

COMMONWEALTH OF PENNSYLVANIA



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November 7, 2024

Re: Your Complaint in Pennsylvania Public Utility
Commission v. Aqua Pennsylvania, Inc. and Aqua
Pennsylvania Wastewater, Inc.
Docket Nos. R-2024-3047822 (Water)
R-2024-3047824 (Wastewater)

Dear Concerned Aqua Customer:

You are receiving this letter because you filed a Formal Complaint with the Public Utility Commission (PUC) in the captioned rate case as a water and/or wastewater customer of Aqua Pennsylvania, Inc. and/or Aqua Pennsylvania Wastewater, Inc. (Aqua or the Company). This letter is being sent to you from the Pennsylvania Office of Consumer Advocate (OCA).

The PUC's Administrative Law Judges (ALJs) overseeing this case – ALJs Gail M. Chiodo and Alphonso Arnold, III – requested that the OCA send this letter to you. The purpose of this letter is to notify you that on November 7, 2024, Aqua, the OCA, the PUC's Bureau of Investigation and Enforcement (I&E), the Office of Small Business Advocate (OSBA) the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), and Sandy Township (Joint Petitioners) filed with the PUC a Joint Petition for Settlement that contains a partial, non-unanimous agreement (Settlement) to resolve the issues raised in this case.

Accompanying this letter is the OCA's response to frequently asked questions (FAQs) regarding the OCA's reasons for settling this case. You should have received, or will shortly receive, a copy of the proposed Settlement and supporting documents for your review from Aqua's counsel in this proceeding. A copy of the proposed Settlement and supporting documents is also available on the OCA's website (oca.pa.gov).

If you have any comments regarding the proposed Settlement, either in support or in opposition, you must submit them to either the PUC's Secretary's Bureau or the OCA no later than November 19, 2024. Please read the third and fourth pages of this letter for more detailed instructions about how to comment.

Please review the Settlement in full. The following brief summary of what the Settlement will do, if approved, is provided for your convenience:

- Aqua will increase rates designed to produce additional annual operating revenue of \$73 million total for its water and wastewater operations. The next two paragraphs provide a breakdown of this amount between water and wastewater.
- Aqua will increase rates to collect additional annual water revenues of \$58.4 million. The Company originally proposed to increase annual water revenues by approximately \$90.2 million. Under the settlement, the water bill for a residential customer using 3,870 gallons in the Rate 1 Main Division service territories would increase by \$9.95, from \$80.91 to \$90.86 per month, a 12.3% increase, rather than the \$16.01 increase (19.8%) originally proposed by Aqua.
- Aqua will increase rates to collect additional annual wastewater revenues of \$14.6 million. The Company originally proposed to increase annual water revenues by approximately \$36.5 million. Under the Settlement, the wastewater bill for a residential customer using 3,870 gallons per month in the Rate 1 Main Division service territories would increase by \$5.36, from \$81.18 to \$86.54 per month, a 6.6% increase, rather than the \$14.92 increase (18.4%) originally proposed by Aqua.
- Aqua will implement the new rates beginning on February 22, 2025.
- Aqua committed to increase consumer communication relating to explanation of acquisitions and hardship opportunities, including, but not limited to, improved call center scripts.
- For customers who are low income and enrolled in Aqua's debt management program, Aqua will increase the amount that it forgives of a customer balance \$40 for each in-full payment. This is an increase over the current amount which is \$25 per in-full payment. In its next rate case, Aqua will propose to expand its arrearage forgiveness program even further, granting full arrearage forgiveness after 36 in-full payments.
- Aqua has committed to \$300,000 for its Conservation and Leak/Line Repair Program annually, with \$175,000 of its budget dedicated to qualifying Inside Leak Repairs.
- Aqua will contribute \$200,000 each year until the Company's next base rate proceeding to the Company's Hardship Grant program.
- Aqua will increase its liability limitation from \$2,000 to \$4,000 for damages to its customers caused by a malfunction of Aqua's property or service.

- Aqua has committed to develop a section on its website to provide rate impact information to its customers, so that they understand exactly how the rates set in this case will affect them. The webpage will be available within 60 days after the entry of a final order, and Aqua will promote the webpage to its customers.
- Aqua will continue to post PFAS (commonly known as “forever chemicals”) testing results on waterfacts.com until the end of 2025 for wells in Montgomery County and will provide its customers updates on PFAS in their water through annual Consumer Confidence Reports.
- Aqua will work with the OCA to evaluate its current flat wastewater rate design for Lake Harmony and Tobyhanna customers, consistent with the Commission’s order in Aqua’s 2021 rate case, and investigate other reasonable options for determining those customers’ flat rates. Aqua will report on its investigation to the Commission and will have a meeting with Lake Harmony and Tobyhanna customers on the results of its report to explain how Aqua developed the flat wastewater rate.
- Aqua will propose, in its next rate case, to eliminate all payment processing fees charged to pay an Aqua bill.

Because you filed a Formal Complaint in this case, you have the following options:

1. You may **join** in the proposed Settlement, which will have the effect of discontinuing your Formal Complaint. To join the Settlement, sign and return the enclosed page titled “Signature for Settlement” (page 4 of this letter) **no later than November 19, 2024**.
2. You may **object** to the Settlement. To do so, please sign and return the enclosed page titled “Objections to Settlement” (page 5 of this letter) **no later than November 19, 2024**. If you object to the Settlement, **you are encouraged to provide written comments** setting forth any facts and explanation for your objections.
3. You may choose to do nothing.

This represents your opportunity to express your opinions on the Settlement in this case, if you so choose, before Judges Arnold and Chiodo issue their Recommended Decision for the PUC’s consideration. Please know that you are not required to do any of the above – these actions are voluntary. **If you choose to respond to the Settlement in any manner, you must do so in writing and by November 19, 2024.**

You may eFile or mail your written response, as follows:

If you do not have an eFiling account with the PUC, register for an account at this link: <https://efiling.puc.pa.gov/Accounts/Create>.

If you have an eFiling account, use this link to log in to the PUC eFiling system: <https://efiling.puc.pa.gov/Login>. File your response under Docket No. R-2024-3047822 (Water) or R-2024-3047824 (Wastewater) as document type “Settlement.” In the notes section, specify that you are filing “signature page for proposed settlement” or “objections to proposed settlement.”

If you choose to use mail rather than eFiling, mail your documents to the following address:

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

If you choose to provide the OCA with your comments instead of sending them directly to the PUC, the OCA will submit all comments it receives on behalf of the commenters. You may provide the OCA with your comments by email or mail. You may call the OCA at (800) 684-6560 with any questions regarding how to file your comments.

For email, please email your documents to Consumer@paoca.org. Please make sure to note “Aqua Settlement Comments” in the subject line of the email.

For mail, please mail your documents to:

PA Office of Consumer Advocate
555 Walnut St.
Fifth Floor, Forum Place
Harrisburg, PA 17101

Any mail postmarked later than **November 19, 2024**, will not be reviewed by the ALJs.

Once the ALJs issue their Recommended Decision, you may file exceptions to the Recommended Decision if you disagree with it. You may not file exceptions if you have signed the Signature Page indicating your agreement with the Settlement, and the ALJs subsequently approve the Settlement without any changes.

Please carefully review the proposed Settlement. If you have any questions, feel free to contact me at (717) 783-5048 or toll-free at (800) 684-6560. Thank you for your time and interest in this matter.

Very truly yours,

/s/ Katherine M. Kennedy
Katherine M. Kennedy, Esq.
Assistant Consumer Advocate

Cc: The Honorable Gail M. Chiodo
The Honorable Alphonso Arnold, III
Michael W. Hassell, Esq. (Aqua's Counsel)
Carrie B. Wright, Esq. (I&E's Counsel)
Steven Gray, Esq. (OSBA's Counsel)
Ria Pereira, Esq. (CAUSE-PA's Counsel)
Scott Wyland, Esq. (Sandy Township's Counsel)

SIGNATURE PAGE FOR SETTLEMENT

Please sign this sheet if you would like to **join** in the Joint Petition for Settlement signed by Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., the PUC’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate and the Office of Small Business Advocate on November 7, 2024, in the case of Pennsylvania Public Utility Commission v. Aqua Pennsylvania, Inc. and Aqua Pennsylvania Wastewater, Inc., Docket Nos. R-2024-3047822 and R-2024-3047824.

By adding my signature below, I am indicating that I have read the terms of the proposed Settlement Agreement and wish to **join** in the Settlement. I am willing to allow the terms of the Settlement to resolve my Formal Complaint in this matter if the Public Utility Commission approves the Settlement without modification.

Please Print Your Full Name

Please Sign Your Full Name

Date: _____

Please Write Your Address Here:

Docket Numbers of Your Complaint(s) (begins with C-2024):

OBJECTIONS TO SETTLEMENT

Please sign this sheet if you would like to **oppose** the Joint Petition for Settlement signed by Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., the PUC's Bureau of Investigation and Enforcement, the Office of Consumer Advocate and the Office of Small Business Advocate in the case of Pennsylvania Public Utility Commission v. Aqua Pennsylvania, Inc. and Aqua Pennsylvania Wastewater, Inc., Docket Nos. R-2024-3047822 and R-2024-3047824. **You are encouraged to provide written comments below and/or attach additional pages**, setting forth any facts and explanation for your objections.

By adding my signature below, I am indicating that I have read the terms of the Settlement Agreement and wish to **oppose** the Settlement. I understand that I may file objections (below and/or by attachment to this Objections Page) to the Settlement and exceptions to a Recommended Decision and that my complaint will be resolved as part of the PUC order resolving this case.

Please Print Your Full Name

Please Sign Your Full Name

Date: _____

Please Write Your Address Here: _____

Docket Numbers of Your Complaint(s) (begins with C-2024):

Written Comments and reasons for objecting (may attach additional sheets):

**Partial, Non-Unanimous Settlement
Frequently Asked Questions (FAQs)**

What is this rate case about?

On May 23, 2024, Aqua Pennsylvania, Inc. and Aqua Pennsylvania Wastewater, Inc. (collectively Aqua or the Company) asked the Public Utility Commission (PUC) to increase rates for its water and wastewater customers. If the rate increase request were granted as requested, Aqua could collect an additional \$126.7 million per year in total from its water and wastewater customers, an 18.88% overall revenue increase over current distribution revenues.

How was the OCA involved?

The OCA filed a Formal Complaint opposing Aqua's proposed rate increase. We reviewed the case for lawfulness and fairness of the proposed increases and charges. This was done with help from expert witnesses and public participation. During the case, the OCA represented the interests of consumers and participated fully. Among other things, we sought extensive discovery, prepared and submitted expert witness written testimony, participated in public input hearings and evidentiary hearings, participated in settlement discussions, and submitted a main brief and a reply brief.

Did the OCA enter into a settlement for this rate case?

Yes. The OCA entered into a partial, non-unanimous settlement with Aqua and some of the other parties to this base rate case (Partial Settlement). All but one of the contested issues between the settling parties were resolved in the Partial Settlement. The unresolved contested issue was whether Aqua can increase rates to customers in East Whiteland Township (East Whiteland or the Township), which the OCA opposed, and the issue was fully litigated.

On November 7, 2024, a Joint Petition for Settlement was submitted to the ALJs who oversaw this proceeding from its beginning. Also on November 7, 2024, the OCA sent a Notification of Settlement letter to each *pro se* Formal Complainant who filed a formal complaint in this proceeding.

The Joint Petition for Settlement contains the Partial Settlement itself and Statements in Support of the Settlement from each of the settling parties in this proceeding. The settling parties include Aqua, the Commission's Bureau of Investigation and Enforcement (I&E), the OCA, the Office of Small Business Advocate (OSBA), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), and Sandy Township. Aqua Large Users Group does not oppose the Partial Settlement. SCH USA, LLC (SCH) is not a party to the settlement in principle and neither are certain active *pro se* customer-complainants.

What is a settlement?

A settlement is an agreement between participants in a case before the PUC to stop litigating and propose a negotiated outcome of the case to the PUC. Once participants agree to settle, the parties to the settlement submit the terms of their agreement to the Administrative Law Judge (ALJ) assigned to the case.

What is the difference between a full settlement and a partial settlement?

The parties can agree to settle a case in full or in part. A full settlement resolves all the contested issues in the proceeding, meaning no issue will proceed to litigation. In contrast, a partial settlement means the parties were able to resolve some but not all contested issues; the remaining unresolved issues will then proceed to litigation before the ALJ for a recommended decision and to the PUC for a final order.

What is the process for a settlement of a rate case?

The settling parties submit a joint petition for settlement to the ALJ for approval along with the settling parties' statements in support of the settlement. Other participants in the case who are not party to the settlement may provide support or objections to the settlement once it has been submitted to the ALJ.

The ALJ, after receiving the joint petition, statements in support, and comments, then decides whether they should recommend that the PUC adopt the settlement because it is in the public interest or reject the settlement if it is not. The PUC, based on the recommendation from the ALJ and any exceptions to the ALJ's recommendation filed by any party, then either approves the settlement, which ends the proceeding, or rejects the settlement and reopens the case.

A settlement agreement can only be approved by the PUC if it finds that the settlement is in the public interest.

Why did the OCA agree to settle this rate case?

In deciding whether to settle a case or fully litigate a case, the OCA weighs the potential benefits gained for consumers against the risk of higher rates if the case were fully litigated. The OCA believes that if this case had been litigated, the result would likely have been worse for consumers than what was negotiated in the Partial Settlement. Additionally, in the Partial Settlement, the OCA was able to achieve certain protections and improvements for customers that the OCA could not guarantee as a litigation outcome. In this regard, settling enabled the OCA to better control certain outcomes that best serve consumer interests.

In recent years, the PUC has often approved rate increases higher than the OCA has recommended and less often required the utility to respond to concerns that the OCA raises about customer billing, low-income customer assistance, and quality of service issues. When a case is fully litigated, there is no guarantee that the PUC will adopt the OCA's positions, particularly where the utility and other parties disagree. On the other hand, when the OCA settles a case, we have greater control over the outcome (although even with a settlement, the PUC could decide to reject or modify the settlement) because we are offering the PUC one position agreed to by all the parties. By settling the case, we have tried to limit the amount of rate increase, while ensuring that the Company must provide positive benefits to its customers.

While the OCA stands by the litigation positions set forth in our testimony in this proceeding, partially settling this case allowed us to ensure that certain customer benefits would be implemented at a rate increase that is within the range of what we expect the PUC would have approved in full scale litigation.

What would have happened if the OCA did not settle the rate case?

The ALJs assigned to this case would hear the OCA and other parties' arguments and issue a Recommended Decision detailing their findings and recommendations to the PUC. The parties would have a chance to respond by filing "exceptions" that argue for or against the Recommended Decision. Next, the PUC would evaluate the parties' arguments and the ALJs' recommendations, and issue an Order approving, denying, or modifying the Recommended Decision. That final Order is what dictates the rate increase that will be allowed, and any conditions required.

What consumer benefits are contained in the Partial Settlement?

If fully accepted by the PUC, the Partial Settlement provides that:

- Aqua will increase rates designed to produce additional annual operating revenue of \$73 million total for its water and wastewater operations. The next two paragraphs provide a breakdown of this amount between water and wastewater.
- Aqua will increase rates to collect additional annual water revenues of \$58.4 million. The Company originally proposed to increase annual water revenues by approximately \$90.2 million. Under the settlement, the water bill for a residential customer using 3,870 gallons in the Rate 1 Main Division service territories would increase by \$9.95, from \$80.91 to \$90.86 per month, a 12.3% increase, rather than the \$16.01 increase (19.8%) originally proposed by Aqua.
- Aqua will increase rates to collect additional annual wastewater revenues of \$14.6 million. The Company originally proposed to increase annual water revenues by approximately \$36.5 million. Under the Settlement, the wastewater bill for a residential customer using 3,870 gallons per month in the Rate 1 Main Division service territories would increase by \$5.36, from \$81.18 to \$86.54 per month, a 6.6% increase, rather than the \$14.92 increase (18.4%) originally proposed by Aqua.
- Aqua will implement the new rates beginning on February 22, 2025.
- Aqua committed to increase consumer communication relating to explanation of acquisitions and hardship opportunities, including, but not limited to, improved call center scripts.
- For customers who are low income and enrolled in Aqua's debt management program, Aqua will increase the amount that it forgives of a customer balance \$40 for each in-full payment. This is an increase over the current amount which is \$25 per in-full payment. In its next rate case, Aqua will propose to expand its arrearage forgiveness program even further, granting full arrearage forgiveness after 36 in-full payments.
- Aqua has committed to \$300,000 for its Conservation and Leak/Line Repair Program annually, with \$175,000 of its budget dedicated to qualifying Inside Leak Repairs.

- Aqua will contribute \$200,000 each year until the Company’s next base rate proceeding to the Company’s Hardship Grant program.
- Aqua will increase its liability limitation from \$2,000 to \$4,000 for damages to its customers caused by a malfunction of Aqua’s property or service.
- Aqua has committed to develop a section on its website to provide rate impact information to its customers, so that they understand exactly how the rates set in this case will affect them. The webpage will be available within 60 days after the entry of a final order, and Aqua will promote the webpage to its customers.
- Aqua will continue to post PFAS (commonly known as “forever chemicals”) testing results on waterfacts.com until the end of 2025 for wells in Montgomery County and will provide its customers updates on PFAS in their water through annual Consumer Confidence Reports.
- Aqua will work with the OCA to evaluate its current flat wastewater rate design for Lake Harmony and Tobyhanna customers, consistent with the Commission’s order in Aqua’s 2021 rate case, and investigate other reasonable options for determining those customers’ flat rates. Aqua will report on its investigation to the Commission and will have a meeting with Lake Harmony and Tobyhanna customers on the results of its report to explain how Aqua developed the flat wastewater rate.
- Aqua will propose, in its next rate case, to eliminate all payment processing fees charged to pay an Aqua bill.

Because the rate increase in the Partial Settlement is a better result than we would have expected after litigation, and because the above benefits would likely not have been required by the PUC in a final order after litigation, the OCA agreed to the Partial Settlement.

What happens now with the Partial Settlement?

The ALJ will review the Settlement and the Statements in Support from each party and release a Recommended Decision (RD) that either: (1) approves the Settlement in full, (2) modifies the Settlement, or (3) rejects the Settlement. Once the RD is issued, all active parties to this proceeding will have a chance to comment on the RD by filing exceptions. Parties will typically only do this if they disagree with something in the RD. Finally, the PUC will review the RD and any exceptions and publish an Opinion and final Order in this proceeding.

I filed a Formal Complaint and want to Object to or Support the Partial Settlement. How do I do that?

Active and inactive *pro se* customer-complainants who filed a formal complaint in this case will have until November 19, 2024, to submit comments to the settlement, either in support or opposition to the Partial Settlement. Customers can contact the OCA at consumer@paoca.org or 1-800-684-6560 with procedural questions about submitting comments.

When will we know if the PUC accepts, modifies, or rejects the Partial Settlement?

The PUC is anticipated to make a final determination on the Partial Settlement and Aqua's proposed general rate increase at its Public Meeting on January 9, 2025.

When will Aqua's proposed rate increases go into effect?

If approved by the PUC, the new rates would go into effect on February 22, 2025.

What can I do now to begin preparing for these rate increases?

Try to lower your water and wastewater usage. There are a number of steps you can take. Every little bit helps. Turn off the water faucet while brushing your teeth, shaving, and/or lathering your hands. Take shorter showers and install a low-flow shower head. Install a low-flow toilet, reducing each flush to 1.6 gallons a flush or about 8 gallons of water per person, per day on average. Run the dishwasher only when you have a full load. Wash clothes only when you have a full load or be sure that the settings reflect the true size of the load you are washing. Check for leaking faucets and/or toilets and repair any leaking faucet and/or toilet. Sweep driveways and walkways instead of hosing the surfaces down. Use a pool cover to reduce evaporation. Do not use water to defrost meats. Add food wastes to a compost pile instead of using the garbage disposal. The Office of Consumer Advocate can answer questions you may have regarding water conservation tips, or you can find a number of tips and resources on the PUC's website, <https://www.puc.pa.gov/water-wastewater/water-information-conservation-tips/>.

What can I do if I cannot afford the rate increases?

You may enter into a payment arrangement with Aqua. Under the Public Utility Code, all customers with an unpaid balance are able to enter into a payment arrangement with their utility service provider, which prevents the utility from terminating the customer's utility service for a past due balance as long as the customer is able to meet their monthly billing requirement under the payment arrangement. If you believe that you may not be able to pay your bill by the due date, contact Aqua before the due date to discuss a potential payment arrangement. Check out Aqua's website at: <https://www.aquawater.com/customers/customer-assistance-programs/index.php> for other available options and arrangements.

If you are facing termination of service and someone in your household has a medical condition that would be made worse without water or wastewater service, you may provide Aqua with a Medical Certification. A Medical Certification signed by a physician, physician's assistant, or

nurse practitioner can stop Aqua from terminating your water or wastewater service for up to 30 days at a time and can be renewed as long as you remain current on your monthly bills. You will not be responsible for paying towards your past due balance for as long as your termination is suspended under a Medical Certification, though the balance will remain until it is paid off. The Medical Certification Form is available on the PUC's website at: https://www.puc.pa.gov/media/1779/standard_medical_certificate_form.docx. For more information on preventing disconnection or restoring service with a medical certificate, the PUC's Medical Certificate Guidance factsheet is available on the PUC's website at https://www.puc.pa.gov/media/1778/medical_certificate_guidance.docx. You may contact Columbia with questions regarding their process for submitting a Medical Certification.