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VIA eFiling

February 27, 2018

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

Re: Pennsylvania-American Water Company ("PAWC")  
2017 Wastewater Annual Asset Optimization Plan  
Docket No. M-2018-\_\_\_\_\_

Dear Secretary Chiavetta:

Enclosed for filing is Pennsylvania-American Water Company's 2017 Wastewater Annual Asset Optimization Plan ("AAO Plan") in compliance with 66 Pa.C.S. § 1356.

A copy of the AAO Plan has been served upon the parties listed on the enclosed Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,

  
Susan Simms Marsh

Enclosures

## **Pennsylvania-American Water Company 2017 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 improvement plan (LTIP) to file an AAO Plan. PAWC received approval for its Wastewater DSIC and 2015-2019 LTIP 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 Lake

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 years 2016 and 2017.

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.

## Description of PAWC's Wastewater Systems (DSIC eligible)

	Gravity Main (LF)	Force/Low Pressure Main (LF)	Manholes	Lift Stations	No. Customers as of 12/31/17
Blue Mountain Lake	0	68,250	0	6	795
Lehman-Pike (including Winona Lakes)	0	268,447	0	13	2,645
Pocono Country Place (Pocono)	150,591	99,795	776	2	3,659
Claysville	62,154	1,149	342	1	494
Coatesville	350,682	93,630	1657	17	6,226
Clarion	200,193	38,484	932	7	2,168
Marcel Lakes	31,989	26,075	97	9	350
<b>TOTAL</b>	<b>795,609</b>	<b>595,830</b>	<b>3,804</b>	<b>55</b>	<b>16,337</b>

## 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 expenditures during the 2015 to 2019 time frame.

## Projected Annual Expenditures 2015 to 2019

Year	Projected Annual Expenditures <sup>(1)</sup>	Projected Cumulative Expenditures	Actual Annual Expenditures	Actual Cumulative Annual Expenditures
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	\$8,416,554	\$22,849,016
2018	\$5,097,241	\$21,335,140		
2019	\$4,350,000	\$25,685,140		
<b>Total</b>	<b>\$25,685,140</b>			

<sup>(1)</sup> Note: Original plan included planned expenditures for Koppel & Franklin, which subsequently were deemed not eligible for DSIC surcharge at the time the PaPUC order was issued.

## Summary of Wastewater DSIC-eligible expenditures – Calendar year 2017

District	Actual Expenditures - 2017
Blue Mountain - 69	-
Lehman Pike - 69	\$319,561
Pocono - 58	\$423,304
Claysville - 26	0
Coatesville - 67	\$2,215,540
Clarion - 47	\$492,633
Marcel Lakes - 69	\$4,965,516
<b>TOTAL</b>	<b>\$8,416,554</b>

## Detailed Project Listing of Wastewater-DSIC eligible projects – Calendar year 2017 Actual

District	Funding Project Number	Description:	Installed Quantity	Capital Investment 2017
<b>Clarion WW</b>				
47	R24-47B1	Sewer line replacement projects	2,195 ft	\$377,160.86
47	R24-47C1	Emergency sewer main replacement work.	5 ft	\$45,045.34
47	R24-47F1	Manhole replacements at locations determined to be deficient during annual manhole inspection program id required.	3	\$21,518.07
47	R24-47H1	Lateral replacements at locations determined to be deficient during annual inspection program.	8	\$48,908.62
47	R24-47Q1	Process Plant Facilities and Equip - Lift Stations		
<b>47 Total</b>		<b>Clarion WW</b>	<b>2,200 ft</b>	<b>\$492,632.89</b>
<b>Pocono WW</b>				
58	R24-58B1	Sewer line replacement projects	2,105 ft	\$377,673.44
58	R24-58C1	Emergency sewer main replacement work.		\$15,675.86
58	R24-58F1	Valve replacements at locations determined to be deficient	1	\$932.36
58	R24-58H1	Lateral replacements at locations determined to be deficient during annual inspection program.	5	\$29,022.15
58	R24-58Q1			
<b>58 Total</b>		<b>Pocono WW</b>	<b>2,105 ft</b>	<b>\$423,303.81</b>
<b>Coatesville WW</b>				
67	R24-67B1	Sewer line replacement projects 65 laterals, and 26 manholes.	6,690 ft	\$2,059,647.91
67	R24-67C1	Emergency sewer main replacement work.	25 ft	\$19,616.66
67	R24-67D1	Sewer line relocation projects	300 ft	\$64,667.22
67	R24-67F1	Manhole replacements at locations determined to be deficient during annual manhole inspection program.	3	\$21,148.87
67	R24-67H1	Lateral replacements at locations determined to be deficient during annual inspection program.	8	\$50,459.20
67	R24-67Q1			
<b>67 Total</b>		<b>Coatesville WW</b>	<b>7,015 ft</b>	<b>\$2,215,539.86</b>
<b>Lehman Pike WW</b>				
69	R24-69B1	Sewer line replacement projects	ft	
69	R24-69C1	Emergency sewer main replacement work.	10 ft	\$16,403.45
69	R24-69F1	Valve replacements at locations determined to be deficient	1	\$1,744.05
69	R24-69H1	2017 lateral replacement project to replace approximately 300 1-1/4" laterals	115	\$301,413.17
<b>69 Total</b>		<b>Lehman Pike WW</b>	<b>10 ft</b>	<b>\$319,560.67</b>
<b>Marcel Lake WW</b>				
69	I24-690001	Sanitary Sewer replacement of the Marcel Lakes Collection system including a portion of 25,347LF of 8" and 12" sewer main, 3 lift stations, 275 laterals, and 125 manholes.	25,347 ft	\$4,965,516.61
<b>69 Total</b>		<b>Marcel Lake WW</b>	<b>25,347 ft</b>	<b>\$4,965,516.61</b>
<b>Total</b>				<b>\$8,416,553.84</b>

**Summary of Wastewater DSIC Eligible Properties Replaced in 2017**

	Mains (LF)		Manholes / Valves	Laterals	Lift Stations
	Gravity	LP/Force			
Blue Mountain Lake					
Lehman-Pike		10	1	115	
Pocono Country Place (Pocono)	2,105		1	5	
Claysville					
Coatesville	7,015		3	8	
Clarion	2,200		3	8	
Marcel Lake	25,347		125	275	3
<b>Total</b>	<b>36,667</b>	<b>10</b>	<b>133</b>	<b>411</b>	<b>3</b>

## Detailed Project Listing of Wastewater DSIC-Eligible projects – Calendar year 2018 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:	Installed Quantity	Capital Investment 2018
<b>Clarion WW</b>					
47	R24-47B1		Sewer line replacement projects	8,519 ft	\$1,262,944.57
47	R24-47C1		Emergency sewer main replacement work.		\$49,866.03
47	R24-47D1		Sewer line relocation projects	2,455 ft	\$245,473.03
47	R24-47F1		Manhole replacements at locations determined to be deficient during annual manhole inspection program id required.	3	\$24,000.00
47	R24-47H1		Lateral replacements at locations determined to be deficient during annual inspection program.	6	\$30,000.00
47	R24-47Q1		Process Plant Facilities and Equip - Lift Stations		
<b>47 Total</b>		<b>Clarion WW</b>		<b>10,974 ft</b>	<b>\$1,612,283.62</b>
<b>Pocono WW</b>					
58	R24-58B1		Sewer line replacement projects	1,625 ft	\$714,925.43
58	R24-58C1		Emergency sewer main replacement work.		\$6,545.35
58	R24-58F1		Manhole replacements at locations determined to be deficient during annual manhole inspection program id required.	6	\$30,000.00
58	R24-58H1		Lateral replacements at locations determined to be deficient during annual inspection program.	10	\$10,000.00
58	R24-58Q1				
<b>58 Total</b>		<b>Pocono WW</b>		<b>1,625 ft</b>	<b>\$761,470.78</b>
<b>Coatesville WW</b>					
67	R24-67B1		Sewer line replacement projects	6,836 ft	\$1,906,355.21
67	R24-67C1		Emergency sewer main replacement work.		\$77,742.92
67	R24-67D1		Sewer line relocation projects	588 ft	\$161,621.29
67	R24-67F1		Manhole replacements at locations determined to be deficient during annual manhole inspection program.	4	\$50,000.00
67	R24-67H1		Lateral replacements at locations determined to be deficient during annual inspection program.	10	\$80,000.00
67	R24-67Q1				
<b>67 Total</b>		<b>Coatesville WW</b>		<b>7,423 ft</b>	<b>\$2,275,719.41</b>
<b>Lehman Pike WW</b>					
69	R24-69B1		Sewer line replacement projects	752 ft	\$112,800.00
69	R24-69C1		Emergency sewer main replacement work.	ft	\$10,984.80
69	R24-69F1		Valve replacements at locations determined to be deficient		
69	R24-69H1		Lateral replacement project	150	\$300,000.00
<b>69 Total</b>		<b>Lehman Pike WW</b>		<b>752 ft</b>	<b>\$423,784.80</b>
<b>Total</b>					<b>\$5,073,258.62</b>

**Summary of Projected Wastewater DSIC Eligible Properties to be Replaced in 2018**

	Mains (LF)		Manholes	Laterals	Lift Stations
	Gravity	LP/Force			
Blue Mountain Lake					
Lehman-Pike		752		150	
Pocono Country Place (Pocono)	1,625		6	10	
Claysville					
Coatesville	7,424		4	10	
Clarion	10,974		3	6	
Marcel Lake					
<b>Total</b>	<b>20,023</b>	<b>752</b>	<b>13</b>	<b>176</b>	<b>-</b>

**Summary:**

PAWC’s AAO Plan demonstrates that PAWC has accelerated DSIC-eligible wastewater capital investment and the actual cumulative expenditures over the last 3 years are in excess of planned budgetary levels included in the LTIP, primarily due to an increased level of investment occurring in years 2015 and 2017.

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.

The actual DSIC-eligible wastewater expenditures in 2017 were approximately \$8.42M which were in excess of the original LTIP target level of \$5.68M, primarily due to the permitting delays in 2016 associated with a \$7.4 million capital investment project in the Marcel Lakes district. The level of capital investment in 2017 for this project was approximately \$5 million. This project was also coordinated with a water main replacement project. Summary tables of DSIC eligible wastewater properties replaced and placed in service in 2017 along with associated costs for the seven wastewater districts are shown on pages 3 and 4 of this report.

The projected DSIC-eligible wastewater expenditures in 2018 are approximately \$5.1 million, which are consistent with the original LTIP target level of \$5.1 million. A detailed summary list of these projects are shown on pages 5 and 6 of this report. Given that the number of wastewater districts has increased from acquisitions over the past few years, we anticipate that a revised wastewater LTIP may be filed later this year.

**COMMONWEALTH OF PENNSYLVANIA**  
**BEFORE THE**  
**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**CERTIFICATE OF SERVICE**

I hereby certify that I have on this day served a true and correct copy of Pennsylvania-American Water Company 2017 Wastewater Annual Asset Optimization Plan upon the participants listed below, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54:

**VIA UPS OVERNIGHT DELIVERY**

Paul Diskin, Director  
Daniel Searforce, Manager Water/Wastewater  
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Pennsylvania Public Utility Commission  
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Richard Kanaskie, Director and Chief Prosecutor  
Allison C. Kaster, Deputy Chief Prosecutor  
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Dated this 27<sup>th</sup> day of February, 2018