

Peter Mrozinski's PUC Testimony

This past May-2024 Aqua Pennsylvania filed for a substantial rate increase for both its water and sewer businesses. This must be approved by the Pennsylvania Public Utility Commission (PUC). A routine part of the approval process is to conduct public hearings. At these hearings any citizen can express any desired opinion.

What follows is the public testimony of Peter Mrozinski, one of the co-founders of Keep Water Affordable. This testimony was given August 8, 2024 at the New Garden Township hearing conducted by the PUC

Introduction

I am a resident of NGT, and I am aware that if this rate filing is implemented unchanged my wastewater rates will drop. However, my rate will still be 79% higher than it was prior to Aqua's last rate increase.

The mission of the Pennsylvania Public Utility Commission is to balance the needs of consumers and utilities. Unfortunately, from the perspective of the consumer, the PUC has focused on the wants of the utilities. I understand that the PUC is somewhat restrained by recent utility favorable legislation. This legislation has been passed because of heavy lobbying and campaign contributions by the utility companies.

The Role Of The PUC

But the PUC has control over many aspects of the rate making process and the PUC must take a stronger position to support the consumer. There are things they can control that directly relate to this rate case.

1. The PUC must explain why it allows Aqua far greater profitability in Pennsylvania than it sees in other states. Mr. Ferguson's presentation raised questions that must be investigated and answered.
2. Mr. Ferguson questioned why a relatively risk-free business like Aqua's should be allowed a 7.9% return on investment. Mr. Ferguson did a much better job explaining the issue than I can. However, I do believe the PUC must explain why they allow this return.
3. The PUC must also aggressively audit Aqua's business. In NGT we learned that you cannot trust Aqua, and I'll explain why.

New Garden Experience

In 2016 NGT announced it was selling its wastewater system. One of the major reasons given for selling was that the system was in poor condition and needed a \$12 million dollar investment in infrastructure. The sale to Aqua closed in Dec. 2020. In those 4 years NGT invested nothing in infrastructure improvements, and as of the end of 2022 Aqua had invested less than \$4 million in the system, and a large portion of that was for a cost saving improvement. It appears that the claims of failing infrastructure made in 2016 were made to justify the sale and did not reflect reality. It was just one more of the many unfulfilled promises made then.

Aqua now claims it needs a rate increase for infrastructure improvements. But Aqua has a strong financial incentive to invest in infrastructure. Their profits directly depend on rate base and they have committed to aggressive profit growth. How do we know these investments are needed? Does the PUC have the competency to approve these projects? The PUC must independently validate the need for these investments. They need to be truly necessary, not just nice to have and thus provide an opportunity for profit growth.

Role Of The PUC – continued

4. The PUC must also audit Aqua's costs. The consumer should pay for nothing beyond what is necessary to deliver their service.

As an example, Aqua is proposing to expand its program to aid low-income consumers. We should not pay for this program. Aqua's shareholders should bear the cost of the burden their rates place on low-income consumers

5. I'd like to add my voice to what Mr. Ferguson said about a utility's ability set rates on a "Fully Projected Future Test Year" – FPFTY. As he said, this is practice easily abused. It again relies on Aqua to forecast revenue and cost. The PUC cannot allow Aqua to police itself. There must be an audit at the end of the "Fully Projected Future Test Year".

6. The PUC should require rate reductions if cost reductions are implemented. Aqua can use distribution system improvement charge adjustment if their costs go up. The consumer should benefit if costs go down.

7. Finally, the PUC should require the separation of infrastructure and acquisition costs, showing the effect of acquisitions on rates

Infrastructure Renewal Vs Acquisitions

Aqua has been on an aggressive campaign to acquire local, well run public utilities for several years. They lobbied for passage of Act 12 in 2016, which has doubled the purchase price paid for public utilities. Aqua makes no secret of its strategy to use this legislation to drive growth through acquisition. But the OCA has stated that none of the 20+ utilities purchased under Act 12 has been a stressed utility needing major infrastructure investment. This includes NGT. These purchases are being driven by profit, not by the need to fix failing infrastructure.

But Aqua makes no differentiation between true infrastructure improvement costs and acquisition costs in their rate filings. This is a trick Aqua always plays, hiding acquisition costs as infrastructure costs. It makes it sound like they are making tremendous infrastructure improvements, when the money is going to acquisitions. This also hides the true impact of the acquisition costs on rates.

Acquisition costs should be dealt with separately and they should not be included in any ACT 11 cost shifting to Aqua's water customers.

Conclusion

The PUC needs to focus on its mandate to represent the consumer. The word "public" needs to be highlighted and bolded in any PUC action.