

**DIRECT TESTIMONY
OF
DAVID R. KAUFMAN**

**WITH REGARD TO
PENNSYLVANIA-AMERICAN WATER COMPANY'S
CLAIMED PLANT ADDITIONS**

DOCKET NO. R-2008-2032689

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1 registered Professional Engineer in Pennsylvania and hold a Class A1 water treatment
2 plant operator's license.

3 **4. Q. Do you belong to any professional or industry associations?**

4 A. Yes, I am a member of the American Water Works Association, the American Society of
5 Civil Engineers and the Water Environmental Federation.

6 **5. Q. What are your duties and responsibilities in your current position?**

7 A. As Vice President of Engineering for PAWC, I am responsible for the administration of
8 engineering services, including the planning, design and construction of water and
9 wastewater capital investment projects, for all of PAWC's systems and facilities.

10 **6. Q. What is the purpose of your testimony?**

11 A. I will explain the Company's claimed plant additions.

12 II. DESCRIPTION OF CLAIMED PLANT ADDITIONS

13 **7. Q. Please describe the Company's claimed plant additions.**

14 A. The Company has undertaken gross plant additions (inclusive of projects funded by
15 customer advances and contributions) totaling \$6,715,110. When projected retirements
16 of \$551,179 are taken into account, the net increase in plant-in-service is estimated to be
17 \$6,163,931.

18 **8. Q. In general terms, what types of projects are included in the \$6.7 million claim?**

1 A. I am sponsoring the portion of Exhibit 3-B which sets forth the Company's claimed
2 plant additions by applicable property account and by Project Numbers. Additionally,
3 the estimated completion date and associated retirements for each project are shown. As
4 can be seen from the projects listed in Exhibit 3-B, the Company's claimed plant
5 additions vary from what may be characterized as small, routine projects, such as the
6 installation of new or replacement manholes to substantially larger projects, such as the
7 30-inch Trunk Line Upgrade and the West End Trunk Line Upgrade.

8 **9. Q. Are there any particular projects that, because of their size or importance, you**
9 **would like to discuss further?**

10 A. Yes. While there are many individual plant additions detailed in Exhibit 3-B, the larger
11 individual components of the Company's claimed plant additions are described below.

12 1. **30-Inch Trunk Line Upgrade** – The existing 30-inch Trunk Line conveys all the
13 sewage collected from the East and West End trunk lines to the headworks of the
14 Coatesville Sewage Plant for treatment and discharge into West Brandywine Creek.
15 The entire trunk line from Manhole 16 to the plant headworks, a distance of
16 approximately 2,199 feet, is being relocated and upsized from 30-inch diameter to
17 36-inch and 42-inch diameter pipe.

18
19 The existing trunk line is in poor condition and is inaccessible and vulnerable due to
20 its current location within and bordering West Brandywine Creek. In addition, a
21 portion of this trunk line traverses under a building located on the Mittal Steel
22 property. Televising of the line was conducted in 2003 and showed roots, missing

1 pieces, misaligned joints, and several other structural deficiencies. Moreover, the
2 trunk line is projected to be in a hydraulic overload condition by the year 2011 and,
3 as a consequence, the PaDEP has limited new connections for the Coatesville service
4 area until this upgrade has been completed and placed in service. This project will
5 be completed in August 2008 at an estimated cost of \$2.456 million and is expected
6 to be placed in service in late 2008 or early 2009 in conjunction with the completion
7 of the proposed improvements to the headworks structure at the Coatesville Sewage
8 Plant.

9 2. **West End Trunk Line Upgrade** – The existing West End Trunk Line, which ranges
10 in size from 12-inch to 24-inch , conveys sewage flow from various municipalities in
11 the western side of the Coatesville service area to aforementioned 30-inch Trunk
12 Line, which then transfers the waste to the Coatesville Sewage Plant. The trunk line,
13 from Manhole 15 to 575 (a distance of approximately 3,088 feet), is being upsized
14 from 18-inch – 24-inch diameter to 30-inch diameter pipe. This trunk line is also in
15 poor condition and is projected to be in a hydraulic overload condition by 2012.
16 This project is expected to be completed by December 31, 2008 at an estimated cost
17 of \$1.67 million and placed in service in late 2008 and early 2009 concurrent with
18 the upgraded 30-inch trunk line.

19 3. **Parksburg Collection System Improvements** – Two collection system
20 improvement projects involve the installation of approximately 836 feet of 10-inch
21 PVC pipe on Maple and West Streets and approximately 1,292 feet of 8-inch PVC
22 pipe on Spruce and Walnut Streets, both in the Borough of Parksburg. These pipe
23 sections are being replaced as a result of PAWC’s internal pipe inspection program

1 which revealed numerous cracks, sags and 3 collapsed sections, some with active
2 leaks which could not be corrected through trenchless methods.

3 These projects are expected to be completed and placed in service by December 31,
4 2008. The estimated cost for the main and associated service lateral replacements on
5 the Maple and West Streets project is \$242,411 and \$38,000, respectively. The
6 estimated cost for the main and associated service lateral replacements on the Spruce
7 and Walnut Streets project is \$625,742 and \$48,000, respectively.

8 **10. Q. Please explain, in general terms, the other types of improvements that the**
9 **Company is making to its Coatesville collection system.**

10 A. The Company will either replace or install a number of manholes or service laterals
11 throughout its collection system in addition to those associated with the major projects
12 previously described. Service laterals and manholes are replaced typically due to their
13 poor physical condition, which can be a contributing source of inflow and infiltration.
14 New service laterals are installed as a result of customer requests for public wastewater
15 service. New manholes are usually installed to allow access to the collection system.
16 The estimated capital costs associated with manhole and service lateral activity is
17 approximately \$106,000 and \$55,500, respectively, and we anticipate the replacement of
18 6 laterals and 6 manholes and the installation of 10 new manholes and 6 new service
19 laterals.

20 **11. Q. Please explain the Company's capital investment planning and governance process**
21 **for capital improvements.**

1 A. The Company utilizes a standardized Capital Investment Management (CIM) process for
2 the management of all capital investment. All capital investment programs and projects
3 are prioritized within an overall strategic planning process, utilizing drivers associated
4 with various asset investment strategies (such as regulatory compliance, capacity,
5 customer satisfaction, etc.), to formulate a five-year Strategic Capital Expenditure Plan
6 (SCEP). More detailed design engineering is conducted and implementation plans
7 developed for those projects contained in the SCEP. The Company's annual capital
8 construction plan is based upon projects and programs contained in the SCEP. The
9 governance process provides for formal approvals and consistent controls that optimize
10 the effectiveness of asset investment and ensures that the capital investment meets the
11 strategic intent of the business.

12 **12. Q. How does the Company's construction planning process impact its claim?**

13 A. All of the Company's claimed plant additions are expected to be completed during 2008,
14 although the two trunk line upgrade projects are not slated to be placed in service until
15 late 2008 or early 2009. As the year progresses, some adjustments to the capital
16 program may be required due to unanticipated events requiring an immediate action,
17 such as plant or equipment that has experienced failure and needs to be replaced. In
18 general, however, the overall cost of plant construction will remain stable.

19 **13. Q. Does this conclude your testimony?**

20 A. Yes, it does.