



PENNSYLVANIA
AMERICAN WATER

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February 28, 2017

Via UPS Overnight Delivery

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

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FEB 28 2017

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: Pennsylvania-American Water Company 2016 Wastewater Annual Asset
Optimization Plan
Docket No. M-2016-2531523

Dear Secretary Chiavetta:

Enclosed for filing is Pennsylvania-American Water Company's (PAWC) 2016
Wastewater Annual Asset Optimization Plan (AAO Plan) in compliance with 66 Pa. C.S.
§ 1356.

A copy of the Plan has been served upon the parties listed on the enclosed Certificate of
Service. Please contact me if you have any questions.

Respectfully submitted,


Susan Simms Marsh

Enclosure

Pennsylvania-American Water Company 2016 Wastewater Annual Asset Optimization Plan

Introduction:

Pennsylvania-American Water Company (PAWC) files this Annual Asset Optimization Plan (AAO Plan) for its Wastewater Operations in compliance with 66 Pa C.S. § 1356. This section requires a utility with an approved distribution system improvement charge (DSIC) and a long-term infrastructure plan (LTIIP) to file an AAO Plan. PAWC received approval for its Wastewater DSIC and 2015-2019 LTIIP from the Pennsylvania Public Utility Commission (“Commission”) in an Order dated 12/4/2014 at Docket No. P-2014-2431005.

The Wastewater DSIC charge, effective 1/1/2015, is applicable to the following rate zones:

Rate Zone 1 – Coatesville, Claysville, and Clean Treatment (Marcel Lakes).

Rate Zone 2 – Clarion and Pocono

Rate Zone 3 – Lehman Pike, Winona Lakes and Blue Mountain

The surcharge was billed to PAWC customers from 1/1/2015 - 1/1/2016, at which time the 5% DSIC surcharge cap was reached. The DSIC surcharge remained at 5% through calendar year 2016.

The AAO Plan contained herein has the following elements:

- 1) A description of all eligible property repaired, improved and replaced in the preceding 12 months, pursuant to the utility’s long-term infrastructure improvement plan and the prior year’s asset optimization plan and
- 2) A detailed description of all facilities to be improved in the upcoming 12 months.

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Description of PAWC's Wastewater Systems (DSIC eligible)

	Gravity Main (LF)	Force/Low Pressure Main (LF)	Manholes	Lift Stations	No. Customers as of 12/31/16
Blue Mountain Lake	0	76,991	0	6	720
Lehman-Pike	0	267,781	0	13	2,625
Pocono Country Place (Pocono)	150,594	99,795	776	2	3,530
Claysville	62,126	1,149	342	1	498
Coatesville	349,016	91,449	1656	17	6,226
Clarion	206,250	38,261	904	6	2,183
Marcel Lake	32,007	26,075	97	9	341
TOTAL	799,993	601,501	3,775	54	16,123

Long Term Infrastructure Plan Summary

PAWC has continuously invested in its wastewater infrastructure to maintain safe, reliable service to its customers. From 2009 to 2013, PAWC spent an average of \$3.79 million annually (approximately \$239 annually per wastewater customer) on wastewater DSIC eligible infrastructure improvements. From 2015 to 2019, PAWC proposed to increase wastewater DSIC eligible spending to about \$5.40 million annually (approximately \$321 annually per wastewater customer) in order to continue to make necessary improvements at an accelerated pace. The chart below compares the actual to projected cumulative expenditure during the 2015 to 2019-time frame.

Projected Annual Expenditures 2015 to 2019

Year	Projected Annual Expenditures ⁽¹⁾	Projected Cumulative Expenditure	Actual Annual Expenditures	Actual Cumulative Expenditure
2015	\$5,265,244	\$5,265,244	\$8,923,443	\$8,923,443
2016	\$5,290,000	\$10,555,244	\$5,509,019	\$14,432,462
2017	\$5,682,655	\$16,237,899		
2018	\$5,097,241	\$21,335,140		
2019	\$4,350,000	\$25,685,140		
Total	\$25,685,140	25,685,140		

⁽¹⁾ Note: Original plan included planned expenditures for Koppel & Franklin, which subsequently were deemed not eligible for DSIC surcharge at the time the Commission's order was issued.

Summary of Wastewater DSIC-eligible expenditures – Calendar year 2016

District	Actual Expenditures - 2016
Blue Mountain	-
Lehman Pike	\$405,838
Pocono	\$90,552
Claysville	0
Coatesville	\$1,791,377
Clarion	\$804,508
Marcel Lakes (projected)	\$2,416,744
TOTAL	\$5,509,019

Detailed Project Listing of Wastewater-DSIC eligible projects – Calendar year 2016 Actual

District	Funding Project Number	Description:	Installed Quantity	Capital Investment 2016
Clarion WW				
47	R24-47A1	Sewer extension to Chernicky Lift Station to connect Chernicky LS basin to Stone House Road Lift Station basin. Demolition of Chernicky LS is also part of the project	250	\$42,245
47	R24-47B1	Sewer line replacement projects within Clarion Borough and Clarion Township. The projects include the installation of approximately 4,160 LF of sewer mains.	4,160	\$698,077
47	R24-47C1	Emergency sewer main replacement work.		\$0
47	R24-47F1	Manhole replacements at locations determined to be deficient during annual manhole inspection program id required.	6	\$50,084
47	R24-47H1	Lateral replacements at locations determined to be deficient during annual inspection program.	3	\$14,102
47	R24-47Q1	Process Plant Facilities and Equip - Lift Stations		
47 Total	Clarion WW			\$804,508
Pocono WW				
58	I24-580005			\$0
58	I24-580004			\$0
58	R24-58B1	Sewer line replacement project within the Pocono Country Place development. The project included the installation of approximately 1,063 LF of 8" sewer main.	1,063	\$71,154
58	R24-58C1	Emergency sewer main replacement work.		
58	R24-58F1	Manhole replacements at locations determined to be deficient during annual manhole inspection program id required.		
58	R24-58H1	Lateral replacements at locations determined to be deficient during annual inspection program.	2	\$8,618
58	R24-58Q1	Process Plant Facilities and Equip - Lift Stations		\$10,780
58 Total	Pocono WW			\$90,552

Detailed Project Listing of Wastewater-DSIC eligible projects – Calendar year 2016 Actual Cont.

Coatesville WW				
67	I24-670004		West End Trunkline project including the installation of approximately 100 LF of 30" sewer main.	100 LF \$192,681
67	R24-67B1		Sewer line replacement projects within the City of Coatesville and Parkesburg Borough. The project included the installation of approximately 4,593 LF of 8" and 12" sewer main, 26 manholes, and 84 laterals.	4593 LF \$1,371,548
67	R24-67C1		Emergency sewer main replacement work.	53 LF \$130,958
67	R24-67F1		Manhole replacements at locations determined to be deficient during annual manhole inspection program.	1 EA \$8,997
67	R24-67H1		Lateral replacements at locations determined to be deficient during annual inspection program.	7 EA \$60,866
67	R24-67Q1		Pump replacement at Millview and Providence Hill Lift Stations. Electrical Panel Replacement at Short Hill and Windy Hill Lift Stations.	3 \$26,327
67 Total	Coatesville WW			\$1,791,377
Lehman Pike WW				
69	I24-690001		Sanitary Sewer replacement of the Marcel Lakes Collection system including a portion of 33,000 LF of 8" and 12" sewer main project and 29 manholes.	6600 LF \$2,416,744
69	R24-69C1		Emergency sewer main replacement work.	\$26,028
69	R24-69F1		Manhole replacements at locations determined to be deficient during annual manhole inspection program id required.	1 \$790
69	R24-69H1		2016 lateral replacement project to replace approximately 223 1-1/4" laterals	223 \$379,020
69 Total	Lehman Pike WW			\$2,822,582
Total				\$5,509,019

Summary of Wastewater DSIC Eligible Properties Replaced in 2016

	Mains (LF)		Manholes	Laterals	Lift Stations
	Gravity	LP/Force			
Blue Mountain Lake					
Lehman-Pike			1	223	
Pocono Country Place (Pocono)	1,063			2	
Claysville					
Coatesville	4,746		27	91	3
Clarion	4,410		6	3	
Marcel Lake	6,600		29	-	
Total	16,819	-	63	319	3

Detailed Project Listing of Wastewater DSIC-Eligible projects – Calendar year 2017 Projected

The project listing envisioned for the upcoming 12 months consist of a mixture of sewer line replacement, manhole and lateral work. The project information along with the estimated costs are presented in the following table. These estimated costs are preliminary in nature and will change as project development progresses.

District	Funding Project Number	Description:	Capital Investment Projection 2.2017	Projected Installed Quantity
Clarion WW				
47	R24-47B1	Sewer line replacement projects	\$542,158.99	2,743
47	R24-47C1	Emergency sewer main replacement work.	\$9,025.00	
47	R24-47F1	Manhole replacements at locations determined to be deficient during annual manhole inspection program id required.		
47	R24-47H1	Lateral replacements at locations determined to be deficient during annual inspection program.	\$38,974.00	10
47	R24-47Q1	Process Plant Facilities and Equip - Lift Stations		
47 Total		Clarion WW	\$590,157.99	
Pocono WW				
58	R24-58B1	Sewer line replacement projects including 3 manholes and 10 laterals.	\$461,000.00	1,844
58	R24-58C1	Emergency sewer main replacement work.	\$3,610.00	
58	R24-58F1	Manhole replacements at locations determined to be deficient during annual manhole inspection program id required.	\$16,800.00	2
58	R24-58H1	Lateral replacements at locations determined to be deficient during annual inspection program.	\$7,307.63	5
58	R24-58Q1			
58 Total		Pocono WW	\$488,717.63	
Coatesville WW				
67	R24-67B1	Sewer line replacement projects within the City of Coatesville and Parkesburg Borough, 92 laterals, and 20 manholes	\$1,274,378.77	4,977
67	R24-67C1	Emergency sewer main replacement work.	\$52,498.53	
67	R24-67F1	Manhole replacements at locations determined to be deficient during annual manhole inspection program.	\$25,200.00	3
67	R24-67H1	Lateral replacements at locations determined to be deficient during annual inspection program.	\$63,332.75	10
67	R24-67Q1			
67 Total		Coatesville WW	\$1,415,410.05	
Lehman Pike WW				
69	I24-690001	Sanitary Sewer replacement of the Marcel Lakes Collection system including a portion of 33,000 LF of 8" and 12" sewer main project, 3 lift stations, 283 laterals, and 100 manholes.	\$4,750,964.00	26,496
69	R24-69B1	Sewer line replacement projects	\$479,350.50	3,947
69	R24-69C1	Emergency sewer main replacement work.	\$18,050.00	
69	R24-69F1	Valve replacements at locations determined to be deficient	\$6,720.00	16
69	R24-69H1	2017 lateral replacement project to replace approximately 300 1-1/4" laterals	\$292,305.00	300
69 Total		Lehman Pike WW	\$5,547,389.50	
Total			\$8,041,675.16	

Summary of Projected Wastewater DSIC Eligible Properties to be Replaced in 2017

	Mains (LF)		Manholes / Valves	Laterals	Lift Stations
	Gravity	LP/Force			
Blue Mountain Lake					
Lehman-Pike		3,947	16	300	
Pocono Country Place (Pocono)	1,844		5	15	
Claysville					
Coatesville	4,977		23	102	
Clarion	2,743			10	
Marcel Lake	26,496		100	283	3
Total	36,060	3,947	144	710	3

Summary:

PAWC's AAO Plan demonstrates that PAWC has accelerated DSIC-eligible wastewater capital investment and the actual cumulative expenditures over the last 2 years are in excess of planned budgetary levels included in the LTIIP, primarily due to an increased level of investment occurring in 2015. The increased level of investment in 2015 was associated with an acceleration of wastewater projects in the Clarion district in order to coordinate and align with water replacement projects occurring in 2015. Additional capital was also invested during 2015 in the Coatesville wastewater district associated with an expanded scope of the micro-tunneling project and in Clarion wastewater district for a project associated with road relocation activity. Due to permitting delays, the large capital investment project in the Marcel Lakes wastewater district began in late 2016 and will continue through 2017. The project is being coordinated with a water main replacement project.

The actual DSIC-eligible wastewater expenditures in 2016 were approximately \$5.51M which were close to the original LTIIP target level of \$5.29M. Projected levels for 2017 may be in excess of original target levels due to the above-noted permitting delays associated with the Marcel Lakes project. Summary tables of DSIC eligible wastewater properties replaced and placed in service in 2016 along with associated costs for the seven wastewater districts are shown on pages 3 and 4 of this report. Given that the number of wastewater districts have grown over the past few years, we anticipate that a revised wastewater LTIIP may be filed once these other districts become eligible for inclusion in our wastewater DSIC program.

COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
Docket No. M-2016-2531523

CERTIFICATE OF SERVICE

I hereby certify that I am this day served a true and correct copy of Pennsylvania-American Water Company Wastewater Annual Asset Optimization Plan in the manner indicated in accordance with the requirements of 52 Pa. Code §1.54:

VIA UPS OVERNIGHT DELIVERY

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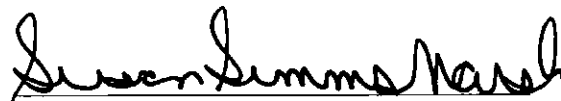
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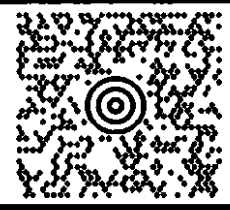
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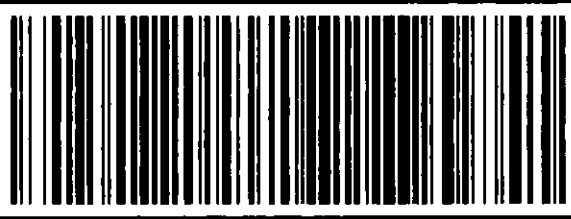
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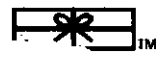
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