in the public interest. *Id.*

13. Miscellaneous (Settlement ¶ M.44-46)

a. Tariff Revisions

In his Rebuttal Testimony, Mr. Finnicum noted that there are some errors in the proposed tariff that should be corrected and he proposed three changes in the water tariff as initially proposed by the Company. VWPA St. No. 1-R pp. 18-22.

In the Settlement, ¶ 44, the Joint Petitioners recommend that the Commission adopt the Tariffs as proposed by VWPA,¹⁵ **Attachments L and M**, with three corrections proposed in Mr. Finnicum’s Rebuttal Testimony:

- The definition of “customer” on Sixth Revised Page 17 shall be modified to read: “A Customer shall mean a customer of record, or end user, or both, contracting for a supply of water.”
- The sentence in Paragraph 41 that reads “Procedures set forth in Section 56.112 through 56.118 of 76 P.R.M.D. – 10 will be followed.” shall be replaced by the sentence “Procedures set forth in 52 Pa. Code § 56.111 through 56.118 will be followed.”
- In Paragraph 33, the reference to “information complaints” be changed to “informal complaints.”

VWPA argues these provisions are in the public interest because the proposed water and wastewater Tariffs include rules and regulations governing the provision of service, and these rules and regulations need to be approved by the Commission. VWPA Statement in Support, p. 17. Considering that a rate proceeding offers limited time to review the Company’s

¹⁵ The Joint Petitioners acknowledge that proposed changes to VWPA’s water tariff are currently pending before the Commission in *Petition of Veolia Water Pennsylvania, Inc. for Approval of a Lead Service Line Replacement Program*, Docket No. P-2023-3042107 (Recommended Decision issued Jul. 2, 2024).

Tariff, the Settlement prudently proposes necessary changes to be made immediately, but also provides for additional time to perform a comprehensive review of the tariffs. *Id.*; see Section O (Comprehensive Review of Tariff Language), below. For all these reasons, VWPA argues the proposed Tariff revisions should be approved, without modification.

b. Water Storage Tanks

OCA witness Fought testified that water storage tanks are periodically inspected and cleaned to maintain good water quality in the distribution system and to maintain the service life of the tank. OCA St. 5 p. 22. Tanks may be periodically painted inside and/or outside, depending on their construction (for example, glass-lined tanks do not require inside or outside painting). He recommended that once a tank is more than 15 years old, it should be inspected by an experienced tank inspection contractor, who would submit a report of recommendations. *Id.* He also recommended that existing tanks that have not been repainted for over 20 years should be inspected by an experienced tank inspection contractor, who would again submit a report of recommendations. After an inspection, the tank should be reinspected at a frequency based on the inspection report's recommendations and Veolia's experience with similar tanks. *Id.* In his Rebuttal Testimony, VWPA witness Finnicum agreed to this recommendation. VWPA St. No. 1 pp. 7-8.

The Settlement provides that tanks more than 15 years old, and tanks not repainted at the 20-year mark, will be inspected by a tank inspection contractor, who will submit a report to the Company. Settlement ¶ 45. VWPA avers this provision is in the public interest because it will help the Company maintain good water quality for distribution to customers. VWPA Statement in Support, p. 18. It will also help the Company maintain the service life of its tanks, keeping costs stable for customers. *Id.* As such, VWPA argues these provisions are in the public interest and should be approved.

c. Cybersecurity **[BEGIN CONFIDENTIAL]**

[REDACTED]

[REDACTED]

[REDACTED]

[END CONFIDENTIAL]

14. Customer Assistance Program and Other Assistance Programs (Settlement ¶¶ N.47-61)

In the settlement in *Joint Application of Veolia Environnement S.A., Veolia North America, Inc., SUEZ S.A., SUEZ Water Pennsylvania Inc. and SUEZ Water Bethel Inc. for all approvals pursuant to Section 1102(a)(3), (4) and 1103 of the Pennsylvania Public Utility Code, and as otherwise required under the Pennsylvania Public Utility Code for the change in control of SUEZ Water Pennsylvania Inc. and SUEZ Water Bethel Inc.*, Docket Nos. A-2021-3026515 et al. (Order entered Dec. 2, 2021) (the “*Veolia Change of Control Order*”), the Company agreed to establish a Low-Income Advisory Committee (LIAC) and use input from the LIAC to develop improvements to its low-income programs, to be proposed in the next base rate case. The Company also agreed to provide a shareholder contribution of \$300,000 to support the low-income changes presented in its next base rate case. VWPA St. No. 7 p. 3.

In this proceeding, the Company proposed a CAP for water service; the CAP proposal does not apply to wastewater service. VWPA St. No. 7 pp. 4-6. The CAP is modeled on CAPs currently offered by other Commission-regulated investor-owned water utilities in the Commonwealth. *Id.*

As proposed by the Company, the CAP included a bill discount program, a service line repair program, and an arrearage forgiveness program. VWPA St. No. 7 p. 4. The bill discount program was proposed to be a tiered discount, providing the most financial relief to those who need it the most. As a conservation component to the discounts, customers below 150% of the Federal Poverty Level (FPL) would receive conservation education, conservation kits, and installation of kits by plumbers for Seniors if needed or those with a disability. VWPA St. No. 7 pp. 7-8. The arrearage forgiveness program was proposed to give customers at or below 200% of the FPL who are unable to pay their past due bills flexible payment arrangements that allow an opportunity for forgiveness of \$25 per month of the outstanding balance each time the customer pays his currently monthly bill by the due date. VWPA St. No. 7 p. 8. Finally, the service line repair program was proposed to have the Company hire contractors who would

provide plumbing repairs of up to \$1,500 (for each occurrence) to eligible low-income residential customers at or below 150% of the FPL. To be eligible, the customer must be in threat of termination, or have been terminated, and the leak must occur on an exposed internal line and/or consist of minor plumbing repairs such as faucets and toilets. External customer service side leaks would be repaired from the curb box to the face of the customer's home. VWPA St. No. 7 p. 9.

Because the CAP proposal is new, enrollment levels and total costs are difficult to estimate. The Company estimated costs for the CAP assuming that approximately three percent of eligible customers will enroll in the program. VWPA St. No. 7 p. 10. VWPA proposed that a target budget of \$1,000,000 for CAP costs be included in its revenue requirement. VWPA St. No. 7 p. 11. The Company further proposed to track the difference between the overall costs of the CAP and the proposed target amount as a regulatory asset or liability, to be addressed in the Company's next base rate case filing. After gaining experience with the program, adjustments to the level of costs included in base rates would be adjusted to reflect the costs of the program more accurately in that future case. The shareholder contribution of \$300,000 would be included in the reconciliation as a direct offset of the overall program costs. VWPA St. No. 6 p. 7.

The proposed CAP program is in addition to the Veolia Cares program, which will continue. VWPA St. No. 7 p. 4. Veolia Cares offers assistance to customers that are experiencing a hardship such as job loss, illness, or an unforeseen circumstance that prevents the customer from paying his water and/or wastewater bill. Qualifying customers may receive grants of up to \$300 annually toward their water bill and up to \$150 toward their wastewater bills. VWPA St. No. 7 p. 5. In 2023, the Company started sending conservation kits to Veolia Cares grant recipients to assist them in reducing their monthly water consumption. VWPA St. No. 7 p. 5.

CAUSE-PA and the OCA proposed changes to the CAP program. The OCA used the asset limited, income and employed (ALICE) index, rather than the FPL, to estimate the number of Veolia customers who might need assistance. OCA St. No. 6 p. 3. Among other

things, the OCA proposed expanding the number of discount tiers in the bill discount program, changing the discounts in the program, taking a more incremental approach to cost recovery, and increasing VWPA’s low-income outreach efforts. OCA St. No. 6 p. 11. Among other things, CAUSE-PA recommended: modifying the proposed bill discounts; extending the bill discount program to wastewater customers; increasing outreach to low-income customers; and only requiring CAP customers to pay their discounted CAP bill to receive arrearage forgiveness. CAUSE-PA St. No. 1 pp. 24-25, 29. In addition, CAUSE-PA recommended changes in the Veolia Cares program. CAUSE-PA St. No. 1 p. 21.

In the Settlement, the Joint Petitioners agree that CAP and other assistance programs should be approved as proposed, except as modified by the Settlement. Settlement ¶ 47. VWPA’s proposed CAP will be launched within 180 days of the effective date of rates in this case. *Id.* ¶ 60.

The Settlement makes numerous changes in the Company’s proposal, including removing the proposal for tracking the difference between the overall costs of the program and the proposed target amount as a regulatory asset or liability, to be addressed in the Company’s next base rate case filing. Settlement ¶¶ 48-61. Instead, VWPA will track all costs associated with the administration of the CAP program, including the provision of services under the program. In its next base rate proceeding, the Company will identify those costs it seeks to recover as part of its ongoing administration of the CAP. Settlement ¶ 61.

In terms of the bill discount program, the program is modified as shown in the table below:

<u>Poverty Level</u>	<u>Service Charge Discount</u>	<u>Volumetric Discount</u>
0-50%	\$0 fixed charge	First 3,000 gallons
50-100%	\$0 fixed charge	First 2,000 gallons
101-150%	\$0 fixed charge	First 1,000 gallons
151-200%	\$0 fixed charge	First 500 gallons

VWPA St. No. 7-R p. 3; Settlement ¶ 51.

In terms of the arrearage forgiveness program, VWPA will track and report to LIAC annually on program participants' success in achieving full forgiveness through the program, and the length of time it takes for them to do so. Settlement ¶ 53.

In terms of the service line repair program, plumbing repairs will include the installation of the conservation kits sent to customers, provided that the customer agrees. Settlement ¶ 54.

Although the CAP program will only apply to water customers, the Settlement provides that the Company will analyze data and consult with the LIAC prior to VWPA's next base rate case to determine the need for and feasibility of extending the CAP program to wastewater customers. Settlement ¶ 52. The Company will also annually calculate census-based estimates of low-income water and wastewater customers and report that figure to the LIAC. Settlement ¶ 55. The Company will also track its confirmed low-income water and wastewater customers at or below 150% and 200% FPL on a monthly basis and provide the results to the LIAC. Settlement ¶ 56. Additionally, the Company will request input from the LIAC on: developing a process to screen for confirmed low-income status during relevant customer contacts; designing customer outreach to enroll low-income customers in the bill discount program; and identifying opportunities and challenges for (a) identifying leaks for CAP participants before they are in threat of termination and (b) leak repair program accessibility for CAP customers who are not in threat of termination. Settlement ¶¶ 57-59.

The Settlement also modifies the on-going Veolia Cares program. Grants will increase to \$300 and VWPA will make a \$35,000 per year shareholder contribution to the Veolia Cares hardship program, with unspent funds rolling over and being added to the available program budget for the following year. Settlement ¶ 49.

VWPA argues its CAP and Veolia Cares program, as modified by the Settlement, are reasonable and should be approved. These programs would assist customers in need, targeting the most assistance to customers who are most in need. VWPA Statement in Support, p. 24. Additionally, the annual contribution by shareholders to the Veolia Cares program helps ensure that the CAP and Veolia Cares together do not place an undue burden on customers who do not qualify for assistance. *Id.*

VWPA notes that this is VWPA's first CAP. Consequently, VWPA argues there are many unknowns, including customer participation rates and the cost of the program. *Id.* VWPA submits that the Company's proposed CAP, as modified by the Settlement, is a reasonable starting point. Significantly, the Settlement contains numerous data gathering and reporting requirements, and requirements for the Company to obtain feedback from the LIAC, prior to its next base rate case. *Id.* VWPA recognizes that these requirements will be helpful for the Company to identify needed changes in its programs in the future.

15. Comprehensive Review of Tariff Language (Settlement ¶ O.62)

In his Direct Testimony, CAUSE-PA witness Ballenger argued that VWPA should perform a comprehensive review of its water tariff to ensure that it accurately reflects present Pennsylvania law. CAUSE PA St. 1 pp. 34-37. He provided some examples of tariff provisions that appeared to be inconsistent with the Code or Commission regulations. *Id.*

In his Rebuttal Testimony, VWPA witness Finnicum specifically noted that Mr. Ballenger did not allege that the Company has violated the Code or the Commission's regulations. VWPA St. No. 1-R pp. 18-22. Mr. Finnicum also noted that the Tariff states that the Company will comply with Pennsylvania law and regulations. He argued that the Tariff does not need to re-state every applicable provision in Pennsylvania's laws and regulations. *Id.* Finally, Mr. Finnicum noted that the Tariff concerns service to both residential and non-residential customers. Therefore, the Company disagreed with the suggestion that the Tariff should re-state

the provisions in the Commission’s regulations at Chapter 56, which pertain only to residential customers. VWPA Statement in Support, p. 23.

The Settlement provides that, within 180 days of the effective date of rates in this case, the Company will initiate a comprehensive review of its tariff to ensure that the language and citations are consistent with applicable laws and the Commission’s regulations. The Company will file a compliance tariff if further changes are necessary for compliance. Settlement ¶ 62.

As discussed above, considering that a rate proceeding offers limited time to review the Company’s Tariff, the Settlement reasonably provides for additional time to perform a comprehensive review of the Tariffs. VWPA Statement in Support, p. 25. For all the above reasons, VWPA argues the Settlement’s provisions concerning Tariff issues are reasonable and in the public interest and should be approved. *Id.*

B. Bureau of Investigation and Enforcement

As an initial matter, BIE explains that following an extensive review of the Company’s filing and discovery responses, and participation in numerous settlement conferences, it is of the opinion that the terms and conditions of the Joint Petition are in the public interest. I&E Statement in Support, pp. 1-2. Accordingly, I&E recommends that the Commission approve the Settlement in its entirety.

1. Revenue Requirement (Settlement ¶¶ A.25-B.29)

The Settlement provides that VWPA shall file a compliance tariff supplement, effective no sooner than November 1, 2024, with rates designed to produce additional annual water operating revenue of \$10.9 million as opposed to the Company’s requested \$15.4 million

increase. VWPA's allowed water revenue requirement will be recovered based upon the schedule of rates as shown in Attachment A to the Settlement.

The Company initially requested a rate increase of \$15.4 million. I&E witness Vanessa Okum recommended in direct testimony a total water rate increase of \$9,489,484 based on adjustments made to VWPA's operating and maintenance (O&M) expense, cash working capital, rate base, and rate of return claims, and subsequently recommended in surrebuttal testimony a total water rate increase of \$10,454,473 based on further adjustments made to VWPA's O&M expense, cash working capital, rate base, and rate of return claims. I&E Statement No. 1, pp. 5-7, 9-10; I&E Statement No. 1-SR, pp. 6-8, 10-11. The \$10.9 million water rate increase represents a compromise among the Joint Petitioners' proposals. I&E Statement in Support, p. 5. VWPA's allowed water revenue requirement will be recovered based upon the schedule of rates as shown in Attachment A to the Settlement.

The Settlement also provides that VWPA shall file a compliance tariff supplement, effective no sooner than November 1, 2024, with rates designed to produce additional annual wastewater operating revenue of \$420,000 as opposed to the Company's requested \$568,719 increase. VWPA's allowed wastewater revenue requirement will be recovered based upon the schedule of rates as shown in Attachment A to the Settlement.

With regard to wastewater, the Company originally proposed an increase of \$568,719. I&E witness Okum recommended in direct testimony a total wastewater rate increase of \$209,362 based on adjustments made to VWPA's O&M expense, cash working capital, rate base, and rate of return claims, and subsequently recommended in surrebuttal testimony a total wastewater rate increase of \$407,900 based on further adjustments made to VWPA's O&M expense, cash working capital, rate base, and rate of return claims. I&E Statement No. 1, pp. 7-10; I&E Statement No. 1-SR, pp 8-11. I&E avers that the \$420,000 wastewater rate increase represents a compromise among the Joint Petitioners' proposals. I&E Statement in Support, p. 6.

The parties have also agreed that VWPA shall not file a general rate increase under Section 1308(d) of the Public Utility Code before the end of the FPFTY in the instant proceeding. I&E argues this stay-out term is in the public interest as it provides a period of rate stability for VWPA's customers. I&E Statement in Support, p. 6.

2. Depreciation (Settlement ¶ C.30)

I&E has no specific comments on the settlement provisions regarding depreciation rates but supports the Settlement in its entirety as being in the public interest.

3. State Tax Adjustment Surcharge (Settlement ¶ D.31)

I&E has no specific comments on the settlement provisions regarding the STAS but supports the Settlement in its entirety as being in the public interest.

4. Amortizations (Settlement ¶ E.32)

The Settlement includes amortization amounts for approval, and I&E explains that these expenses are an integral part of the Settlement and are reflected in the Settlement's base rate allowance.

I&E witness Esyan Sakaya recommended in direct testimony that the water amortization expense be reduced by \$122,766 and the total wastewater amortization expense of \$153,034 be eliminated. I&E Statement No. 3, pp. 9-10. Mr. Sakaya accepted VWPA's updated amortization expense claims following the Company's proposal to reclassify both Mahoning Water and Wastewater acquisitions. I&E Statement No. 3-SR, pp. 5-6. As such, I&E supports these terms as being in the public interest.

5. Proposed Positive Acquisition Adjustments (Settlement ¶¶ F.33-34)

Pursuant to the terms of the Settlement, the Joint Petitioners agree that they will not propose, in this or any future proceeding, to amortize or otherwise pass through to ratepayers the difference between the net original cost and the purchase price (“positive acquisition adjustment”) with respect to the Kensington Water Company and the Overbrook Water Company.

The parties also agree that VWPA may include the full \$9.5 million for the Mahoning Township Water and Wastewater systems, acquired pursuant to Section 1329 of the Public Utility Code, in ratemaking rate base without a separate line item for an acquisition adjustment. Plant in service balances will be adjusted on a pro-rata basis as shown in Attachment B to the Joint Petition.

I&E witness Sakaya recommended in direct testimony that the acquisition adjustments for the Kensington and Overbrook acquisitions be accepted based on both systems being in disrepair and that the acquisition adjustments for the Mahoning Water and Wastewater acquisitions be denied because they were acquired pursuant to Section 1329 of the Public Utility Code and there was insufficient reason to reflect an acquisition adjustment in rate base since the original cost should have been adjusted to reflect the purchase price. I&E Statement No. 3, pp. 7-8. VWPA agreed with Mr. Sakaya’s recommendation regarding the Kensington and Overbrook acquisitions in rebuttal testimony and Mr. Sakaya accepted the Company’s proposal to reclassify both Mahoning Water and Wastewater acquisitions as additions to the water and wastewater plant which would eliminate the acquisition adjustment claims. I&E Statement No. 3-SR, pp. 3-4. As such, I&E supports these terms as being in the public interest. I&E Statement in Support, p. 8.

6. Distribution System Improvement Charge (Settlement ¶¶ G.35-36)

I&E has no specific comments on the settlement provisions regarding VWPA's DSIC but supports the Settlement in its entirety as being in the public interest. I&E Statement in Support, p. 8-9.

7. Rate Structure / Rate Design

I&E witness Sakaya made several rate design recommendations regarding VWPA's Main Water and Mahoning Water Divisions. For Main Water, Mr. Sakaya recommended in direct testimony increasing the proposed Other Revenue rate of \$325,208 by \$81,922 to \$407,130, or a 25.2% increase, for late payment revenue. I&E Statement No. 3, p. 1; I&E Exhibit No. 3, Sch. 3. Mr. Sakaya then accepted VWPA's late payment revenue recommendation of \$46,225. I&E Statement No. 3-SR, p. 8. For Mahoning Water, Mr. Sakaya recommended in direct testimony increasing the proposed Other Revenue rate of \$6,984 by \$9,179 to \$16,073, or a 133.13% increase, for late payment revenue and removing the proposed \$4,680 increase to the Public Fire rate. I&E Statement No. 3, p. 14; I&E Exhibit No. 3, Sch. 4. Mr. Sakaya then accepted VWPA's late payment revenue recommendation of \$1,920 and withdrew his Public Fire recommendation and accepted VWPA's proposed increase of \$4,680. I&E Statement No. 3-SR, pp. 12-13; I&E Exhibit No. 3-SR, Sch. 2.

Mr. Sakaya also recommended in direct testimony disallowing the \$237,000 allocation between the Main Water and Mahoning Water Divisions. I&E Statement No. 3, p. 14. Mr. Sakaya opined that (1) there is no reason that the rates should be consolidated in this proceeding and disallowing the subsidy would lower the rates for Main Division customers; (2) Mahoning customers are benefiting from being acquired by VWPA through the Section 1329 acquisition; and (3) there is no provision in the Public Utility Code that allows for a transfer of system costs between water rate zones. I&E Statement No. 3, p. 16. In surrebuttal testimony, Mr. Sakaya revised his recommendation following VWPA's reduction of the \$237,000

reclassification by \$95,550 to \$141,450 but still continued to recommend disallowing the allocation. I&E Statement No. 3-SR, pp. 8-10; I&E Exhibit No. 3-SR, Sch. 1.

As the Settlement represents a compromise of the parties' positions, I&E supports the water and wastewater schedule of rates as shown in Attachment A to the Joint Petition as being in the public interest.

8. Unaccounted-for Water (Settlement ¶ H.37)

I&E has no specific comments on the settlement provisions regarding UFW but supports the Settlement in its entirety as being in the public interest. I&E Statement in Support, p. 10.

9. Customer Complaint Log (Settlement ¶¶ I.38-39)

I&E has no specific comments on the settlement provisions regarding customer complaints but supports the Settlement in its entirety as being in the public interest. I&E Statement in Support, p. 10.

10. Minimum Fire Flow at Hydrants (Settlement ¶ J.40-41)

I&E has no specific comments on the settlement provisions regarding VWPA's hydrants but supports the Settlement in its entirety as being in the public interest. I&E Statement in Support, p. 10.

11. Customer Notice (Settlement ¶ K.42)

I&E has no specific comments on the settlement provisions regarding customer notices but supports the Settlement in its entirety as being in the public interest. I&E Statement in Support, pp. 10-11.

12. Fully-Projected Test Year Reporting (Settlement ¶ L.43)

Pursuant to the terms of the Settlement, VWPA agrees to provide I&E, OCA, and OSBA, on or before January 31, 2025, an update to VWPA Exhibit No. LKF-1, to include actual plant additions and retirements by month for the twelve months ending September 30, 2024. On or before July 31, 2025, VWPA shall update VWPA Exhibit No. LKF-1, for the twelve months ending March 31, 2025. In VWPA's next base rate proceeding, VWPA shall prepare and submit a comparison of its actual expenditures and rate base additions for the twelve months ending October 31, 2025, to its projections in this case.

I&E witness Sakaya recommended in direct testimony that VWPA provide I&E and OCA separate reports for Water and Wastewater updating pages 1 and 2 of Veolia Exhibit LKF-1 no later than January 1, 2025, which should include actual capital expenditures, plant additions, and retirements by month from October 1, 2023 through September 30, 2024, and an additional update for actuals from October 1, 2024 through September 30, 2025, no later than January 1, 2026. I&E Statement N. 3, pp. 10-11. The Settlement addresses these recommendations in ¶ L.43. As such, I&E supports these terms as being in the public interest.

13. Miscellaneous (Settlement ¶ M.44-46)

The Joint Petitioners agreed upon the additional annual revenues as a “black box” settlement. I&E avers that this “black box” revenue increase balances the interests of ratepayers and the Company. I&E Statement in Support, p. 12. VWPA will receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the initial proposal. As such, I&E supports the “black box” revenue increase as being in the public interest. *Id.*

14. Customer Assistance Program and Other Assistance Programs (Settlement ¶¶ N.47-61)

I&E's testimony regarding VWPA's proposed CAP was limited to the program's implementation costs and cost-tracking and reporting. I&E witness Okum recommended in surrebuttal testimony that VWPA should be required to submit annual breakdowns from the program's inception of actual costs as compared to the budgeted amounts for each component of the program including administrative costs, by year, starting with 2025 and beyond, and in subsequent rate filings, VWPA should be required to continue submitting similar annual breakdowns to allow for proper analysis of the program. I&E Statement No. 1-SR, p. 32. Ms. Okum opined that since this expense will be included in base rates, it is important for the Company to be held accountable to show how the program is working so that in subsequently filed rate cases, the involved parties can make informed recommendations. *Id.* As such, I&E supports these terms as being in the public interest. I&E Statement in Support, p. 13.

I&E has no specific comments on the other settlement provisions regarding the CAP or other assistance programs but supports the Settlement in its entirety as being in the public interest.

15. Comprehensive Review of Tariff Language (Settlement ¶ O.62)

I&E has no specific comments on the settlement provisions regarding VWPA's review of its tariff but supports the Settlement in its entirety as being in the public interest.

C. Office of Consumer Advocate

As an initial matter, OCA explains that the terms and conditions of the Settlement address the issues raised in its Formal Complaint and in its testimony and provides additional conditions that are in the public interest. OCA Statement in Support, p. 5. While the Settlement contains modifications from the original recommendations proposed by the OCA, OCA maintains that the agreed-upon Settlement achieves a reasonable resolution of the many complex

issues presented in this proceeding. OCA submits that the balance of compromises struck by the settling parties was critical to achieving settlement. *Id.* Accordingly, OCA urges the Commission to consider the Settlement as a whole. The Settlement must be viewed in totality because it provides not only a reduction of VWPA's proposed rate increase, but it also provides critical enhancements for customer service, low-income customer protections, and quality of service benefits. *Id.* OCA avers that the Settlement is in the public interest, in the interest of VWPA's consumers, and should be approved by the Commission without modification.

1. Revenue Requirement (Settlement ¶¶ A.25-B.29)

VWPA initially proposed to increase its annual operating revenues for its water operations by approximately \$15.5 million from water operations, or a 26.4% increase, over the amount of annual revenues at present rates. OCA St. 2 at 5. Similarly, the Company proposed to increase its annual operating revenues for its wastewater operations by approximately \$568,719, or a 34.8% increase. OCA St. 2 at 5.

In OCA's Direct Testimony, OCA witness Morgan recommended that the Company receive an increase of no higher than \$4,566,589 for water operations and \$392,268 for wastewater operations. OCA St. 2 at 6. In his Rebuttal Testimony, OCA witness Morgan corrected an error in his proposed water and wastewater revenue requirements related to depreciation expense. OCA St. 2-R at 3-4, Sch. LKM-W-16R, LKM-WW-14R. In response to the Company's Rebuttal Testimony and due to the correction to his Direct Testimony number, Mr. Morgan revised his recommendation to an increase of no higher than \$4,923,450 for water operations and \$316,779 for wastewater operations in Surrebuttal Testimony.

Under the Settlement, Veolia will be permitted a total annual revenue of \$10.9 million for the Company's water division, or a 25.7% increase, and \$420,000 for the Company's wastewater division, or a 18.6% increase. The new rates to collect the settlement level of water and wastewater revenues from each class are shown on Attachment A of the Joint Petition for Settlement.

In addition to the revenue requirement, under the terms of the Settlement, the Company will not file for an increase in distribution water or wastewater rate revenues before the end of the FPFTY, or October 31, 2025. Settlement ¶ 26. If the case were fully litigated, VWPA could potentially file for another general rate increase at any time. OCA argues this Settlement provision is in the public interest because it will ensure stability in the customers' newly established rates for at least 21 months (the 21 months is calculated by adding the timeframe from the November 1, 2024 effective date of rates plus the FPFTY ending on October 31, 2025 plus an additional 9 months for litigation of a distribution base rate proceeding). OCA Statement in Support, pp. 6-7.

OCA explains that the Settlement represents a “black box” approach to the revenue requirement including, among other things, cost of capital issues. *Id.* Black box settlements avoid the need for protracted disputes over the merits of individual revenue requirement adjustments and avoid the need for a diverse group of stakeholders to attempt to reach a consensus on each of the disputed accounting and ratemaking issues in this matter, as policy and legal positions can differ. As such, the parties have not specified a dollar amount for each issue or adjustment raised in this case. *Id.* OCA explains that attempting to reach agreement regarding each adjustment in this proceeding would have likely prevented any settlement from being reached. *Id.*

Based on the OCA's analysis of VWPA's filing, discovery responses received, and testimony by all parties, the revenue increase under the Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case, especially when accompanied by other important conditions in the Settlement. *Id.*

2. Depreciation (Settlement ¶ C.30)

The Joint Petitioners have agreed to a black box revenue requirement of \$10.9 million for water and \$420,000 for wastewater, which includes amounts for depreciation expense

based on Veolia's depreciation rates as filed in the initial case. Settlement ¶ 30. OCA explains that the parties continue to disagree about the appropriate depreciation procedure to be used to develop VWPA's depreciation rates for utility plant in service (the OCA supports the Average Life Group (ALG) procedure, while the Company uses the Equal Life Group (ELG) procedure), and the Settlement should not be construed as acceptance by the OCA of the ELG procedure. Settlement ¶ 30; OCA St. 3 at 4. Nevertheless, for purposes of Settlement and to achieve a compromise resolution, as a part of the overall black box revenue requirement, the Joint Petitioners have agreed to accept the depreciation rates as filed. Settlement ¶ 30.

OCA maintains that, in order to reach a revenue requirement settlement, it is not necessary for the parties to agree on the appropriate depreciation procedure. Under the Settlement, the Joint Petitioners specifically do not agree about the appropriate procedure to be used. OCA Statement in Support, p. 8. However, given that this provision of the Settlement preserves the issues should the parties fully litigate the issue of the appropriate depreciation procedure in a future rate case, this provision is in the public interest. *Id.* Furthermore, OCA believes the overall rates agreed to as part of the Settlement of the revenue requirement are just and reasonable and should be approved as in the public interest. *Id.*

3. State Tax Adjustment Surcharge (Settlement ¶ D.31)

In accordance with 52 Pa. Code Section 69.55, the Settlement provides that the STAS for VWPA will be established at 0% on the effective date of Settlement rates in this proceeding. Settlement ¶ 31; 52 Pa. Code § 69.55. The STAS will be used to reflect the impact of future changes in state income tax rates. Settlement ¶ 31. The OCA agrees that the Settlement's proposed treatment of the STAS is consistent with the Commission's regulations and approval is in the public interest.

4. Amortizations (Settlement ¶ E.32)

Settlement Paragraph 32 specifies amortizations related to the Tax Cut and Jobs Act (TCJA) liability (protected and unprotected), amortization of acquisition transaction costs, and the remaining amortization of Brown Manor *et al.* should be approved as in the public interest. Settlement ¶ 32.

OCA did not challenge the identified amortizations, but OCA witnesses DeAngelo and Fought challenged the inclusion of positive acquisition adjustments for Kensington Water Company and Overbrook Water Company and the related amortizations as reflected in OCA witness Morgan's testimony. OCA St. 1 at 3-7; OCA St. 2 at 7-8; OCA St. 5 at 23-25. OCA witness Morgan also recommended that the transaction costs be amortized over a ten-year period instead of a five-year period. OCA St. 2 at 21. Under the Settlement, VWPA will not seek positive acquisition adjustments and related amortizations for Kensington and Overbrook, and the related amortizations are not reflected in the Company's table in Paragraph 32. Therefore, OCA argues the proposed amortizations should be approved as in the public interest.

5. Proposed Positive Acquisition Adjustments (Settlement ¶¶ F.33-34)

In its testimony, the Company sought positive acquisition adjustments related to Kensington Water Company and Overbrook Water Company. Settlement ¶ 33. OCA explains that, in order to be treated as a positive acquisition adjustment, VWPA must demonstrate that it has met the nine criteria set forth in Section 1327(a)(3) to show that the systems were not providing adequate service at the time of the acquisition. OCA witnesses DeAngelo and Fought disputed that the nine criteria had been met for either of the companies. 66 Pa.C.S. § 1327(a)(3); OCA St. 1 at 3-7; OCA St. 5 at 23-25. The Settlement specifically disallows these positive acquisition adjustments. For the reasons set forth in the OCA's Direct Testimonies of Ms. DeAngelo and Mr. Fought, the OCA believes that removal of these positive acquisition adjustments and the related amortizations is appropriate and in the public interest. OCA Statement in Support, p. 9.

The parties also agree that VWPA may include the full \$9.5 million purchase price for the Mahoning Township Water and Wastewater systems, acquired pursuant to Section 1329 of the Public Utility Code, in ratemaking rate base without a separate line item for an acquisition adjustment. Settlement ¶ 34. The plant in service balances will be adjusted on a *pro rata* basis as shown in Attachment B to the Settlement Agreement. Settlement, Attach. B. OCA accepted this treatment in its Rebuttal and Surrebuttal testimony and agrees that the treatment is appropriate and that this provision of the Settlement is in the public interest. OCA Statement in Support, p. 10.

6. Distribution System Improvement Charge (Settlement ¶¶ G.35-36)

The Settlement provides that the DSIC will be reset to 0% of billed revenues and establishes the total balance of plant in service exceeds the \$569,106,389 (water) and \$9,125,095 (wastewater) levels projected by the Company as of October 31, 2025 (the end of the FPFTY). Settlement ¶ 35, Attach. C.

OCA explains that the Settlement is a black box and does not otherwise identify a specific return on equity number which is necessary for the calculation of the DSIC. OCA Statement in Support, p. 10. The Settlement provides that for purposes of calculating the DSIC, the Company shall use the equity return rate for water utilities in the most recent Bureau of Technical Utility Services Quarterly Earnings of Jurisdictional Utilities Report as released by the Commission and shall update it each quarter consistent with any changes for water utilities until such time as the DSIC is reset pursuant to Section 1358(b)(1). Settlement ¶ 36.

OCA posits that these provisions will help to ensure that the DSIC is calculated properly, sets the return on equity necessary for calculating the DSIC, and otherwise establishes the threshold for plant in service when the Company may begin to charge the DSIC again. OCA Statement in Support, p. 10. According to OSA, the proposed terms provide clarity, are just and reasonable, and should be approved as in the public interest. *Id.*

7. Rate Structure / Rate Design

a. Rate Structure

The allocation of the proposed revenue requirement for water and wastewater is reflected in Attachment A of the Settlement. OCA notes that the Settlement revenue allocation between classes represents a compromise among parties who offered various allocation proposals, including the OCA, OSBA, and I&E. The “fairness” of a utility rate is generally considered to mean that the rate bears a reasonable relationship to the utility’s cost of serving the customer without exceeding the value of service to the customer. *See, e.g.*, James C. Bonbright, *Principles of Public Utility Rates* 82-92 (1st ed.,1961); Leonard Saul Goodman, *The Process of Ratemaking* 893-95(Vol. II, 1998).

OCA avers the Settlement allocation meets this standard, and it was heavily vetted during the settlement discussions in this case. OCA Statement in Support, p. 11. OCA maintains that the proposed allocation is within the range of the proposals made by the Company, OCA, I&E and OSBA in this proceeding and represents a fair resolution of the interests of all customers. *Id.*

b. Rate Design

At the full revenue requirement, OCA witness Mierzwa recommended that the monthly customer charge for customers with a 5/8 inch meter in the Main Division be reduced from the proposed \$19.80 customer charge to \$17.96 and then proportionally scaled back if the revenue requirement authorized was less than the Company’s original filing. OCA St. 4 at 4.

OCA witness Mierzwa also recommended changes to the rate design proposed for 5/8 inch meter customers using 3,500 gallons per month for Bethel Water, Kensington, Overbrook, and Mahoning Township in order to avoid rate shock and to provide for gradualism

to bring the customers to the Main Division cost of service. OCA St. 4 at 17-19. For Bethel customers, OCA witness Mierzwa recommended that the 5/8 inch residential customer charge is 75% rather than 100% of the Main Division charge and then proportionally scaled back. OCA St. 4 at 3. The Company proposed to increase the \$6.31 per month Bethel Water charge to \$19.80 per month. OCA St. 4 at 17. Under the Settlement, the Bethel Water customer charge would be \$12.75 per month. *See Settlement, Attach. A.*

The Settlement Attachment A provides for a \$17.00 customer charge for Main Division, Kensington, Overbrook, and Mahoning customers. Settlement, Attach. A. The Mahoning Township wastewater customers will be charged a flat rate of \$75.25. Settlement, Attach. A (Wastewater). The Settlement brings the Kensington, Overbrook, and Mahoning customers to the proportionally scaled back customer charge for the Main Division.

The proposed rate designs and customer charges are within the ranges proposed by the OCA and the Company. OCA Statement in Support, 12. The OCA agrees that the proposed customer charge for each of the divisions is reasonable and should be approved. *Id.*

8. Unaccounted-for Water (Settlement ¶ H.37)

The Settlement adopts OCA witness Fought's recommendation and provides that the Company shall prepare Section 500 forms for each of its operating systems for which it submits a Chapter 110 Report and provide them to the OCA and the Commission's Bureau of Technical Utility Services (TUS) in live Excel format at the time of its Chapter 110 Report submission. Settlement ¶ 37. The same term was previously approved as a part of VWPA's predecessor Suez's 2018 base rate proceeding at Docket No. R-2018-3000834. *Pa. Pub. Util. Comm'n v. Suez Water Pa., Inc.*, Docket No. R-2018-3000834, Settlement ¶ 19(i),(ii) (Order entered Dec. 6, 2018). OCA witness Fought testified that the method that the Company has been using was not consistent with the 2018 settlement term.

OCA witness Fought expressed concern regarding the difficulty of reconciling between the Company’s Section 500 submissions and Chapter 110 Reports. Mr. Fought testified regarding the importance of accurate UFW calculations. OCA St. 5 at 18. Calculating the amount of UFW is a method of estimating the amount of non-revenue water in a distribution system due to leaks and inaccurate meter readings. OCA St. 5 at 18. As Mr. Fought testified, reductions to non-revenue water saves money in chemical and power costs and provides for important water conservation in areas with limited water supply sources. OCA St. 5 at 18. OCA witness Fought testified that “[t]he accuracy of the UFW depends on reliable estimates of unavoidable non-metered water uses such as flushing the distribution system, firefighting, normal pipe leakage, repaired main breaks, etc.” OCA St. 5 at 18. Tracking the UFW allows the water utility to better understand the extent of unknown leaks in the distribution system so that “informed decisions can be made on the necessity of finding and repairing leaks.” OCA St. 5 at 18. Mr. Fought testified that the water audit methodology that has been established by the International Water Association (IWA) and the American Water Works Associations (AWWA) is becoming a more accepted method of identifying the amounts of wasted water. OCA explains that both the Commission and the AWWA methods can provide water utilities with the information needed to improve operational efficiencies to meet the levels identified by the Commission’s regulations at 52 Pa. Code Section 65.20(4). OCA Statement in Support, p. 13.

OCA believes this Settlement provision is in the public interest as it will allow the parties to better analyze the UFW data, reconcile it with the DEP Chapter 110 Report information, and to more easily identify locations where improvement is necessary. *Id.*

9. Customer Complaint Log (Settlement ¶¶ I.38-39)

As a result of this Settlement, VWPA has adopted OCA witness Fought’s recommendations and agreed to provide a complete complaint log, including customer complaints, work order and service logs. Settlement ¶ 38. The complaint log can be made available via Excel in response to any discovery requests by the parties in, e.g., VWPA’s next base rate case. Settlement ¶ 38. The Company agrees to include in the complaint log all formal

and informal complaints received by the Company whether submitted to the Commission or directly to the Company. Settlement ¶ 38. The Company has also agreed to work with the parties to create a list of key words for complaints that VWPA will search as identified in the Direct Testimony of OCA witness Fought. Settlement ¶ 38. If the data is requested as part of discovery, the parties agree to collaborate on an informal basis to ensure that it is provided in a mutually acceptable and reasonably sortable format. Settlement ¶ 39.

OCA witness Fought identified concerns with how the Company was meeting the requirements of Section 65.3 of the Commission's regulations to maintain its customer logs. OCA St. 5 at 4-5; 52 Pa. Code § 65.3. In particular, Mr. Fought raised a concern in his testimony that the Company was only able to provide information about informal and formal complaints submitted to the Commission but was unable to provide information in response to a discovery request related to all customer complaints received by the Company. OCA St. 5 at 4. The informal and formal complaints received by the Commission only represent the proportion of customer complaints that were escalated to the Commission and do not represent all other complaints that may be received by the Company. OCA witness Fought testified:

[a]ssuming Veolia used the same software in this case that was used in previous rate cases, Veolia (Suez and United) used software for a "Work Order Log" that files complaints in a separate file for each customer. The "Work Order Log" is not easily adapted to a "Complaint Log" because searches for complaints are by using "key words" that searches every customer file for the key word. For example, it is possible that a "Work Order Log" search for "Pressures" may find more pressure complaints than a search for "Low Pressures" and if the "key words" do not include abbreviations, complaints may be missed.

OCA St. 5 at 4-5.

In his testimony, OCA witness Fought proposed that a list of key words be agreed to by the parties for complaints that the Company would search and provide information on in a future rate proceeding, and his testimony included a sample list of potential key words. OCA St.

5 at 5, Exh. TLF-3. Mr. Fought also recommended that the Company should provide the complete “Work Order Log” that could be searched for additional key words by other parties. OCA St. 5 at 5.

The Settlement addresses OCA’s concerns raised in this proceeding, and OCA is satisfied with this result. OCA Statement in Support, p. 15. This action will improve reporting and facilitate review of complaints to better be able to identify and sort the types of customer complaints. *Id.*

10. Minimum Fire Flow at Hydrants (Settlement ¶ J.40-41)

The Settlement addresses the concerns raised in OCA witness Fought’s testimony regarding fire hydrants. OCA St. 5 at 10-11. The Settlement provides that the Company will paint the bonnets of the identified fire hydrants on mains less than six inches in diameter the color red as per the NFPA coding. Settlement ¶ 40. The Settlement provides that:

[t]he Company’s hydraulic models of all of its distribution systems, which are used to determine that all its fire hydrants attached to water mains larger than 6-inch can provide the minimum fire flow criteria of providing 500 gallons per minute (gpm) at a residential pressure of 20 pounds per square inch (psi) for a duration of 2 hours without reducing the pressure in other areas of the distribution system to less than 20 psi, are currently under review by VWPA’s qualified engineers. The Company commits to concluding the review by the end of CY 2024. Should fire hydrants of concern be identified either in the model or via periodic fire flow testing, VWPA commits to collaborating with local fire protection agencies to identify solutions to the benefit of public safety.

Settlement ¶ 41.

OCA witness Fought raised safety concerns regarding the identification of public fire hydrants that were not able to be used for public fire protection purposes. The Company

identified that it has 4400 fire hydrants, but did not know how many of them could provide the minimum flow of 500 gpm at 20 psig for two hours. OCA St. 5 at 10. The Company also has 71 fire hydrants connected to mains that are less than six inches in diameter. OCA St. 5 at 10.

Mr. Fought recommended that all fire hydrants that cannot provide the minimum fire flow of 500 gpm at 20 psig for a 2-hour duration should be marked so that they will only be used for flushing and blow-offs. OCA St. 5 at 10. OCA witness Fought also recommended that any fire hydrants connected to less than a six inch water main should also be marked so that they will only be used for flushing and blow-offs unless the Company could document that they can provide the minimum fire flow. *Id.* Mr. Fought testified that this was important because if these criteria are not met, it may cause negative pressures that contaminate other parts of the system. OCA St. 5 at 10. OCA witness Fought also recommended that if the information could not be located, a qualified engineer should provide an analysis to determine which hydrants could provide the minimum fire flow requirements. OCA St. 5 at 10.

OCA avers it is satisfied that the provisions address the important safety concern raised by OCA witness Fought in his testimony. OCA Statement in Support, 16. OCA explains the Settlement will provide critical information to fire protection teams about which fire hydrants may be used for fire protection needs and which cannot. *Id.*

11. Customer Notice (Settlement ¶ K.42)

The Settlement addresses the OCA's concern regarding information that should be presented in the customer notice of rate increases. The Settlement provides that going forward "Veolia will provide customer notices of proposed rate increases for systems that have been acquired since the previous rate case that will include the bill impacts for such systems." Settlement ¶ 42.

In her Direct Testimony, OCA witness DeAngelo identified concerns with the accuracy of the customer notice that was provided in the instant rate proceeding and the notice's

ability to correctly inform consumers about the anticipated bill increases that they can expect based on usage levels and based upon information provided to acquired customers. OCA St. 1 at 10-12. Ms. DeAngelo testified that “the customer notice only provides the rate impact based on proposed rates for the Main VWPA customers.” OCA St. 1 at 12. In this case, the Company proposed different rate increases for its Bethel, Overbrook, Kensington, and Mahoning customers. OCA St. 1 at 12. As Ms. DeAngelo testified, “the notice depicts an inaccurate representation of the rate impact at the proposed rates for each of these system customers,” particularly in light of the potential rate shock that OCA witness Mierzwa identified that customers in these system areas would face under the original filed rates. OCA St. 1 at 12.

OCA witness DeAngelo recommended that the notice in future cases should include a rate impact for each of the proposed rate increases, depicting a more accurate representation of what customers could expect. OCA St. 1 at 12. The Settlement adopts this recommendation, and OCA argues it is in the public interest because it will ensure that customers in acquired systems receive more accurate depictions of the proposed rate increases and how it will impact them. OCA Statement in Support, p. 17.

12. Fully-Projected Test Year Reporting (Settlement ¶ L.43)

Under the Settlement, VWPA will provide to I&E, OCA, and the OSBA, “on or before January 1, 2025, an update to VWPA Exhibit No. LKF-1, include actual plant additions and retirements by month for the twelve months ending September 30, 2024.” Settlement ¶ 42. Thereafter, the Company will provide a further update on or before July 31, 2025, for the twelve months ending March 31, 2025. Settlement ¶ 42. In the next base rate proceeding, VWPA will provide a comparison of its actual expenditures and rate base additions for the twelve months ending October 31, 2025, to its projections in this case. Settlement ¶ 42.

OCA avers the proposed Settlement provision will allow the parties to track and to evaluate the Company’s actual plant additions in the future and FPPTY in comparison to the Company’s projections in this case. OCA Statement in Support, p. 17. Because this information

will assist with evaluating the accuracy of the Company's projections in future rate proceedings, OCA suggests the provision should be approved as in the public interest. *Id.*

13. Miscellaneous (Settlement ¶ M.44-46)

a. Tariff Revisions (Settlement ¶ M.44)

The Settlement provides that Company will revise several provisions of its tariff that are inconsistent with the law and corrects inaccurate or outdated information in the tariff. The definition of "customer" shall be modified to read: "A Customer shall mean a customer of record, or end user, or both, contracting for a supply of water." Settlement ¶ 44(a). The language corrects typographical errors in the current tariff.

The Settlement also corrects inaccurate and outdated information in the tariff. As detailed in Paragraph 44(b) of the Settlement, the Company will correct the reference to "Paragraph 41 in Section 56.112 through 56.118 of 76 P.R.M.D.-10" and will replace "with a reference to 52 Pa. Code §§ 56.111 through 56.118." Settlement ¶ 44(b). As discussed in the Direct Testimony of CAUSE-PA witness Ballenger, the "76 P.R.M.D.-10" references the Commission's Standards and Billing Practices for Residential Service, that was adopted in 1978 and subsequently adopted as formal Commission regulations in Title 52, Chapter 56 of the Pennsylvania Code. *See*, CAUSE-PA St. 1 at 36. Finally, the Company will change the reference in Paragraph 33 of the tariff from "information complaints" to "informal complaints." Settlement ¶ 44(c).

Further, the Company will also complete a comprehensive review of the tariff in order to correct any additional inaccurate information that is not consistent with the law or Commission regulations. Therefore, OCA believes the proposed revisions and comprehensive review will address inaccurate information provided in the tariff and should be adopted as in the public interest.

b. Tank Repair (Settlement ¶ M.45)

The Settlement adopts OCA witness Fought's recommendation that tanks more than 15 years old and existing tanks that have not been repainted at the 20-year mark will be inspected by a tank inspection contractor who will submit a report to the Company. Settlement ¶ 45; OCA St. 5 at 22. OCA witness Fought testified that periodic inspections and cleanings of water storage tanks help to maintain good water quality in the distribution system and extend the service life of the tank. OCA St. 5 at 22. Mr. Fought testified that the need for the type of painting to be completed may depend upon the type of tank. He explained that ground steel distribution tanks generally are painted inside and outside in order to prevent rusting from impacting the water quality and tank structure, while other ground tanks may only need to be painted inside periodically. Glass-lined storage tanks may not need to be painted inside or outside. Sediment may also need to be removed in between painting intervals. OCA St. 5 at 21.

OCA submits that Mr. Fought's recommendations will help to maintain the water quality and extend the service lives of the tanks. OCA Statement in Support, p. 19. OCA avers that the Settlement provision satisfies the OCA's concerns raised in OCA witness Fought's testimony and should be approved as in the public interest. *Id.*

c. Cyber Security (Settlement ¶ M.46)

The proposed Settlement provision will provide coverage for credit monitoring services and will give customers an additional opportunity to enroll in the free credit monitoring services. Settlement ¶ 46. OCA avers this Settlement term satisfies the OCA's concerns identified in Ms. DeAngelo's testimony.

14. Customer Assistance Program and Other Assistance Programs (Settlement ¶¶ N.47-61)

a. Bill Discount Component

1. Water

For the reasons set forth in the Direct and Surrebuttal Testimony of OCA witness DeMarco, OCA supports the implementation of the proposed CAP discount program for water. As discussed below in subsection (b), Mr. DeMarco also recommended that a wastewater discount and arrearage management program (AMP) be developed in the next base rate proceeding to improve affordability for wastewater customers. OCA St. 6 at 29. While the Settlement does not provide that the Company will implement a wastewater program in the next base rate proceeding, the Settlement establishes the framework and collection of the necessary data for moving forward with a wastewater and arrearage management discount program in the future. Settlement ¶ 52.

The Settlement adopts the recommendation of OCA witness DeMarco to add in a fourth tier to its water CAP design and adopts the alternative discount level recommendations in his Surrebuttal Testimony. Settlement ¶ 51; OCA St. 6SR at 6. OCA witness DeMarco recommended that a fourth income tier be added to better target affordability. *Id.* Mr. DeMarco testified that the “addition of a 4th tier encompassing those at 151%-200% FPL helps to assist those households who are above the poverty threshold but nevertheless struggling.” OCA St. 6SR at 17.

OCA argues the proposed design of the structure will improve affordability over the Company’s originally proposed design and will ensure that all participants pay a monthly bill. In his Direct Testimony, OCA witness DeMarco testified:

I recommend a lower discount on the fixed customer charge while recommending a higher discount on the volumetric

charge. I recommend the lower discount on the fixed customer charge because in order to implement a \$0 customer charge, as proposed by Veolia, would result in customers receiving a \$0 bill to the extent their monthly usage was at or below the discounted volumetric usage. Through my alternative structure, unlike Veolia's proposal, all low-income customers will pay something toward their monthly Veolia service. Despite the higher fixed customer charge, however, my recommended alternative low-income discount will better achieve affordability for low-income customers.

OCA St. 6 at 16-17, Table 8.

In his Direct Testimony, OCA witness DeMarco recommended a more complex design, and in response to the concerns identified by Company witness Jordan, he proposed in his Surrebuttal Testimony a compromise proposal. OCA St. 6SR at 6. Mr. DeMarco explained the purpose and benefits of the compromise proposal in his Surrebuttal Testimony:

[w]hile I continue to recommend that Veolia address affordability at a deeper level than their proposal would allow and believe that my recommendations in direct would increase affordability, I am cognizant of the cost uncertainties and administrative complexities that were raised by Ms. Jordan. In order to address the small sample size of the Company data, the possible administrative burden, and the fact that this is a brand-new program, I propose an alternative recommendation that should be simpler to implement.

OCA St. 6SR at 6. The compromise proposal was adopted as a part of the Settlement with a modification to the 151-200% to ensure that a minimum bill would apply. OCA St. 6SR at 6-7.

OCA supports the Company's proposal to develop a bill discount program and AMP. OCA explains that bill affordability is a significant concern, particularly given the proposed increases to water bills. OCA Statement in Support, p. 24. This concern is raised in the Direct Testimony and Surrebuttal Testimony of OCA witness DeMarco. The proposed low-

income program and its expansion to four tiers with the simpler design proposed in Mr. DeMarco's Surrebuttal Testimony will help to make bills more affordable and mitigate the impact of the increase. *Id.* OCA posits that the proposed Settlement will help to provide more affordable bills to Veolia's customers. *Id.*

2. Wastewater

The Company stated that it wanted to gain experience with a water discount program before implementing a wastewater discount program or AMP. Mr. DeMarco agreed that this made sense in this proceeding; however, OCA witness DeMarco recommended that the Company also design and implement a wastewater discount in its next base rate proceeding. OCA St. 6 at 29. The Settlement does not implement a wastewater discount but establishes the framework for potential design of a wastewater discount program in the future. Settlement ¶ 52. The Settlement provides that the Company will analyze census-based estimated low-income data for its wastewater districts to determine the number of households in poverty, as well as termination and arrearage data for wastewater customers. Settlement ¶ 52. The Company will produce a report on the "need for and feasibility of extending its CAP program to wastewater customers." Settlement ¶ 52. The results will be provided to the LIAC within one year of the effective date of rates in this case. Settlement ¶ 52.

The OCA continues to believe that it is important to develop a wastewater bill discount program and AMP in addition to the water bill discount program and AMP in order to improve affordability for wastewater customers. OCA Statement in Support, p. 24. According to OCA, the data gathered as a result of the Settlement will provide the necessary information to be able to design a wastewater bill discount program in a future base rate proceeding. *Id.*

3. Arrearage Management Component

The Company will also implement an AMP for water customers. VWPA St. 8 at 7; OCA St. 6 at 7. The Company's proposed AMP would provide customers with incomes at or

below 200% of the FPL \$25 per month forgiveness each time the customer pays their current monthly bill by the due date. *Id.* The Company also clarified in Rebuttal testimony of VWPA witness Jordan that they also offer the statutory payment arrangement to help customers to manage arrears. VWPA St. 7 at 3. A customer is not required to enter into a payment arrangement in order to earn monthly forgiveness on the pre-program arrears. Settlement ¶ 53.

OCA witness DeMarco identified a concern with the Company's limited 5-day grace period which may not be enough time for customers with fixed or inconsistent income. OCA St. 6SR at 9. Mr. DeMarco recommended that the customer receive forgiveness for each in-full payment regardless of whether the payment was timely. *Id.* at 10. Mr. De Marco testified that "households often do not have the financial flexibility needed to pay all bills on time, but this would reward customers who pay their bills in full." *Id.* OCA witness DeMarco also recommended:

Veolia adopt a program in which, after 36-months of in-full payments the remainder of a customer's debt is forgiven. This is consistent with the Commission's CAP Policy Statement. While not binding, the CAP Policy Statement should be considered an acceptable framework from which utility companies can base their CAP policy, as it is an acceptable framework to the Commission itself. The 36-month arrearage forgiveness program would also allow customers with exceedingly large debts to be free from perpetual debt to the Company.

OCA St. 6 at 10.

The Settlement provides that VWPA will track and report on the length of time it takes for program participants to pay off their arrearages through the program and the rate of success of the program. Settlement ¶ 53. The Company will report the data annually to the LIAC. Settlement ¶ 53. OCA explains that the information provided will allow the parties to better understand the success of the AMP and the time it takes customers to pay off their arrears. OCA Statement in Support, p. 26. OCA avers this information will provide a foundation for

recommendations for future improvements to the AMP. *Id.* The Settlement provision is in the public interest and should be approved.

4. Cost Recovery

In order to recover the costs of the program, the Company proposed a ratemaking treatment that would track the difference between the overall costs of the program and the proposed target amount as a regulatory asset or liability. OCA St. 6 at 10. The difference would be addressed in the next rate case filing. The information would then be used to inform the estimated adjustment necessary for future rate cases. OCA St. 6 at 10. The Company proposed a \$300,000 shareholder commitment to support the program and would be used as an offset to the overall program costs. VWPA St. 6 at 7; OCA St. 6 at 10.

The OCA had concerns about both the level of the costs proposed and the cost recovery mechanism proposed. OCA witness DeMarco recommended that the Commission limit VWPA's cost recovery to the incremental cost of implementing its low-income programs using two different tests and after contribution by Veolia of its \$300,000 contribution promised in the merger with Suez. OCA St. 6 at 30. After this contribution, cost recovery should be limited to the incremental costs of the program and the net costs of the program. OCA St. 6 at 30. OCA witness DeMarco expressed concerns that Veolia's proposal did not limit cost recovery to the net incremental costs of the program because a substantial portion of the costs would have been incurred in the absence of the program. *Id.*

The Settlement addresses the OCA's concerns related to the cost recovery for the program. The Settlement provides:

[t]he Company will track all costs associated with the administration of the CAP program, including the provision of services under the program. The Company will report these costs on an annual basis to the LIAC. In its next base rate proceeding, the Company shall identify those costs it seeks to

recover as part of its ongoing administration of the CAP program.

Settlement ¶ 61.

OCA avers the proposed language is in the public interest and should be approved. As the CAP is a new program, it will allow the parties and the members of the LIAC to understand the costs of the program. OCA Statement in Support, p. 27. It will also specifically track the administrative costs which the OCA identified as a concern with the program estimates. *Id.* In the next base rate proceeding, Veolia will identify the costs that it is seeking recovery of on a going-forward basis. *Id.*

5. Service Line and Leak Repair

The Company proposed a plumbing repair and line repair program. The Settlement extends the program to further assist customers by the Company installing measures included in the conservation kit, provided the customer agrees. Settlement ¶ 54. OCA explains that this provision will assist low-income customers who may struggle with the self-installation of conservation kit measures and help them to reduce their usage. OCA Statement in Support, p. 28.

6. Veolia Cares/Hardship Fund

The Settlement provides that the Company will maintain its current \$35,000 per year shareholder contribution to the existing Veolia Cares hardship fund program. Settlement ¶ 49. Unspent funds will be rolled over and added to the available program budget for the following year. Settlement ¶ 49.

OCA explains that maintaining the existing hardship fund levels at the existing post-merger \$35,000 levels instead of the proposed \$20,000 will provide greater assistance to

water and wastewater customers in danger of losing service. OCA Statement in Support, p. 27. Further, the Settlement also adopts OCA witness DeMarco's recommendation to increase the hardship fund grants for wastewater customers from \$150 to \$300. Settlement ¶ 50; OCA St. 5SR at 14. The proposed increase will match the amount of the grant level available for water customers. OCA St. 5 at 6. OCA notes that, as there is not a wastewater discount or AMP, this provision will provide additional necessary grant assistance to wastewater customers to help wastewater customers to manage their arrears. OCA Statement in Support, p. 28.

7. Low-Income Advisory Committee (LIAC)

The Settlement includes several provisions to maximize the assistance of the LIAC as the new CAP develops. The Settlement continues the work of the LIAC semi-annual meetings. Settlement ¶ 48. At the meetings, the LIAC will discuss and solicit input from the members regarding CAP and outreach materials will be shared with the group to solicit feedback. Settlement ¶ 48.

The Settlement also provides specific areas for the LIAC to provide input and to utilize the LIAC as a resource to help maximize the benefits of the new program to customers. The Company will seek input from the LIAC to develop and implement a process to routinely screen for confirmed low-income status during customer contacts and to refer potentially eligible customers to the low-income program. Settlement ¶ 57.

In response to OCA witness DeMarco's recommendations regarding improving customer outreach, Veolia will also request input from the LIAC to design affirmative customer outreach for the purpose of identifying and enrolling low-income customers in the bill discount program. Settlement ¶ 58.

The LIAC is an important tool to get on-going feedback about how to maximize the efforts of the Company. OCA Statement in Support, p. 29. It allows both the stakeholders to

understand how the program is operating and allows the Company to use the group's collective knowledge of low-income customer needs to benefit the growth of the program. *Id.*

Based on the foregoing, OCA is confident the Settlement provisions are in the public interest, particularly in the interests of growing and developing the new programs and should be approved. *Id.*

8. Additional Data Collection

Under the Settlement, VWPA will begin calculating its census-based estimate low-income water and wastewater customers on an annual basis and report the information to the LIAC. Settlement ¶ 55. The Settlement also provides that the Company will track its confirmed low-income water and wastewater customers at or below 150% FPL and at or below 200% of the FPL on a monthly basis and will provide results to the LIAC. Settlement ¶ 56. Paragraph 56 also specifies how the Company will define a confirmed low-income customer. Settlement ¶ 56.

OCA explains that the data will help the Company and the parties to better understand how to develop the program going-forward, the population of confirmed and estimated low-income water and wastewater customers, and what the need of these customers are. OCA Statement in Support, p. 29. The data will also provide a tool for growing the programs in the future. *Id.* This Settlement provision, according to OCA, is in the public interest and should be approved.

15. Comprehensive Review of Tariff Language (Settlement ¶ O.62)

CAUSE-PA witness Robert Ballenger identified concerns about the tariff language and whether the language was consistent with the applicable laws and Commission regulations. CAUSE-PA St. 34-35. Mr. Ballenger recommended that the Company review its tariff to ensure that it was not in conflict with the applicable laws and Commission regulations.

CAUSE-PA St. 1 at 36-37. The Settlement adopts the recommendation and provides that within 180 days of the effective date of rates, the Company will initiate a comprehensive review of its tariff to ensure that the language and citations are consistent with the applicable laws and Commission regulations. Settlement ¶¶ 62.

OCA supports the proposed comprehensive review of the tariff language to ensure that it is up-to-date and consistent with the applicable law and Commission regulations. OCA posits the provision should be adopted as in the public interest. OCA Statement in Support, p. 30.

D. Office of Small Business Advocate

OSBA explains that it actively participated in the negotiations that led to the proposed Settlement and is a signatory to it. OSBA Statement in Support, p. 2. OSBA submits that the Settlement is in the best interests of VWPA's small business customers. *Id.* at 3.

1. Revenue Requirement (Settlement ¶¶ A.25-B.29)

OSBA explains it did not take a position on this issue with respect to the overall amount of the rate request, however, it recommended that if the Commission were to approve a water revenue requirement that was less than requested by VWPA, the Commercial class should receive a proportional scale back consistent with what was proposed in the Company's initial filing. OSBA Statement in Support, p. 3. Additionally, with respect to the wastewater request, OSBA recommended that the Mahoning Township non-residential class receive no increase which would allow the benefit of the reduction in the overall revenue requirement to be realized by the customers who are subject to the rate increase. OSBA Statement No. 1, p. 6. These concerns were subsequently addressed in the Settlement.

The Settlement also provides that VWPA will not file for an increase in water or wastewater revenues before the end of the Fully Projected Future Test year in this matter. OSBA

considers the stay-out provision to be in the public interest and provides a period of rate stability for all VWPA's ratepayers, including the Company's small business customers. Settlement ¶ 26

2. Depreciation (Settlement ¶ C.30)

The OSBA did not take a position on this issue.

3. State Tax Adjustment Surcharge (Settlement ¶ D.31)

The OSBA did not take a position on this issue.

4. Amortizations (Settlement ¶ E.32)

The OSBA did not take a position on this issue.

5. Proposed Positive Acquisition Adjustments (Settlement ¶¶ F.33-34)

The OSBA did not take a position on this issue.

6. Distribution System Improvement Charge (Settlement ¶¶ G.35-36)

The OSBA did not take a position on this issue.

7. Rate Structure / Rate Design

OSBA witness Neal Townsend summarized that that VWPA's various class cost of service studies were reasonable representations of the cost to provide both water and wastewater service to each class of customers at the Company's requested revenue requirement. OSBA Statement No. 1, p. 3.

For the Mahoning Township wastewater utility, Mr. Townsend recommended no rate increase be imposed on the non-residential customer class and testified as follows:

For the Mahoning Township wastewater utility, the non-residential customers merit a rate *decrease* of 59.3% according to VWPA's cost of service, but VWPA proposes increasing non-residential wastewater rates by 17.3%. Based on the VWPA CCOS study, I recommend no rate increase for the non-residential class and moving the residential class closer to its cost of service. While this would result in a higher rate increase for the residential class than VWPA proposes, non-residential customers would still be paying a substantial subsidy to that class, even if non-residential rates are not increased.

OSBA Statement No. 1, p.5.

Mr. Townsend testified that, even with no increase for the non-residential customers, the Mahoning Wastewater commercial customers would continue to pay a substantial subsidy of over \$400,000 to the Residential customer class. OSBA Statement No. 1-S, p. 6.

OSBA explains that the Settlement acknowledges the significant subsidy that exists for non-residential wastewater customers and results in rates that move those customers closer to the cost of service. OSBA Statement in Support, p. 5. OSBA notes that the rates proposed in the Settlement result in an increase of 5.3% to non-residential wastewater customers of Mahoning instead of the 17.3% increase initially proposed by VWPA. *Id.*

OSBA avers that the Settlement represents a compromise of the various parties' positions, and OSBA supports the schedule of rates shown as Attachment A to the Settlement as a reasonable compromise and in the public interest. *Id.*

8. Unaccounted-for Water (Settlement ¶ H.37)

The OSBA did not take a position on this issue.

9. Customer Complaint Log (Settlement ¶¶ I.38-39)

The OSBA did not take a position on this issue.

10. Minimum Fire Flow at Hydrants (Settlement ¶ J.40-41)

The OSBA did not take a position on this issue.

11. Customer Notice (Settlement ¶ K.42)

The OSBA did not take a position on this issue.

12. Fully-Projected Test Year Reporting (Settlement ¶ L.43)

The OSBA did not take a position on this issue.

13. Miscellaneous (Settlement ¶ M.44-46)

The OSBA did not take a position on this issue.

14. Customer Assistance Program and Other Assistance Programs (Settlement ¶¶ N.47-61)

The OSBA did not take a position on this issue.

15. Comprehensive Review of Tariff Language (Settlement ¶ O.62)

The OSBA did not take a position on this issue.

E. CAUSE-PA

CAUSE-PA submits that the proposed Settlement was achieved by the Joint Petitioners after an extensive investigation of Veolia's filing by multiple parties, with varied interests and priorities – each focused on advancing aspects of the public interest. CAUSE-PA Statement in Support, p. 4. Approval of the proposed Settlement will avoid the necessity of further administrative and appellate proceedings regarding the settled issues at what would have been a substantial cost to the Joint Petitioners, Veolia's customers, and the Commission. Although CAUSE-PA's litigation positions were not fully adopted, the Settlement was arrived through good faith negotiation by all active parties. *Id.*

CAUSE-PA avers the Settlement is in the public interest in that it (1) addresses the ability of low-income customers' ability to access safe and affordable service, (2) balances the interests of the parties, and (3) fairly resolves a number of critical issues raised by CAUSE-PA and other parties. *Id.* If the proposed Settlement is approved, the parties will avoid the considerable cost of further litigation and/or appeals. Thus, CAUSE-PA submits that the proposed Settlement is just and reasonable and in the public interest and should be approved by the Commission. *Id.*

1. Revenue Requirement (Settlement ¶¶ A.25-B.29)

In his direct testimony, Mr. Ballenger explained that VWPA's proposal to increase rates for water and wastewater services by an average of 22% and 37%, respectively, would result in deep unaffordability for low-income customers. CAUSE-PA St. 1 at 6-16. He pointed out that Veolia estimates approximately 32% of its residential water customers have income at or below 200% of the Federal Poverty Level (FPL). *Id.* at 7. He further noted that the average income for low-income customers identified by Veolia was only \$21,000 per year. *Id.* at 12. As Mr. Ballenger explained, low-income households lack the necessary income to afford basic necessities without assistance. *Id.* at 11.

Mr. Ballenger explained that “Veolia’s proposed rates would impose combined water and wastewater household bill burdens that exceed these levels of affordability for many customers, especially those at the lowest levels of income.” *Id.* at 13-15. He explained that the average debt for VWPA’s low-income customers is higher than the debt carried by residential customers as a whole. *Id.* at 15. He further explained that the substantial rate increase proposed by VWPA would likely exacerbate unaffordability of water and wastewater services for low-income customers, which would, in turn, lead to increased payment trouble or force struggling customers to forgo other critical life necessities such as healthy food, medicine, and other essential goods and services to afford water and wastewater service. *Id.* at 16. He explained that the inability to maintain water service adversely impacts the affected household, causing missed school, missed work, and potential loss of housing and can be detrimental to mental and physical health of an entire family. *Id.* He also explained that water terminations due to the inability to afford service pose a serious threat to public health and human dignity, and results in long-term consequences to housing stability, family unity, and community safety. *Id.* at 17. Thus, Mr. Ballenger recommended that the Commission require VWPA to take steps to reduce the number of customers who will find these rates unaffordable.

Under the terms of the proposed Settlement, Veolia’s rate increase would be limited to \$10.9 million for water and \$420,000 for wastewater. Settlement at ¶ 28. While this substantial increase will still increase unaffordability for low-income households, CAUSE-PA nevertheless believes the Settlement presents a balanced resolution of the issues in this case when taken in combination with the substantial improvements to the Company’s universal service programming that will meaningfully improve bill affordability. CAUSE-PA Statement in Support, p. 6. Thus, CAUSE-PA argues these terms are just, reasonable, and in the public interest and should be approved by the Commission. *Id.*

2. Depreciation (Settlement ¶ C.30)

CAUSE-PA did not take a position on Depreciation in this proceeding. CAUSE-PA Statement in Support, p. 6.

3. State Tax Adjustment Surcharge (Settlement ¶ D.31)

CAUSE-PA did not take a position on State Tax Adjustment Surcharge in this proceeding. CAUSE-PA Statement in Support, p. 6.

4. Amortizations (Settlement ¶ E.32)

CAUSE-PA did not take a position on Amortizations in this proceeding. CAUSE-PA Statement in Support, p. 6.

5. Proposed Positive Acquisition Adjustments (Settlement ¶¶ F.33-34)

CAUSE-PA did not take a position on Proposed Positive Acquisition Adjustments in this proceeding. CAUSE-PA Statement in Support, p. 6.

6. Distribution System Improvement Charge (Settlement ¶¶ G.35-36)

CAUSE-PA did not take a position on the Distribution System Improvement Charge in this proceeding. CAUSE-PA Statement in Support, p. 6.

7. Rate Structure / Rate Design

CAUSE-PA did not take a position on Rate Structure / Rate Design in this proceeding. CAUSE-PA Statement in Support, p. 7.

8. Unaccounted-for Water (Settlement ¶ H.37)

CAUSE-PA did not take a position on Unaccounted-For Water in this proceeding. CAUSE-PA Statement in Support, p. 7.

9. Customer Complaint Log (Settlement ¶¶ I.38-39)

CAUSE-PA did not take a position on the Customer Complaint Log in this proceeding. CAUSE-PA Statement in Support, p. 7.

10. Minimum Fire Flow at Hydrants (Settlement ¶ J.40-41)

CAUSE-PA did not take a position on Minimum Fire Flow at Hydrants in this proceeding. CAUSE-PA Statement in Support, p. 7.

11. Customer Notice (Settlement ¶ K.42)

CAUSE-PA did not take a position on Customer Notice in this proceeding. CAUSE-PA Statement in Support, p. 7.

12. Fully-Projected Test Year Reporting (Settlement ¶ L.43)

CAUSE-PA did not take a position on Fully-Projected Future Test Year Reporting in this proceeding. CAUSE-PA Statement in Support, p. 7.

13. Miscellaneous (Settlement ¶ M.44-46)

CAUSE-PA did not take a position on Miscellaneous issues in this proceeding. CAUSE-PA Statement in Support, p. 7.

14. Customer Assistance Program and Other Assistance Programs (Settlement ¶¶ N.47-61)

As part of the settlement in the in the VWPA/SUEZ acquisition proceeding, approved by the Commission in December 2021, VWPA agreed to propose improvements to its low-income programming in its next base rate case (i.e., the current case). This prior settlement required the proposal to include a bill discount component, arrearage management component, hardship fund component, and a service line leak repair and conservation component. *Veolia Change of Control Order*, Joint Petition for Approval of Settlement, Stipulation at ¶ 3. iv. VWPA made its proposal as part of the current rate case. *Veolia St. 7 at 6-7*. Mr. Ballenger evaluated VWPA's low-income program proposal and provided several recommendations. *CAUSE-PA St. 1 at 19-34*. While not all of Mr. Ballenger's recommendations were adopted, *CAUSE-PA* submits that the proposed Settlement contains several provisions that address Mr. Ballenger's concerns and will substantially improve the proposed programs. *CAUSE-PA Statement in Support*, p. 8.

a. CAP Implementation

CAUSE-PA argues the Company's low-income customers are subject to unaffordable water and wastewater rates, even before any rate increase is approved. *CAUSE-PA St. 1 at 14*. Any increase in rates will further exacerbate unaffordability of services for low-income customers, leading these customers to either experience increased payment trouble or forgo other critical life necessities to afford services. *Id.* at 16. This underscores the need to provide meaningful assistance programs so that low-income customers can afford and stay connected to services.

As part of the proposed Settlement, the Company will launch its CAP within 180 days of the effective date of rates in this case and will provide updates on its progress at the semi-annual LIAC meetings. *Settlement at ¶ 60*. In addition, the proposed Settlement requires that the Company track costs associated with administration of the CAP, report these costs to the

LIAC on an annual basis, and identify costs it seeks to recover as part of ongoing CAP administration in its next base rate proceeding. Settlement at ¶ 61.

CAUSE-PA argues that requiring the Company to launch its CAP within 180 days of the effective date of rates will ensure that VWPA's programs are implemented in a timely manner so that VWPA's low-income customers are able to access assistance without undue delay. CAUSE-PA Statement in Support, p. 9. While CAUSE-PA did not take a position related to the cost reporting requirements contained in Paragraph 61 of the proposed Settlement, it nevertheless asserts that these provisions reasonably balance the varied interests of the Settlement parties. *Id.* When taken together, CAUSE-PA maintains the provisions contained in Paragraph 60 and 61 of the proposed Settlement provide crucial enhancements that will help low-income customers afford their monthly bills and stay connected to services, and are therefore just, reasonable, in the public interest – and should be approved.

b. Income Data Tracking

As part of the proposed Settlement in the Veolia/SUEZ acquisition proceeding, Veolia agreed that after its next base rate case, it will make best efforts to begin tracking its “confirmed low-income customers (defined as the number of customers for whom SUEZ has information indicating household income at or below 150% FPL).” CAUSE-PA St. 1 at 8. In response to discovery, Veolia indicated that it does not yet actively track confirmed low-income customers, nor does it maintain a definition of the term “confirmed low-income customers” for these purposes. CAUSE-PA Statement in Support, p. 9. Veolia indicated that it does not collect income or household composition data from customers except in instances where bill payment assistance has been requested and that it “does not have ‘confirmed low-income customers.’” *Id.* In response to discovery requests by OCA, the Company indicated that it has identified approximately 662 known residential customers at 0-200% of the FPL since 2019 based on payment arrangement plans. *Id.*

To address these concerns, CAUSE-PA's expert witness, Mr. Ballenger, recommended that the Company adopt a definition of confirmed low-income customers that includes information provided by the customer that reasonably places the customer in a low-income designation; seek to partner with local and state agencies in its service territory that can verify customer's low income status through data sharing; and track and maintain confirmed low-income customer information separated by specific income tiers. *Id.* at 9-10.

In her rebuttal testimony, Veolia witness Judith Jordan expressed concern that the analyses of Mr. Ballenger and other witnesses were skewed because of limited sample size of confirmed low-income customers. VWPA St. 7-R at 8-9. In his surrebuttal testimony, Mr. Ballenger explained that Ms. Jordan's concerns underscored the need for VWPA to adopt his recommendations to improve its low-income data tracking. CAUSE-PA St. 1-SR at 5.

Under the terms of the proposed Settlement, the Company will begin tracking its confirmed low-income water and wastewater customers with income at or below 150% FPL and at or below 200% FPL and will provide monthly low-income customer counts to the LIAC. Settlement ¶ 56. The Company will also request input from the LIAC to develop a process to routinely screen for confirmed low-income status during relevant customer contacts and refer potentially eligible customers to its low-income programs. Settlement ¶ 57. The Company will also begin calculating its census-based estimated low-income water and wastewater customers on an annual basis, consistent with the methodology used in this case, and report the number to the LIAC. Settlement ¶ 55.

CAUSE-PA posits that tracking low-income customers will help the Company evaluate outreach and enrollment policies for its low-income programs and will help determine whether those programs are effective in reducing payment troubles and terminations for participants. CAUSE-PA Statement in Support, p. 11. CAUSE-PA asserts these provisions reasonably address the concerns raised by Mr. Ballenger related to tracking and identification of low-income customers and balance the varied interest of the Settlement parties. *Id.* Thus,

CAUSE-PA contends these provisions are just, reasonable, in the public interest, and should be approved by the Commission.

c. CAP Outreach

The Company estimated that only 3% of eligible customers would actually participate in its newly proposed CAP. VWPA St. 7 at 10. In his direct testimony, Mr. Ballenger explained that, while enrollment during the initial rollout of the program may be low, 3% enrollment of estimated customers is extremely low compared to the enrollment levels of other regulated water companies with similar programs, some of which are also in early stages of development. CAUSE-PA St. 1 at 26-27. Mr. Ballenger made a number of recommendations targeted to improve enrollment, including actively screening and tracking low-income customers, outreach to households with high usage and missed payments, and working with the LIAC to develop affirmative customer outreach for the purpose of identifying and enrolling low-income customers in the bill discount program. *Id.* at 27.

Under the terms of the proposed Settlement, the Company will continue to hold LIAC meetings semi-annually where it will discuss and solicit input related to its CAP (including CAP outreach), as well as share CAP outreach materials with the LIAC and consider feedback from members. Settlement at ¶ 48. The Company will also request input from the LIAC to design affirmative customer outreach for the purpose of identifying and enrolling low-income customers in the bill discount program. *Id.* at ¶ 58.

While the recommendations of CAUSE-PA's expert witness were not adopted in their entirety, CAUSE-PA avers that the terms that were adopted will help support VWPA's program implementation, including enlisting the help of LIAC members to develop its outreach plan. CAUSE-PA Statement in Support, p. 12. CAUSE-PA notes that LIAC members include community groups and advocates who have experience with low-income programming, and leveraging this experience will help ensure that the program reaches low-income customers and better address the affordability challenges faced by low-income households. CAUSE-PA

Statement in Support, p. 12. Thus, according to CAUSE-PA, these terms are just, reasonable, and in the public interest, and should be approved.

d. Bill Discount Component

The Bill Discount Component of Veolia's proposed CAP is designed to provide a tiered discount for low-income water bills but does not extend to wastewater customers. VWPA St. 7 at 7-8. In Mr. Ballenger's direct testimony, he evaluated the level of discounts proposed and explained that the limited available data indicated that Veolia's proposed discounts will provide affordable water bills for most groups of participants. CAUSE-PA St. 1 at 23. However, he explained that high usage households with income at or below 50% FPL will continue to have high water service bills that far exceed accepted affordability standards – with the lowest income households exceeding 7% of household income for water costs alone. *Id.* Thus, he recommended that the Company explore the possibility of implementing a percentage of income payment plan and, in the meantime, extend the discount for customers at or below 50% FPL to the first 3,000 gallons of water per month. *Id.* at 2. He also recommended that the Company extend the Bill Discount Component to low-income wastewater customers due to the high wastewater burdens that would result from Veolia's proposed rate increase. *Id.* at 25-26.

In rebuttal, Veolia witness Judith Jordan argued that a wastewater discount was premature due to the low number of wastewater customers served by Veolia. VWPA St. 7-R at 29. In his surrebuttal, Mr. Ballenger responded that it is nonetheless important to ensure that all Veolia customers are able to afford water and wastewater service and that, “[a] water discount alone will not achieve affordability for combined water and wastewater or wastewater only customers.” CAUSE-PA St. 1-SR at 10.

Under the terms of the proposed Settlement, an additional income tier will be added to Veolia's Bill Discount Component structure, which will provide an additional 1,000-gallon volumetric discount to customers at or below 50% FPL (totaling a 3,000-gallon volumetric and 100% fixed charge discount). Settlement ¶ 51. While the discounts will still be

limited to water customers, Veolia will analyze census-based estimated low-income data for its wastewater districts to determine the number of households in poverty, as well as termination and arrearage data for wastewater customers, and will produce a report on the need for and feasibility of extending its CAP program to wastewater customers and provide the results to the LIAC within one year of effective rates in this case. Settlement ¶ 52.

CAUSE-PA argues these terms are just, reasonable, in the public interest, and should be approved by the Commission. CAUSE-PA Statement in Support, p. 14. The additional discount tier provided for in the proposed Settlement will help high usage customers with the lowest incomes receive affordable bills when enrolled in the program, which will, in turn, help reduce uncollectible expenses and terminations among this financially vulnerable group. *Id.* CAUSE-PA asserts that these enhancements are critical to ensure equitable levels of assistance to households most in need. *Id.* Further, the low-income wastewater data collection and report will provide critical data to analyze the need for extending the Bill Discount Component to wastewater customers. *Id.* While the recommendations of CAUSE-PA's expert witness were not adopted in their entirety, CAUSE-PA maintains that these provisions represent a balanced approach of the varied interests of the Settling parties and should be approved without modification.

e. Arrearage Management Component

Another component of VWPA's proposed CAP is an Arrearage Management Component. As proposed, customers who enter CAP with a balance would earn \$25 per month in debt forgiveness each time the customer pays their current, discounted monthly bill on time. VWPA St. 7 at 8. Mr. Ballenger explained that, based on the very limited available data, VWPA's \$25 monthly arrearage forgiveness proposal appeared likely to resolve the arrearages held by most identified low-income customers within a reasonable timeframe. CAUSE-PA St. 1 at 28-29. However, he explained that some customers have much higher balances, particularly referring to customers who have been terminated. *Id.* He voiced concern that customers with even higher balances due to leaks or extended payment trouble may have balances that would not

be resolved within a reasonable period of time through the program. *Id.* Mr. Ballenger recommended that the Company explore the possibility of implementing a time-based arrearage forgiveness program and that the Company count all full payments toward arrearages forgiveness, regardless of whether they are made on time. *Id.*

In her rebuttal testimony, Ms. Jordan indicated that the Company opposed implementing a time-based forgiveness structure and argued that accepting late payments would be administratively burdensome. VWPA St. 7-R at 16-17. In his surrebuttal testimony, Mr. Ballenger explained that low-income consumers are likely to receive income irregularly or inconsistently and lack reserve funds to cover their bills – and pointed out that his proposed 24-monthly bill forgiveness period aligns with Veolia’s proposed recertification timing. CAUSE-PA St. 1-SR at 7.

Notably, Mr. Ballenger also raised concerns that Veolia’s proposed arrearage forgiveness component would require households to also enter a payment arrangement – adding a “co-pay” to the bill and undermining the effectiveness of the program to provide a stable, affordable bill. CAUSE-PA St. 1 at 29. However, Ms. Jordan clarified in rebuttal testimony that this was a misunderstanding of the proposal, and that it was not proposing to add a co-pay or payment arrangement. VWPA St. 7-R at 14-15.

Under the terms of the proposed Settlement, the Company will track and report on the length of time it takes for program participants to remediate their arrearages through the program and the rate of success of customers achieving full forgiveness through the program and will report this data to the LIAC annually. Settlement ¶ 53. Taken in combination with the additional low-income data tracking provisions in the proposed Settlement, these terms will help evaluate whether VWPA’s \$25 per month arrearage forgiveness structure is adequate to remediate CAP customers’ preprogram arrearages within a reasonable time and, if not, will allow the parties to evaluate and make recommendations about this component in future proceedings. CAUSE-PA Statement in Support, p. 16. Thus, CAUSE-PA argues these terms of the proposed Settlement are just, reasonable, in the public interest, and should be approved.

f. Service Line and Leak Repair

Another component of VWPA's proposed CAP is its Service Line and Leak Repair Component, through which VWPA would hire contractors to provide plumbing repairs of up to \$1,500 (for each occurrence) to eligible low-income residential customers at or below 150% FPL. As proposed, the program would only be available to customers under threat of termination, or who have been terminated, and the leak would need to occur on an exposed internal line and/or consist of minor plumbing repairs such as faucets and toilets. VWPA St. 7 at 9. Also, external customer service side leaks will be repaired from the curb box to the face of the customer's home. *Id.* The Company proposed a maximum budget of \$100,000. *Id.*

In his direct testimony, Mr. Ballenger recommended that internal repairs should run in conjunction with the conservation program, as internal leaks can lead to uncontrolled metered usage and should be addressed as part of a comprehensive usage reduction strategy to complement bill discounts. CAUSE-PA St. 1 at 32. He explained that it should be anticipated that customers with internal leaks will not receive adequate CAP bill discounts unless and until unnecessarily high water usage associated with a leak is rectified. *Id.*

In her rebuttal testimony, Ms. Jordan argued that Mr. Ballenger's recommendations were based on the structure of electric and gas Low Income Usage Reduction Programs (LIURP), which she argued are not applicable to water utilities. VWPA St. 7-R at 18. In his surrebuttal testimony, Mr. Ballenger explained that even though water utilities are not explicitly required to provide LIURP, the programs provide a time-tested model of best practices for usage reduction and conservation programs and are critical to an effective universal service program portfolio. CAUSE-PA St. 1-SR at 8.

Under the terms of the proposed Settlement, for the first two semi-annual LIAC meetings after rates in this case go into effect, the Company will discuss and solicit input from the LIAC regarding opportunities and challenges related to (1) identifying leaks for CAP

participants before they are in threat of termination, and (2) leak repair program accessibility for CAP customers not in threat of termination. Settlement ¶ 59. The plumbing repair component will also include conservation kits, provided the customer agrees. *Id.* at ¶ 54.

CAUSE-PA argues these terms will help shape the Service Line and Leak Repair component to adequately address the underlying causes of high usage that lead to out-of-control usage and high bills, which will in turn, help reduce arrearages and terminations and improve the effectiveness of the Company's CAP. CAUSE-PA Statement in Support, pp. 17-18. Thus, CAUSE-PA avers these terms are just, reasonable, in the public interest, and should be approved.

g. Veolia Cares/Hardship Fund

In addition to its proposed CAP, the Company also proposed to continue to operate its Veolia Cares hardship fund, which provides assistance to customers having difficulty paying their bills for a variety of reasons. VWPA St. 7 at 6-7. As a result of the proposed Settlement in the Veolia/SUEZ acquisition proceeding, VWPA committed to contributing \$50,000 to the SUEZ Pennsylvania Utilities' Cares grant program annually until its next base rate case (i.e. the current case). *Veolia Change of Control Order*, Joint Pet. for Approval of Settlement, Append. at Stip. P.8 ¶ 3.b. Thereafter, VWPA committed to contributing a minimum of \$20,000 annually, though a higher annual contribution level may be established as part of this proceeding. *Id.* All unspent funds will be rolled over and added to the budget for the Cares program in the following year. *Id.*

In its initial filing in the instant matter, VWPA proposed to limit its hardship fund budget to \$20,000, the minimum allowable under the prior settlement. VWPA St. 7 at 7. In his direct testimony, Mr. Ballenger recommended that the Company maintain its \$50,000 per year Cares contribution, with unspent funds rolling over to the following year. CAUSE-PA St. 1 at 21.

Under the terms of the proposed Settlement, VWPA will maintain a \$35,000 per year shareholder contribution to the existing Veolia Cares hardship program – an increase of \$15,000 per year over its minimum mandatory contribution level. Unspent funds will continue to roll over and be added to the available program budget for the following year. Settlement ¶ 49. Additionally, to address the increased need for assistance for wastewater customers due to the rate increase and the absence of a wastewater CAP, VWPA will increase hardship fund program grants for wastewater customers from \$150 to \$300. *Id.* at ¶ 50. CAUSE-PA submits that these terms will help ensure that VWPA’s wastewater customers are better protected from termination due to hardship and the increased wastewater rates. CAUSE-PA Statement in Support, p. 19. Thus, CAUSE-PA argues these terms are just, reasonable, in the public interest, and should be approved.

15. Comprehensive Review of Tariff Language (Settlement ¶ O.62)

In his direct testimony, CAUSE-PA witness Mr. Ballenger pointed to several provisions in Veolia’s tariff that are inconsistent with the Commission’s regulations due to reliance upon outdated regulations or that reflect company policies that are out of alignment with Commission guidance. CAUSE-PA St. 1 at 34-35. Mr. Ballenger recommended that the Company carefully review its tariff to ensure that the language did not conflict with, or authorize, Company actions in violation of applicable Commission regulation. *Id.* at 36-37.

Under the terms of the proposed Settlement, within 180 days of the effective date of rates in this case, the Company will initiate a comprehensive review of its tariff to ensure that the language and citations are consistent with applicable laws and Commission’s regulations and will file a compliance tariff if further changes are necessary for compliance. Settlement ¶ 62. These provisions reasonably address Mr. Ballenger’s concerns related to Veolia’s tariff language and will help ensure that Veolia’s tariff is up-to-date and reflects the statutes and regulations applicable to regulated water utilities such as Veolia. CAUSE-PA therefore suggests these provisions of the proposed Settlement are just, reasonable, in the public interest, and should be approved by the Commission. CAUSE-PA Statement in Support, pp. 19-20.

VIII. DISCUSSION AND RECOMMENDATION

A. Revenue Requirement (Settlement ¶¶ A.25-B.29)

Under the Settlement, the Joint Petitioners agree to revenue increases of approximately \$10.9 million (or approximately 18.9% over current annualized revenues) for the water systems and \$420,000 (or approximately 25.9% over current annualized revenues) for the wastewater systems, Settlement ¶¶ 25-29, as opposed to the \$16.1 million VPWA initially requested.¹⁶ Further, Joint Petitioners propose that VWPA's allowed water revenue requirement be recovered based upon the schedule of rates as shown in Attachment A to the Settlement.

The Settlement is a “black box settlement.” Settlement ¶ 63. The Settlement represents a “black box” approach to the revenue requirement including, among other things, cost of capital issues. Black box settlements avoid the need for protracted disputes over the merits of individual revenue requirement adjustments and avoid the need for a diverse group of stakeholders to attempt to reach a consensus on each of the disputed accounting and ratemaking issues in this matter, as policy and legal positions can differ. As such, the parties have not specified a dollar amount for each issue or adjustment raised in this case. Further, attempting to reach agreement regarding each adjustment in this proceeding may have prevented any settlement from being reached.

¹⁶ See Finding of Fact No. 10. \$15,494,620 water + \$568,719 wastewater = \$16,063,339 total.

OCA,¹⁷ OSBA,¹⁸ and I&E were active parties, participating in multiple rounds of discovery and testimony, and multiple settlement discussions. The responsibility of OCA and OSBA is to protect certain enumerated public interests. These entities take those specified legal and fiduciary responsibilities seriously.

All the Parties propose that the Settlement represents a compromise of their positions. Further, as OCA notes, the revenue increase under the Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case, especially when accompanied by other important conditions in the Settlement. The Settlement reduces the total amount of the rate request, but the Joint Petitioners all represent the agreed-upon rate will provide the Company with the funds necessary to continue to provide safe, adequate and reasonable water and wastewater service, plus a fair rate of return. Further, while this increase may result in potential unaffordability for low-income households, this will be offset by improvements to the Company's universal service programming that will improve bill affordability. Thus, taken as a whole, the Settlement includes terms that are just, reasonable, and in the public interest.

In addition to the revenue requirement, under the terms of the Settlement, the Company will not file for an increase in distribution water or wastewater rate revenues before the end of the FPPTY, or October 31, 2025. Settlement ¶ 26. This term promotes rate stability for residential and small business customers. If this case were to be litigated, VWPA would be able

¹⁷ OCA was created by Act 1976-161 to represent the interest of consumers before the Pennsylvania Public Utility Commission, and other state and federal agencies and courts, in proceedings involving public utilities. OCA was created to provide an independent, professional voice for consumers who are usually unrepresented in utility regulatory proceedings and who generally lack the ability and resources required to effectively advocate in a rate proceeding. OCA is, by intention, meant to be an independent body that represents the interests of Pennsylvania's utility consumers and ratepayers.

¹⁸ OSBA was established by the Small Business Advocate Act, See Act 181 of 1988, 73 P.S. §§ 399.41 *et seq.*, which directed OSBA to represent the interests of small business consumers of utility services before the Commission, *inter alia*. That statute defined a small business consumer as "a person, sole proprietorship, partnership, corporation, association or other business entity which employs fewer than 250 employees and which receives public utility service under a small commercial, small industrial, or small business rate classification."

to seek another rate increase at any time. The Settlement ensures a rate stay-out to lock VWPA's rates for its customers for a defined period of time. This stability will give customers an opportunity to adjust to the new rates and should help reduce "rate-shock."

For the reasons discussed above, the Settlement terms regarding the revenue requirement and stay-out provision are in the public interest and should be approved.

I note, however, the Parties did not include proofs of revenues with supporting calculations, as required by 52 Pa. Code § 5.592(a). VWPA's initial proofs of revenues were included in Exhibit GRH-2, Schedules 2 to 9.4. These schedules should be updated to reflect revenues at Settlement rates.

When the Commission makes a final decision concerning a rate filing and permits or requires the adoption of rates other than the rates originally filed, as in the instant case, the public utility affected must file, within 20 days of the entry of the final order, a tariff revision consistent with the Commission's decision together with a proof of revenues and supporting calculations. 52 Pa. Code § 5.592(a). The utility shall simultaneously serve copies of the tariff revision, along with the proof of revenues and supporting calculations, on the parties in the proceeding. *Id.* In the instant case, if this Settlement is approved, the Commission would be permitting the adoption of rates other than the rates originally filed; therefore, VWPA must file with the Commission proofs of revenues and supporting calculations for each service type.

In a recent rate case before the Commission, the Pittsburgh Water and Sewer Authority (PWSA) filed a rate case that resulted in a full settlement. *See Pa. Pub. Util. Comm'n v. Pittsburgh Water and Sewer Auth.*, Docket No. R-2023-3039919 (Order entered Jan. 18, 2024). Like VWPA, PWSA failed to file proofs of revenues. In her Recommended Decision, the ALJ in that case directed the parties to file the necessary proofs of revenues and supporting calculations within 20 days after the entry of a final order.

Consequently, to ensure compliance with 52 Pa. Code § 5.592(a), I recommend that VWPA be directed to file, within 20 days of the entry of the final order in these proceedings, proofs of revenues and supporting calculations for water and wastewater services, detailing VWPA's authorized operating revenues under present and Settlement rates, broken down by base rate revenues, DSIC revenues, and other revenues. This is addressed in the Ordering Paragraphs below.

B. Depreciation (Settlement ¶ C.30)

The Joint Petitioners agreed to a black box revenue requirement of \$10.9 million for water and \$420,000 for wastewater, which includes amounts for depreciation expense based on Veolia's depreciation rates as filed in the initial case. Settlement ¶ 30.

While VWPA calculates its depreciation using the ELG methodology, VWPA St. No. 5-R p. 2, OCA proposed using the ALG methodology, OCA St. 3 p. 64. The Joint Petitioners compromised by agreeing to disagree about the depreciation methodology to be used by VWPA, but for these proceedings, the Joint Petitioners agreed to utilize VWPA's depreciation rates as originally proposed by the Company. Settlement ¶ 30. Further the Settlement preserves Joint Petitioners' respective rights to address the depreciation methodology in a future proceeding.

Under the Settlement, the Joint Petitioners specifically do not agree about the appropriate procedure to be used. OCA Statement in Support, p. 8. However, given that this provision of the Settlement preserves the issues should the parties fully litigate the issue of the appropriate depreciation procedure in a future rate case, this provision is in the public interest. Furthermore, I note that while OCA disagrees with VWPA's depreciation method, OCA specifically avers that the overall rates agreed to as part of the Settlement of the revenue requirement are just and reasonable and should be approved as in the public interest. There is no reason to disbelieve the contentions and assurances of the Joint Petitioners.

Therefore, I find this Settlement term is in the public interest.

C. State Tax Adjustment Surcharge (Settlement ¶ D.31)

Consistent with the Commission’s regulation at 52 Pa. Code § 69.55, VWPA proposes that its STAS be reset to 0%. VWPA St. No. 2 p. 5. No party objected, and the Settlement reflects this proposal. Settlement ¶ 31.

This provision is in the public interest because it sets rates consistent with the Commission’s regulations and should be approved.

I note, however, there are additional corrections that should be made to the proposed *pro forma* tariffs. The STAS should not be retroactive; the Settlement specifically provides that the STAS, “shall be established at 0% effective with the effective date of Settlement Rates in this proceeding.” Settlement ¶ 31. Therefore, for the Water Tariff, Pg. 4 – State Tax Adjustment Surcharge (STAS), both instances of “January 1, 2024” should be replaced with “the Effective Date shown on the bottom of this page.” Additionally, for the Wastewater Tariff, Pg. 4 – State Tax Adjustment Surcharge, “January 1, 2024” should be replaced with “the Effective Date shown on the bottom of this page.” This correction is addressed in the proposed Ordering Paragraphs below.

D. Amortizations (Settlement ¶ E.32)

The Company’s initial rate request included the proposed amortization of certain expenses, including the amortization of acquisition adjustments for Brown Manor, the Kensington Water Company, the Overbrook Water Company, and the Mahoning Township water and wastewater systems. VWPA St. No. 2 pp. 14, 16 and 30. Some of the Joint Petitioners disputed portions of this claim. In rebuttal testimony, the Company accepted some, but not all, of these proposals. VWPA St. No. 2-R pp. 21 and 33.

The Settlement does not include the Company’s proposed amortizations, except for four amortizations that are specifically listed (along with the annual amortization and the amortization period). Settlement ¶ 32. The Settlement maintains the amortization of a prior

acquisition adjustment (for the acquisition of Brown Manor *et al.*) and memorializes that this prior acquisition adjustment will expire as currently scheduled in early 2027.

VWPA, I&E, and OCA all aver that the Settlement represents a reasonable compromise of the Joint Petitioners' positions on the amortization issue. The Company agreed to concede certain amortization claims, and the statutory advocates agreed to concede some of their proposed amortization adjustments. These parties affirm that these compromises are a key part of the Settlement and ensures that the Company will be able to continue to provide water and wastewater service to customers at just and reasonable rates. Under the Settlement, VWPA will not seek positive acquisition adjustments and related amortizations for Kensington and Overbrook, and the related amortizations are not reflected in the Company's table in Paragraph 32. Therefore, the proposed amortizations should be approved as in the public interest.

E. Proposed Positive Acquisition Adjustments (Settlement ¶¶ F.33-34)

The Company proposed acquisition adjustments pursuant to 66 Pa.C.S. § 1327(a) for its acquisition of the Kensington and Overbrook water systems. VWPA St. No. 1 pp. 10-11. I&E agreed with VWPA's proposal, but the OCA opposed it. VWPA St. No. 1-R pp. 15-16.

Additionally, the Company requested a return on and of the purchase price on the 1329 acquisition of the Mahoning system. VWPA St. No. 1 pp. 9-10. I&E argued that there should be no acquisition adjustment because the original cost of the acquisition should have been adjusted to reflect the purchase price per the Section 1329 fair market valuation. The OCA did not contest including the full \$9.5 million purchase price into rate base. VWPA St. No. 1-R p. 17.

In the Settlement, the Joint Petitioners compromised and agreed that VWPA will not propose, in this or any future proceeding, that it receive an acquisition adjustment for the Kensington or Overbrook systems. Settlement ¶ 33. The Joint Petitioners also agreed that VWPA may include the full \$9.5 million purchase price for the Mahoning water and wastewater systems in rate base without a separate line item for an acquisition adjustment. The Joint

Petitioners further agreed that the plant in service balances will be adjusted on a *pro rata* basis as shown on **Attachment B**. *Id.* ¶ 34.

The Settlement puts VWPA in the position it would have been in if the Commission had included what is now a standard ordering paragraph in the order for VWPA's acquisition of the Mahoning systems. Further, VWPA agrees that it will not propose, in this or any future proceeding, to amortize or otherwise pass through to ratepayers the difference between the net original cost and the purchase price. This will help keep rates just and reasonable by preventing VWPA from requesting an acquisition adjustment for the Kensington and Overbrook systems, and I find this term is in the public interest.

F. Distribution System Improvement Charge

Consistent 66 Pa.C.S. § 1358(b)(1), the Settlement provides that VWPA's DSIC will be reset at 0% of billed revenues effective with the effective date of Settlement rates. The DSIC will remain at this level until the later of: (i) the end of the FPFTY or (ii) when VWPA's total plant in service balance exceeds the \$569,106,389 (water) and \$9,125,095 (wastewater) levels projected by the Company on October 31, 2025. Settlement ¶ 35.

Since the Settlement is a black box and does not otherwise identify a specific return on equity number which is necessary for the calculation of the DSIC, the Settlement provides that for purposes of calculating the DSIC, the Company shall use the equity return rate for water utilities in the most recent Bureau of Technical Utility Services Quarterly Earnings of Jurisdictional Utilities Report as released by the Commission and shall update it each quarter consistent with any changes for water utilities until such time as the DSIC is reset pursuant to Section 1358(b)(1). Settlement ¶ 36. This will ensure that VWPA will not begin to charge a DSIC until either the Company's plant in service balance exceeds the amounts that VWPA projected through the end of the FPFTY or the end of the FPFTY. This protects consumers against an overestimation of the plant in service that the Company will install by the end of the FPFTY.

These provisions will help to ensure that the DSIC is calculated properly, sets the return on equity necessary for calculating the DSIC, and otherwise establishes the threshold for plant in service when the Company may begin to charge the DSIC again. The proposed terms provide clarity, are just and reasonable, and in the public interest.

G. Rate Structure / Rate Design

The allocation of the proposed revenue requirement for water and wastewater is reflected in Attachments A and B of the Settlement. All parties agree that the Settlement represents a compromise among parties who offered various allocation proposals, including OCA, OSBA, and I&E, and that it is in the public interest and should be approved.

As reflected in these schedules of rates, the Settlement reflects the mutual balancing of various issues and positions. In their respective testimonies, the parties addressed “rate shock” and their proposals included suggestions on how to minimize it for VWPA customers. Importantly, the Settlement acknowledges the significant subsidy that exists for non-residential wastewater customers and results in rates that move those customers closer to the cost of service. OSBA Statement in Support, p. 5. The rates proposed in the Settlement result in an increase of 5.3% to non-residential wastewater customers of Mahoning instead of the 17.3% increase initially proposed by VWPA. *Id.* Additionally, OCA avers the proposed rate designs and customer charges are within the ranges proposed by the OCA and the Company. OCA Statement in Support, 12.

The rate structure and rate design were achieved after a careful and thorough negotiation between the parties, who have varied and competing interests. The resulting compromise moves rates closer to the cost of service, while being sensitive to potential “rate shock” for customers. The Settlement, as a “black box” Settlement, must be viewed in its entirety, and considering the Settlement as a whole, these provisions are in the public interest and should be approved.

H. Unaccounted-for Water (Settlement ¶ H.37)

The Settlement adopts OCA witness Fought's recommendation and provides that the Company shall prepare Section 500 forms for each of its operating systems for which it submits a Chapter 110 Report and provide them to the OCA and TUS in live Excel format at the time of its Chapter 110 Report submission. Settlement ¶ 37.

The UFW provision ensures that VWPA will provide information consistent with VWPA's predecessor Suez's 2018 base rate proceeding at Docket No. R-2018-3000834. *Pa. Pub. Util. Comm'n v. Suez Water Pa., Inc.*, Docket No. R-2018-3000834, Settlement ¶ 19(i),(ii) (Order entered Dec 6, 2018).

Proper tracking of UFW will provide VWPA data to more accurately identify leaks and inaccurate meter readings. Reductions to UFW saves money in chemical, purchased water and power costs and provides for important water conservation in areas with limited water supply sources. This will help improve operational efficiencies to meet the levels identified by the Commission's regulations at 52 Pa. Code § 65.20(4). This Settlement provision is in the public interest as it will allow the parties to better analyze the UFW data, reconcile it with the DEP Chapter 110 Report information, and to more easily identify locations where improvement is necessary.

I. Customer Complaint Log (Settlement ¶¶ I.38-39)

In the settlement of VWPA's 2018 rate case, the Company agreed to prepare a complaint log in sortable Excel format. *Pa. Pub. Util. Comm'n v. SUEZ Water Pennsylvania, Inc.*, Docket No. R-2018-3000834, Recommended Decision issued Oct. 31, 2018, p. 14 (Order entered Dec. 6, 2018). The log would include complaints made to the Company about its service or facilities, showing the name and address of the complainant, the date and character of the complaint, and the final disposition of the complaint. *Id.* OCA witness Fought testified that it was difficult for VWPA to provide a complete complaint log because of the computer software used by VWPA. OCA St. 5 pp. 4-5.

The Joint Petitioners agreed to a complaint log provision that is more robust than the complaint log provision in the settlement of VWPA's 2018 rate case proceeding. Settlement ¶ 38. The complaint log will include data regarding customer complaints, work orders and service, and will be available in Excel format in discovery in future cases, including Veolia's next base rate case. The complaint log will include formal and informal complaints submitted to the Commission, as well as complaints directly submitted to the Company. Finally, the Joint Petitioners will collaborate to create a list of key words for complaints which VWPA and other parties would be able to search.

OCA represents the Settlement addresses its concerns on this issue. The complaint log provision is in the public interest because it will allow VWPA and other parties to more efficiently review data concerning VWPA's customer complaints and the Company's response to them. This will be helpful to the Company in conducting normal business operations, as well as being helpful to parties in future litigation. By reviewing and analyzing this data, the Company will be better able to ensure that it is providing reasonable and adequate service (including customer service) to its ratepayers. Therefore, these terms are in the public interest.

J. Minimum Fire Flow at Hydrants (Settlement ¶ J.40-41)

In the Settlement, the Joint Petitioners agree that the bonnets of fire hydrants on mains less than six inches in diameter will be painted red. Settlement ¶ 40.

In addition, the Settlement notes that the Company is currently reviewing its hydraulic models, which are used to determine that all fire hydrants attached to water mains larger than six inches can provide the minimum fire flow of 500 gallons per minute at a residual pressure of 20 pounds per square inch for a duration of two hours, without reducing the pressure in other areas of the distribution system to less than 20 pounds per square inch. VWPA commits to completing this review by the end of the year. If fire hydrants of concern are identified, either

through the model or through periodic field fire flow testing, VWPA will collaborate with local fire protection agencies to identify solutions that will benefit public safety. Settlement ¶ 41.

OCA avers the Settlement adequately addresses its safety concerns. These provisions promote public safety without exposing the Company to potential liability by making the Company a guarantor of fire service. The Settlement will provide critical information to fire protection teams about which fire hydrants may be used for fire protection needs and which cannot. Additionally, these provisions are consistent with the Commission's Statement of Policy on Public Fire Protection Service and System Hydraulic Monitoring. 52 Pa. Code § 69.1501(b). As such, these Settlement terms are in the public interest and should be approved.

K. Customer Notice (Settlement ¶ K.42)

VWPA provided notice of the rate increase to customers as required by the Commission's notice requirements, however, OCA had several concerns with the form of notice VWPA provided. OCA recommended that the notice in future cases should include a rate impact for each of the proposed rate increases, depicting a more accurate representation of what customers could expect.

The Settlement adopts this recommendation, and OCA avers the Settlement fully addresses its concerns. In the Settlement, the Company agreed that, in the future, it will provide a separate customer notice for customers of systems that have been acquired since the previous rate case. Settlement ¶ 42. This provision will ensure that customers in acquired systems receive more personalized noticing of the proposed rate increases and how it may impact them. Further, this provision is in the public interest because it is administratively easier, as well as less costly, for VWPA to develop and distribute a limited number of different versions of its customer notice. Therefore, it is in the public interest and should be approved.

L. Fully-Projected Test Year Reporting (Settlement ¶ L.43)

I&E made recommendations that VWPA provide I&E and OCA separate reports for Water and Wastewater updating pages 1 and 2 of Veolia Exhibit LKF-1 no later than January 1, 2025, which should include actual capital expenditures, plant additions, and retirements by month from October 1, 2023 through September 30, 2024, and an additional update for actuals from October 1, 2024 through September 30, 2025. I&E Statement N. 3, pp. 10-11. I&E also recommended that the Company provide the statutory advocates with periodic updates of VWPA Exhibit LKF-1. *Id.*

The Settlement adopts I&E's recommendations, and I&E explains the Settlement fully addresses its concerns. The Settlement provides that the Company will provide an update of VWPA Exhibit LKF-1 to I&E, OCA and OSBA by January 31, 2025 and by July 31, 2025. Settlement ¶ 43. In addition, when the Company files its next base rate case, VWPA will include a comparison of its actual expenditures and rate base additions for the twelve months ending October 31, 2025 to the projections in this case. *Id.*

The proposed Settlement provisions will allow the parties to track and to evaluate the Company's actual plant additions in the future and FPFTY in comparison to the Company's projections in this case. This information will assist with evaluating the accuracy of the Company's projections in future rate proceedings. The provision should be approved as in the public interest.

M. Miscellaneous (Settlement ¶ M.44-46)

i. Tariff Revisions

The Company identified some errors in the proposed tariff that should be corrected. VWPA St. No. 1-R pp. 18-22.

The Joint Petitioners request that the Commission adopt the proposed Tariffs, as further modified by the Settlement. Settlement ¶ 44.

These provisions are in the public interest because the proposed water and wastewater Tariffs include rules and regulations governing the provision of service, and these rules and regulations need to be accurate and consistent with current Commission rules and regulations. Further, VWPA has agreed, as part of the Settlement, to complete a comprehensive review of its Tariffs to identify any other sections which may need to be updated or corrected. It is in the public interest for VWPA to operate under accurate tariffs.

For the benefit of the Parties, I want to note some additional corrections that should be made to the Tariff. For the Water Tariff, Pg. 6C - Schedule of Rates, Customer Service Charges, the monthly service charge for 10” should be “\$1,736.17” rather than “\$377.40,” per the rate schedule provided in the Settlement’s Attachment A. For the Water Tariff, Pg. 14 – “8. Hydrant Flow Test”, should be replaced with “9. Hydrant Flow Test”, and the duplicate “8. Hydrant Flow Test” section at the bottom of the page should be deleted. These corrections are addressed in the Ordering Paragraphs below.

ii. Water Storage Tanks

The Settlement adopts OCA’s recommendation that tanks more than 15 years old and existing tanks that have not been repainted at the 20-year mark be inspected by a tank inspection contractor who will submit a report to the Company. Settlement ¶ 45; OCA St. 5 at 22.

Periodic inspections and cleanings of water storage tanks help to maintain good water quality in the distribution system and extend the service life of the tank, which will help manage costs. OCA avers that the Settlement provision satisfies the OCA’s concerns. This Settlement provision is in the public interest and should be adopted.

iii. [BEGIN CONFIDENTIAL] Cybersecurity

[REDACTED]

[REDACTED]

[END CONFIDENTIAL]

N. Customer Assistance Program and Other Assistance Programs (Settlement ¶¶ N.47-61)

VWPA proposed a CAP for water service, which is modeled on CAPs currently offered by other Commission-regulated investor-owned water utilities. As proposed by the Company, the CAP includes a bill discount program, a service line repair program, and an arrearage forgiveness program. VWPA St. No. 7 p. 4. The bill discount program was proposed to be a tiered discount, providing the most financial relief to those who need it the most. As a conservation component to the discounts, customers below 150% of the Federal Poverty Level would receive conservation education, conservation kits, and installation of kits by plumbers for Seniors if needed or those with a disability. VWPA St. No. 7 pp. 7-8. The arrearage forgiveness program was proposed to give customers at or below 200% of the FPL who are unable to pay their past due bills flexible payment arrangements that allow an opportunity for forgiveness of \$25 per month of the outstanding balance each time the customer pays his currently monthly bill by the due date. VWPA St. No. 7 p. 8. Finally, the service line repair program was proposed to have the Company hire contractors who would provide plumbing repairs of up to \$1,500 (for each occurrence) to eligible low-income residential customers at or below 150% of the FPL. To be eligible, the customer must be in threat of termination, or have been terminated, and the leak

must occur on an exposed internal line and/or consist of minor plumbing repairs such as faucets and toilets. External customer service side leaks would be repaired from the curb box to the face of the customer's home. VWPA St. No. 7 p. 9.

Because the CAP proposal is new, enrollment levels and total costs are difficult to estimate. The Company estimated costs for the CAP assuming that approximately three percent of eligible customers will enroll in the program. VWPA St. No. 7 p. 10. VWPA proposed that a target budget of \$1,000,000 for CAP costs be included in its revenue requirement. VWPA St. No. 7 p. 11. The Company further proposed to track the difference between the overall costs of the CAP and the proposed target amount as a regulatory asset or liability, to be addressed in the Company's next base rate case filing. After gaining experience with the program, adjustments to the level of costs included in base rates would be adjusted to reflect the costs of the program more accurately in that future case. A shareholder contribution of \$300,000 would be included in the reconciliation as a direct offset of the overall program costs. VWPA St. No. 6 p. 7.

The proposed CAP program is in addition to the Veolia Cares program, which will continue. VWPA St. No. 7 p. 4. Veolia Cares offers assistance to customers that are experiencing a hardship such as job loss, illness, or an unforeseen circumstance that prevents the customer from paying his water and/or wastewater bill. Qualifying customers may receive grants of up to \$300 annually toward their water bill and up to \$150 toward their wastewater bills. VWPA St. No. 7 p. 5. In 2023, the Company started sending conservation kits to Veolia Cares grant recipients to assist them in reducing their monthly water consumption. VWPA St. No. 7 p. 5.

CAUSE-PA and OCA proposed changes to the proposed CAP program, and I&E provided testimony regarding the program's implementation costs and cost-tracking and reporting.

In the Settlement, the Joint Petitioners agree that CAP and other assistance programs should be approved as proposed, except as modified by the Settlement. Settlement

¶ 47. VWPA's proposed CAP will be launched within 180 days of the effective date of rates in this case. *Id.* ¶ 60.

The Settlement makes numerous changes in the Company's proposal, including removing the proposal for tracking the difference between the overall costs of the program and the proposed target amount as a regulatory asset or liability, to be addressed in the Company's next base rate case filing. Settlement ¶¶ 48-61; VWPA Statement in Support, p. 22. Instead, VWPA will track all costs associated with the administration of the CAP program, including the provision of services under the program. In its next base rate proceeding, the Company will identify those costs it seeks to recover as part of its ongoing administration of the CAP. Settlement ¶ 61.

Regarding the bill discount program, the Settlement adopts OCA's recommendation and establishes service charge discounts for eligible income tiers. Settlement ¶ 51.

In terms of the arrearage forgiveness program, the Settlement adequately addresses OCA's concerns regarding cost recovery. OCA Statement in Support, p. 27. VWPA will track and report to the LIAC annually on program participants' success in achieving full forgiveness through the program, and the length of time it takes for them to do so. Settlement ¶ 53.

In terms of the service line repair program, plumbing repairs will include the installation of the conservation kits sent to customers, provided that the customer agrees. Settlement ¶ 54.

Although the CAP program will only apply to water customers, the Settlement provides that the Company will analyze data and consult with the LIAC prior to VWPA's next base rate case to determine the need for and feasibility of extending the CAP program to wastewater customers. Settlement ¶ 52. The Company will also annually calculate census-based

estimates of low-income water and wastewater customers and report that figure to the LIAC. Settlement ¶ 55. In response to concerns raised by CAUSE-PA, the Company will also track its confirmed low-income water and wastewater customers at or below 150% and 200% FPL on a monthly basis and provide the results to the LIAC. Settlement ¶ 56. Additionally, the Company will request input from the LIAC on: developing a process to screen for confirmed low-income status during relevant customer contacts; designing customer outreach to enroll low-income customers in the bill discount program; and identifying opportunities and challenges for (a) identifying leaks for CAP participants before they are in threat of termination and (b) leak repair program accessibility for CAP customers who are not in threat of termination. Settlement ¶¶ 57-59.

The Settlement also modifies the on-going Veolia Cares program. Grants will increase to \$300 and VWPA will make a \$35,000 per year shareholder contribution to the Veolia Cares hardship program, with unspent funds rolling over and being added to the available program budget for the following year. Settlement ¶ 49.

While the Settlement does not adopt all the Joint Petitioners' recommendations, all agree that the Settlement represents a balanced compromise of their varied interests and should be approved without modification. The Settlement terms related to customer assistance programs will assist customers in need, easing the burden on eligible customers and improving affordability, especially considering the proposed rate increases. The provisions related to data gathering, tracking, and reporting will help the Company, statutory advocates, the Commission, and others to determine program participation, effectiveness, and areas for improvement going forward.

Further, while the Settlement does not provide that the Company will implement a wastewater program in the next base rate proceeding, the Settlement establishes the framework and collection of the necessary data for moving forward with a wastewater and arrearage management discount program in the future. Settlement ¶ 52.

All the Settlement terms related to the proposed customer assistance programs are in the public interest and should be approved.

O. Comprehensive Review of Tariff Language

CAUSE-PA raised concerns that some of its tariff provisions appeared to be inconsistent with the Code or Commission regulations. CAUSE-PA argued that VWPA should perform a comprehensive review of its water tariff to ensure that it accurately reflects present Pennsylvania law. CAUSE PA St. 1 pp. 34-37.

While VWPA disagreed with the necessity of all of the proposed revisions, VWPA agreed in the Settlement to review its tariff. Under the terms of the proposed Settlement, within 180 days of the effective date of rates in this case, the Company will initiate a comprehensive review of its tariff to ensure that the language and citations are consistent with applicable laws and Commission's regulations and will file a compliance tariff if further changes are necessary for compliance. Settlement ¶ 62.

CAUSE-PA avers this provision reasonably address its concerns. The Settlement will ensure VWPA has adequate time to complete its review. It will also ensure that VWPA's tariff is up-to-date and reflects the statutes and regulations applicable to regulated water utilities such as Veolia. Thus, these provisions of the proposed Settlement are just, reasonable, in the public interest, and should be approved by the Commission.

IX. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the Parties to this proceeding. 66 Pa.C.S. §§ 1301, 1308(d).

2. A public utility's rates must be just and reasonable. 66 Pa.C.S. § 1301.

3. A public utility seeking a rate increase has the burden of proof to establish the justness and reasonableness of each element of its request. 66 Pa.C.S. § 315(a). The evidence necessary to meet that burden must be substantial. *Lower Frederick Twp. v. Pa. Pub. Util. Comm'n.*, 409 A.2d at 505, 507 (Pa. Cmwlth.1980).

4. Pursuant to the just and reasonable standard, a utility may obtain “a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers[,] as well as a reasonable rate of return on its investment.” *City of Lancaster Sewer Fund v. Pa. Pub. Util. Comm'n.*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002)

5. In proving that its proposed rates are just and reasonable, a public utility need not affirmatively defend every claim it has made in its filing absent prior notice that such action is to be challenged. *Allegheny Ctr. Assocs. v. Pa. Pub. Util. Comm'n.*, 570 A.2d 149, 153 (Pa. Cmwlth. 1990) (citation omitted); *see also Pa. Pub. Util. Comm'n v. Equitable Gas Co.*, 73 Pa.P.U.C. 310 (1990).

6. The Commission must consider the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates in exchange for customers paying rates for service, which include the cost of utility plant in service and a rate of return. 66 Pa.C.S. § 523.

7. Rates must not be unduly discriminatory among customer groups. 66 Pa.C.S. § 1304. The Commission has discretion to determine reasonable classification of service of rates as may be justified “by a variety of considerations including the quantity of service used, the nature of the use, the time of the use, the pattern of the use, differences of conditions of service or cost of service.” *Zucker v. Pa. Pub. Util. Comm'n.*, 402 A.2d 1377, 1382 (Pa. Cmwlth. 1979).

8. The Commission must authorize a sufficient, or fair, rate of return to public utilities to ensure adequate revenues to cover operating expenses, debt service expenses

and common and preferred (if necessary) dividends, as well as to maintain the financial integrity of the utility and enable the public utility to attract needed debt and equity capital in the marketplace or on reasonable terms, in competition with firms of similar risk. *Fed. Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591 (1944); *Bluefield Water Works Improvement Co. v. Pub. Serv. Comm'n*, 262 U.S. 679 (1923).

9. A utility's cost of providing service guides the ratemaking process. *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010, 1019-21 (Pa. Cmwlth. 2006). Additional important ratemaking concerns include quality of service, rate gradualism, and rate affordability. *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa, Inc.*, R-2020-3018835 at 46-47 (Opinion and Order entered Feb. 19, 2021) (citing 66 Pa. C.S. §§ 523, 526(a); *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010, 1019-21 (Pa. Cmwlth. 2006); *Pa. Pub. Util. Comm'n v. Twin Lakes Util., Inc.*, 2020 Pa.P.U.C. LEXIS 340, *46-54 (Order Mar. 26, 2020)).

10. The Commission has broad discretion in determining whether rates are reasonable and to decide what factors it will consider in setting or evaluating a utility's rates. *Pa. Publ. Util. Comm'n v. City of Bethlehem - Water Dep't*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021) (citing *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958 (Pa. Cmwlth. 1996); *see also, Popowsky v. Pa. Pub. Util. Comm'n*, 665 A.2d 808 (Pa. 1995).

11. The application of science and policy to the allocation of a revenue increase is within the Commission's discretion: There is no set formula for determining proper ratios among the rates of different customer classes. What is reasonable under the circumstances, the proper difference among rate classes, is an administrative question for the Commission to decide. *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958, 961 (Pa. Cmwlth. 1996); *Peoples Nat. Gas Co. v. Pa. Publ. Util. Comm'n*, 409 A.2d 446 (Pa. Cmwlth. 1979).

12. Commission policy promotes settlements. 52 Pa. Code § 5.231.

13. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

14. In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. C S Water & Sewer Assoc.*, 74 Pa.P.U.C. 767 (1991).

15. Parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. Pub. Util. Comm'n v. MXenergy Elec. Inc.*, Docket No. M-2012-2201861 (Opinion and Order entered Dec. 5, 2013).

16. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. Windstream Pa., LLC*, Docket No. M-2012-2227108 (Opinion and Order entered Sept. 27, 2012); *Pa. Pub. Util. Comm'n v. C S Water & Sewer Assoc.*, 74 Pa.P.U.C. 767 (1991).

17. The joint petitioners have the burden to prove that the Settlement is in the public interest. *Pa. Publ. Util. Comm'n v. City of Bethlehem - Water Dep't*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021).

18. It is unusual for a proposed settlement in a general base rate case to be rejected. *Pa. Pub. Util. Comm'n v. Cmty. Utils. of Pa., Inc. – Wastewater Div.*, Docket No. R-2021-3025206, at 10 (Opinion and Order entered Jan. 13, 2022) (reversing the presiding officer's order recommending rejection of a joint petition for settlement of a rate case concluding that on balance, the settlement is in the public interest and should be approved).

19. The Commission recognizes that settlements represent “a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.” *Pa. Pub. Util. Comm'n v. C S Water and Sewer Associates*, 74 Pa.P.U.C. 767, 771 (1991).

20. The Commission has historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings. *See Pa. Pub. Util. Comm’n v. Peoples TWP, LLC*, Docket No. R-2013-2355886 at 28 (Opinion and Order entered Dec. 19, 2013); *Pa. Pub. Util. Comm’n v. PECO Energy Co.*, Docket No. R-2018-3000164 (Opinion and Order entered Dec. 20, 2018).

21. “Black box” settlements of rate cases save a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company's revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company's cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. *Pa. Pub. Util. Comm’n v. Peoples TWP, LLC*, Docket No. R-2013-2355886 at 28 (Opinion and Order entered Dec. 19, 2013).

22. The Joint Petition for Approval of Settlement of Rate Proceeding is in the public interest. *Lloyd v. Pa. Pub. Util. Comm’n*, 904 A.2d 1010 (Pa. Cmwlth. 2006).

23. The rates, rules and regulations in the water tariff attached to the settlement are lawful, just and reasonable. 66 Pa.C.S. § 1301.

24. The rates, rules and regulations in the wastewater tariff attached to the settlement are lawful, just and reasonable. 66 Pa.C.S. § 1301.

25. A utility’s distribution system improvement charge must be reset to zero on the effective date of new base rates that provide for the prospective recovery of the annual fixed costs of eligible property that were previously recovered under the utility’s DSIC. 66 Pa.C.S. § 1358(b)(1).

26. Parties may stipulate to a cost of common equity in the settlement of a base rate proceeding for purposes of calculating a DSIC. This figure may be used for up to two years. *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611 p. 35 (Final Implementation Order entered Aug. 2, 2012). After that date, the cost of equity in the Commission's most recent quarterly report on the earnings of jurisdictional utilities would be used for the cost of equity component of pretax return. 66 Pa.C.S. § 1357(b)(3).

27. In rate proceedings of water utilities, the Commission will review utilities' efforts to comply with the Statement of Policy when determining just and reasonable rates. 52 Pa. Code § 65.20. Levels of unaccounted-for water should be kept within reasonable amounts. 52 Pa. Code § 65.20(4).

28. The Commission may consider a water public utility's effort to meet the recommendations of the policy statement when determining just and reasonable rates. 52 Pa. Code § 69.1501(a).

29. Where the water public utility determines a fire hydrant does not provide service at the minimum operating characteristics for fire protection service and may serve a useful purpose as a flushing hydrant, the water public utility can mark the fire hydrant as such, either permanently or until the hydrant can be removed, remediated or replaced. 52 Pa. Code § 69.1503(b)(4).

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Approval of Settlement of Rate Proceeding, filed on August 2, 2024, by Veolia Water Pennsylvania, Inc., the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania be granted, and the Settlement be adopted, consistent with the revisions set forth herein.

2. That Veolia Water Pennsylvania, Inc. shall be directed to revise the tariffs set forth in the Settlement's Attachments L (Water Tariff) and M (Wastewater Tariff) to include the following additional corrections:

a. For the Water Tariff, Pg. 4 – State Tax Adjustment Surcharge (STAS), both instances of “January 1, 2024” should be replaced with “the Effective Date shown on the bottom of this page.”

b. For the Water Tariff, Pg. 6C - Schedule of Rates, Customer Service Charges, the monthly service charge for 10” should be “\$1,736.17” rather than “\$377.40”, per the rate schedule provided in the Settlement's Attachment A.

c. For the Water Tariff, Pg. 14 – “8. Hydrant Flow Test”, should be replaced with “9. Hydrant Flow Test”, and the duplicate “8. Hydrant Flow Test” section at the bottom of the page should be deleted.

d. For the Wastewater Tariff, Pg. 4 – State Tax Adjustment Surcharge, replace “January 1, 2024” with “the Effective Date shown on the bottom of this page.”

3. That Veolia Water Pennsylvania, Inc. shall be permitted to file water and wastewater tariff supplements in the form set forth in Attachments L and M to the Joint Petition for Approval of Settlement of Rate Proceeding, as corrected by Ordering Paragraph 2, to become effective upon at least one day's notice after entry of the Commission's final order in this matter but no sooner than November 1, 2024, to produce \$10.9 million in additional annual water operating revenues and \$420,000 in additional annual wastewater operating revenues. In the event that compliance filings are approved after the statutory suspension period (November 16, 2024), the Company shall recoup revenues lost for the period from the end of the statutory suspension period through the date the Commission makes approved rates effective.

4. That the compliance tariff filed by Veolia Water Pennsylvania, Inc. pursuant to Ordering Paragraph 3, incorporate the customer assistance program (CAP) discounted rates, terms, and conditions, including the rates specified in the Settlement's Paragraph 51, and related Settlement terms and conditions, such that CAP discounts can take effect in accordance with the Commission-approved tariff within 180 days of the effective date of rates in this case, per the Settlement's Paragraph 60.

5. That consistent with 52 Pa. Code § 5.592(a), Veolia Water Pennsylvania, Inc. be directed to file, within 20 days of the entry of the final order in these proceedings, proofs of revenues and supporting calculations for water and wastewater services, detailing Veolia Water Pennsylvania, Inc.'s authorized operating revenues under present and Settlement rates, broken down by base rate revenues, DSIC revenues, and other revenues.

6. That Veolia Water Pennsylvania, Inc. the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania be directed to comply with the terms of the Joint Petition for Approval of Settlement of Rate Proceeding, as though each term and condition stated therein had been the subject of an individual ordering paragraph.

7. That the Formal Complaints of Chris & Laurie Hays, C-2024-3046850; Andrew Breining, C-2024-3047036, C-2024-3047036, C-2024-3047102, Kristen Kahn, C-2024-3047162, Norman Lowe, C-2024-3047410, Hunter & Katelyn Moyer, C-2024-3047288, Elisa Guisto, C-2024-3047315, C-2024-3047522, Ida Gorman, C-2024-3047644, Sonya Smith, C-2024-3048335, Sandra Matter, C-2024-3048393, Martha Pritchard, C-2024-3048394, Classic Assets, LLC, C-2024-3048390, Amber Anderson, C-2024-3048404, Eric Solberg, C-2024-3048476, Karl Rinke, C-2024-3048581, and Laura Corkle-LaManna, C-2024-3048956, be dismissed and marked as closed.

8. That the Complaints of the Office of Consumer Advocate at Docket Nos. C-2024-3046520 and C-2024-3046521 be deemed satisfied and marked closed.

9. That the Complaints of the Office of Small Business Advocate at Docket Nos. C-2024-3046893 and C-2024-2046956 be deemed satisfied and marked closed.

10. That upon Commission acceptance or approval of the tariff supplements and allocation of proposed Settlement rate increase filed by Veolia Water Pennsylvania, Inc. in compliance with the Commission's final order in this matter, the Commission's Investigation at Docket Nos. R-2024-3045192 and R-2024-3045193 be terminated and marked closed.

Date: September 3, 2024

/s/
Emily I. DeVoe
Administrative Law Judge