



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

January 2, 2019

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Petition of Pennsylvania-American Water Company Wastewater
Operations for Approval of Modification of Long-Term Infrastructure
Improvement Plan
Docket No. P-2014-2431005

Dear Secretary Chiavetta:

Enclosed for filing please find the Bureau of Investigation and Enforcement's
(I&E) **Answer of the Bureau of Investigation and Enforcement to the Petition of The
Pennsylvania-American Water Company** for the above-captioned proceeding.

Copies are being served on all active parties of record. If you have any questions,
please contact me at (717) 425-7593.

Sincerely,



Scott B. Granger
Prosecutor

Bureau of Investigation and Enforcement
PA Attorney I.D. No. 63641

SBG/jfm
Enclosure

cc: Per Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pennsylvania-American Water :
Company Wastewater Operations for : Docket Nos. P-2014-2431005
Approval of Modification of Long-Term :
Infrastructure Improvement Plan :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Answer of the Bureau of Investigation and Enforcement to the Petition of The Pennsylvania-American Water Company** dated January 2, 2019, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

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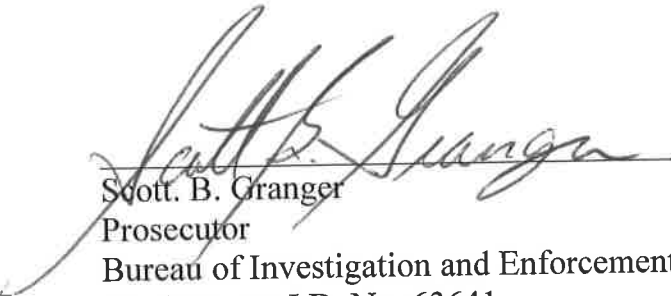
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Scott B. Granger
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Bureau of Investigation and Enforcement
PA Attorney I.D. No. 63641

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pennsylvania – American :
Water Company Wastewater Operations : P-2014-2431005
for Approval of Modifications of Long- :
Term Infrastructure Improvement Plan :

**ANSWER OF THE BUREAU OF INVESTIGATION AND ENFORCEMENT
TO THE PETITION OF
THE PENNSYLVANIA – AMERICAN WATER COMPANY**

I. INTRODUCTION AND BACKGROUND

Pursuant to Section 1352(a) of the Public Utility Code, 66 Pa.C.S. § 1352(a), and 52 Pa. Code § 121.5(a), Pennsylvania-American Water Company ("PAWC" or the "Company") filed a Petition seeking the Pennsylvania Public Utility Commission ("Commission") approval of its proposed modified 5-Year Wastewater Long-Term Infrastructure Improvement Plan dated October 31, 2018 ("Modified LTIIIP").

The Bureau of Investigation and Enforcement ("I&E") hereby files this timely Answer pursuant to 52 Pa. Code Section 5.61, requesting that the Commission deny the Company's requested relief and assign this matter to the Office of Administrative Law Judge ("OALJ") for an investigation and an evidentiary hearing, if necessary. The public interest necessitates a thorough review of the requested relief.

In support of its request for a full investigation of this Petition, I&E asserts the following:

II. ANSWER

PAWC proffered that the Modified LTIIP replaces Year 2019 of the Company's 2014 Wastewater Long-Term Infrastructure Improvement Plan, and further includes, Years 2020 through 2023. PAWC also offered that it also includes wastewater assets acquired by the Company since 2014. PAWC alleges that the Modified LTIIP utilizes a risk-based condition approach in order to cost-effectively prioritize wastewater collection system replacement and rehabilitation projects and accelerates the rehabilitation, improvement, and replacement of aging wastewater infrastructure for wastewater systems.

PAWC asserts that as a regulated Pennsylvania public utility, the Company must comply with drinking water, environmental and other operational standards established by the Pennsylvania Department of Environmental Protection ("DEP") and the federal Environmental Protection Agency ("EPA").

Further, PAWC has alleged, since acquiring the identified wastewater systems, PAWC has made improvements and/or has undertaken system evaluations. PAWC claims capital additions continue to be needed to rehabilitate, improve and replace elements of the collection system in order to maintain adequate, efficient, safe, reliable and reasonable service and to comply with existing and evolving regulatory standards imposed by agencies of the state and federal governments. PAWC avers, of particular importance, consistent, ongoing rehabilitation, improvement and replacement of the collection systems are necessary to avoid increases in and, to the extent possible, to reduce, infiltration and in-flow ("I&I").

As PAWC has stated, on July 3, 2014, PAWC filed a Petition for Approval of Wastewater Long-Term Infrastructure Improvement Plan ("LTIIIP") and Approval to Establish and Implement a Distribution System Improvement Charge ("DSIC") (collectively referred to as "2014 LTIIIP/DSIC Petition" or separately as "LTIIIP 2014 Petition" or "DSIC 2014 Petition"). PAWC's DSIC 2014 Petition included Supplement No. 4 to Tariff Wastewater-PA P.U.C. No. 15, to introduce the DSIC Rider into the Company's tariff, effective January 1, 2015. The Commission ultimately approved PAWC's 2014 LTIIIP on December 4, 2014.

On February 29, 2016, February 28, 2017 and February 27, 2018, PAWC filed its Annual Asset Optimization Plan ("AAOP") and those plans were subsequently approved. In a letter dated April 23, 2018 approving the February 27, 2018 AAOP, the Commission's Bureau of Technical Utility Services ("TUS") stated PAWC's AAOP shows the acceleration of DSIC-eligible wastewater capital investments. TUS also directed PAWC to provide the expected date in 2018 that the Company planned to file a petition to modify its LTIIIP.

PAWC notes that by letter dated May 2, 2018, PAWC advised TUS that the Company expected to file a petition to modify its LTIIIP on or before November 1, 2018, and by letter dated October 31, 2018, PAWC notified TUS the Company planned to file the petition to modify its LTIIIP on or before November 8, 2018. On November 8, 2018, PAWC filed a Petition for Approval of a Major Modification to its Existing Long-Term Infrastructure Improvement Plan and Approval of its Second Long-Term Infrastructure Improvement Plan ("LTIIIP 2018 Petition"). PAWC also notes that TUS provided guidance to PAWC on a Major Modification to its Existing Long-Term Infrastructure Improvement

Plan rather than a Second Long-Term Infrastructure Improvement Plan. On December 10, 2018, PAWC filed a letter withdrawing the November 8th LTIIIP 2018 Petition.

Finally, PAWC stated that as a result of the proposed accelerated capital investment, TUS suggested to PAWC that this could be considered a modification. PAWC shared with TUS plans to revise the Company's LTIIIP to include other wastewater districts and TUS subsequently directed PAWC to provide the expected date, in 2018, the Company planned to file a petition to modify its LTIIIP.

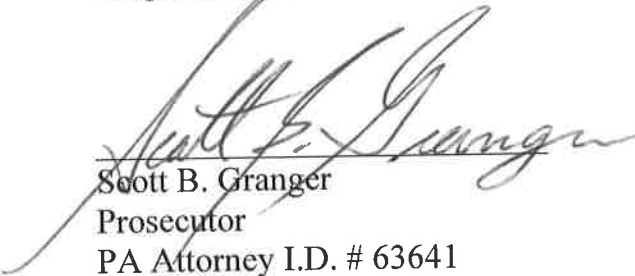
I&E intends to participate in this proceeding to ensure that the proposed Modified LTIIIP is approved only if it meets the legal requirements of the Public Utility Code, applicable Commission rules and regulations, and Pennsylvania law; and, to ensure that the interests of all PAWC ratepayers are protected in this proceeding. I&E believes that an investigation and examination of PAWC's proposed Modified LTIIIP plan is warranted to protect the public interest in the provision of safe and reliable services at just and reasonable rates. PAWC's Petition should be subject to a formal investigation and an evidentiary hearing, if necessary. Further, additional time is necessary to afford the parties an opportunity to conduct formal and informal discovery given that the relief requested in the Petition has the potential to impact PAWC's existing LTIIIP plan, DSIC spending, and the PAWC ratepayers.

I&E anticipates the topics of inquiry will include, but not be limited to: (1) the risk-based condition approach relied on to formulate the proposed Modified LTIIIP; (2) whether the risk-based condition approach cost-effectively prioritizes wastewater collection system replacement and rehabilitation projects; (3) whether the risk-based condition approach cost-

effectively accelerates the rehabilitation, improvement, and replacement of aging wastewater infrastructure for the PAWC wastewater systems; (4) any ongoing rehabilitation, improvement, and replacement of the collection systems necessary to avoid increases in and possible reductions to infiltration and in-flow into the wastewater systems, (5) the applicability and impact of drinking water, environmental and other operational standards established by the Pennsylvania DEP and the federal EPA; and, (6) the potential impact of the proposed Modified LTIP on the safe and reliable wastewater service at just and reasonable rates to the PAWC ratepayers.

WHEREFORE, the Bureau of Investigation and Enforcement respectfully requests that the Commission assign this Petition to the OALJ for an investigation and examination of PAWC's proposed Modified LTIP plan to ensure that the proposed plan is consistent with the provisions of the Public Utility Code, the Commission regulations, and any other applicable statutes and regulations governing the creation, modification, application and execution of PAWC's LTIP and DSIC infrastructure improvement plans and charges.

Respectfully Submitted,



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Bureau of Investigation and Enforcement
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Dated: January 2, 2019