

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17120

**Management and Operations Audit of
Veolia Water Pennsylvania Inc.**

**Public Meeting held January 23, 2025
3045217-AUD
Docket No. D-2024-3045217**

STATEMENT OF VICE CHAIR KIMBERLY BARROW

Before the Commission for consideration is the Bureau of Audits' (Audits) Management and Operations Audit of Veolia Water Pennsylvania Inc. (Veolia or Company). Audits staff analyzed and evaluated management performance in nine functional areas at the Company and proposed 15 recommendations. The audit, *inter alia*, identified certain areas of Veolia's operations as needing moderate improvement including water operations.

Veolia's January 2025 Implementation Plan wholly accepted 13 and partially accepted two of Audits' 15 recommendations. Veolia PA accepted, in part, Audits' recommendation that the Company should report unaccounted-for-water (UFW)¹ correctly and reduce its UFW below the 20% threshold.²

Veolia currently reports two figures for its UFW on the PUC Annual Report Schedule 500.³ One of the figures is inaccurate as it makes an additional exclusion (i.e., unavoidable real annual losses), an empirical formula used in American Water Works Association's non-revenue water (NRW)⁴ methodology. Veolia's mixing of the two methodologies artificially decreases the Company's UFW.⁵ Although the Commission has been exploring NRW as a tool, both in a pilot at Docket No. M-2008-2062697, and in a proposed rulemaking process at Docket No. M-2020-3019701, the Commission has not finalized any regulations on NRW and is still relying on its established UFW policy statement at 52 Pa. Code § 65.20.

¹ UFW is the difference between water produced and water sold with allowance for several exclusions such as main flushing, blowoff use, unauthorized use and any adjustments such as water lost through main and service breaks, etc.

² Pursuant to our policy statement at 52 Pa. Code § 65.20 (4), UFW levels above 20% are considered excessive.

³ The PUC Annual Report includes a spot to report an unavoidable leakage rate within a section for non-revenue usage allowances. Veolia uses this allowance more broadly and excludes the American Water Works Association's (AWWA) unavoidable annual real losses in its calculation of UFW. From 1997 to 2000, the International Water Association's Water Loss Task Force developed the Water Audit Methodology that was adopted by AWWA's Water Loss Control Committee as industry best management practice in 2003.

⁴ NRW accounts for all water losses and has three components: real losses, apparent losses, and unbilled authorized consumption. Real losses include water lost through transmission and distribution main leaks, leakage and overflows at storage tanks, and leakage on services up to the point of customer metering. Apparent losses consist of unauthorized consumption, customer meter inaccuracies, and systematic data handling errors. Furthermore, unbilled authorized consumption consists of water used for main flushing, firefighting, street cleaning, construction sites, etc.

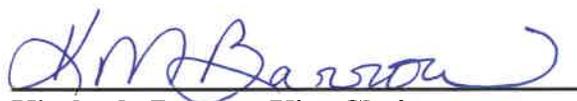
⁵ Audits has flagged this issue as a concern in prior audit reports (See Docket No.: D-2019-3013234, D-2016-2528481, D-2012-2340572, D-2010-2150875, and D-206MEI021).

Audits notes that an accurate report of the Company's UFW without the additional exclusion results in UFW levels that exceed the Commission's 20% threshold by an average of 170 million gallons annually.

In its Implementation Plan, Veolia agreed to continue to reduce UFW through, *inter alia*, leak detection and infrastructure replacement. But, Veolia also plans to continue to report its UFW using calculations that include the NRW methodology.

I commend Veolia's stated commitment to continue its efforts to reduce UFW. However, because the Commission has not finalized any regulations on NRW, I agree with Audits that Veolia's current reporting is not in compliance with existing Commission regulation and does not correctly depict the Company's UFW. As noted by Audits, unless the Commission formally addresses NRW through the rulemaking process, Veolia should not exclude the unavoidable leakage allowance from its UFW calculations.

January 23, 2025
Date


Kimberly Barrow, Vice Chair