



**Testimony of Marc A. Lucca, President
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**House Consumer Affairs Subcommittee on Public Utilities and
House Appropriations Subcommittee on Government and Financial Oversight**

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Good morning, members of the Committee. Thank you for the opportunity to speak with you this morning. I appreciate this forum to highlight the benefits of 1329, which encourages consolidation in the water and wastewater sector.

First, I'd like to share with you a little bit about our company. Aqua was founded more than 135 years ago by a group of college professors in Springfield, Delaware County. Today, we are one of the largest investor-owned utilities in the state and one of the largest employers in Delaware and Chester counties, where hundreds of our employees, their families and friends call home. As a Public Utility Commission-regulated utility, Aqua Pennsylvania provides reliable, high-quality water and wastewater service to communities in 32 counties throughout the Commonwealth. Today, our employees operate more than 11 surface water treatment plants and 40 wastewater treatment facilities. That infrastructure and related operations serve roughly 1.4 million Pennsylvanians, including those who work in hospitals, dialysis centers and schools, first responders and others.

Protecting and providing Earth's most essential resource is our mission with core values of respect, integrity and the pursuit of excellence serving as our guiding light in which we perform our essential work. Aqua Pennsylvania is a true steward of the environment and recognizes the connection with our mission to provide safe and reliable water and wastewater services to our customers. To that end we have spoken out against Energy Transfer Partners on their most recent and continued impacts to the environment in southeastern Pennsylvania because of their poor construction practices on the Mariner East pipeline. We have watched and very carefully track their work to ensure we do not suffer any negative environmental impacts to our water supply. It is true that we were previously in a water pipeline joint venture with ETP in Lycoming and Tioga counties in northern Pennsylvania, which occurred as a result of our previous partner being acquired by ETP. However, we divested our ownership of that business last year, and are no longer part of the joint venture. We will continue to be a watchdog for the protection of our environment.

Unlike the electric and gas sector, the water and wastewater sector is highly fragmented with 53,000 water and 16,000 wastewater systems in the United States. Providers range from homeowners associations, resorts and individual wells and septic systems to large utility companies. Over the past 20 years, these policies have encouraged regulated utilities like Aqua to acquire various types of systems — including government-owned systems, systems experiencing water quality issues, viable systems that simply wanted to exit the business and others.

The American Society of Civil Engineers' 2018 Infrastructure Report Card graded Pennsylvania's water and wastewater systems a D and a D- respectively. It's just a fact that many water and wastewater providers have let their customers down. This is not the time to take away a vital tool that municipalities can use to ensure safe and reliable drinking water for their residents.

Investor-owned water utilities are 24% less likely to have safe drinking water violations than government-owned systems according to a 2014 study by Georgetown University and Texas A&M (Konisky and Teodoro). That means, in addition to the consumer protections, customers in the Aqua family also benefit from our strong public health and environmental track record. And with environmental regulations increasing, systems like ours are best suited to respond. Here are some examples:

- PA DEP and US EPA are currently conducting surveys to set a maximum contaminant level for PFAS. Our company has already set a standard for PFAS at 13 ppt for each of PFOS, PFOA and PFNA.
- In 2023, the revised lead and copper rule will be in effect, which will have major implications to utilities. Aqua is already working on compliance and is preparing to assist customers with replacement of customer-owned lead service lines.
- PA DEP recently implemented a policy requiring “do not drink” requirements where manganese levels exceed 0.3 mg/L in drinking water based on an EPA health advisory level.
- The Unregulated Contaminant Monitoring Rule 5 (UCMR5) starts in 2023, and these results will draw attention to additional water quality regulations.

How will your water provider respond to these and so many more open issues?

Unfortunately, we often hear or read in the news about another utility or company becoming the victim of a cybersecurity attack. What would happen if a hacker goes into your system and releases chemicals into a community's drinking water or chlorine gas into the environment? Aqua has invested significantly in protecting our customers by protecting our systems against those threats. We have an entire department focused on these issues. Our operations teams perform tabletop exercises that present operations personnel, regulatory agencies and local law enforcement and fire responders in a team setting with a real-life example of this or a similar threat. Can your water provider say it is equally prepared? This is something many

smaller municipal systems simply do not have the resources to address, but the threat remains very real.

In 2016, the legislature adopted into law section 1329 of the PA Code, which is affirmation of the effort to consolidate this fragmented industry. It did not change the fact that owners could sell their water and wastewater systems. They've always been able to do that regardless of their condition. However, a municipality that was interested in selling their water or wastewater system to a regulated utility could typically only receive its "original depreciated cost" (DOC), whereas today they can receive its fair market value.

One way I think of DOC is to compare it to a house that you may have purchased 20 years ago. I think we can all agree that your house is worth more today than it was 20 years ago. Under the previous law we'd only be able to pay a municipality the depreciated value of its assets plus investments they've made.

I know that some of you represent areas where water or wastewater providers may be struggling. One desire to sell is driven by poor condition and, in some cases, inoperable systems due to a lack of investment, which is one reason why rates might be low. This lack of investment keeps rates low but creates a ticking time bomb that, when coupled with more stringent regulations, makes compliance that much harder. System owners have many other reasons to sell.

In the many years that consolidation policies have been in place, they have helped systems like Limerick in Montgomery County build a new emergency services building. They've allowed Cheltenham, Montgomery County, to reduce debt and mitigate environmental impacts from its wastewater system, which had been neglected for years and fraught with damaged sewer laterals. I'll also point you to Sun Valley, a small, low-income, community in the Poconos with roughly 75 trailer homes. We were approached by Senator Scavello and Representative Rader to work with the community to find a solution to its troubled water system, and we did just that. Aqua was awarded \$2.8 million in grants and low-interest loans from Pennvest. To give you an idea of what years of neglect had done, when my team first arrived on site, a family of deer were drinking from a rusted-out hole in the water storage tanks. The water was filtered through a trash can in a shed that was fitted with pool filters. Today, the residents of Sun Valley can turn on their faucets with the confidence that their water is safe and reliable. That is what we do at Aqua Pennsylvania.

Once in the Aqua footprint, our customers enjoy a level of oversight that they likely did not previously have. We operate and serve in a highly regulated industry. Under PUC rules, we report on our long-term infrastructure plans, our customer service, and meter reading to name just a few of the PUC regulations that require transparency, oversight and accountability. Our regulators are staffed by utility experts who understand the delivery of utility services and work in the best interest of customers. In addition, while I aspire to perfection, when we make mistakes there are both informal and formal complaint processes at the PUC for any of our customers if they feel we have been unable to satisfy their concerns.

I understand and appreciate your important role as watchdogs for your constituents. Periodic reviews of existing laws are what I expect of my elected officials. But this is a law that is working. It's working for struggling municipalities, it's working for the environment, and it's working for public health. This is not the time to take this tool away from municipalities whose elected officials believe a partnership with a PUC-regulated utility like Aqua is best for their community. In fact, it's a time to encourage meaningful regulations on all water and wastewater providers, and to give local elected officials the ability to do what they believe to be in the best interest of the communities they serve.

Thank you for your time, and I'm happy to answer any questions from the Committee.