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**VIA** eFiling

February 28, 2019

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")  
2018 Wastewater Annual Asset Optimization Plan  
Docket No. M-2019-\_\_\_\_\_**

Dear Secretary Chiavetta:

Enclosed for filing is Pennsylvania-American Water Company's 2018 Wastewater Annual Asset Optimization Plan ("AAO Plan") in compliance with 66 Pa.C.S. § 1356 and 52 Pa. Code § 121.6, AAO Plan filings.

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

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Enclosures

cc: Certificate of Service



**PENNSYLVANIA-AMERICAN WATER COMPANY**

**2018 WASTEWATER**

**ANNUAL ASSET OPTIMIZATION PLAN**



## **Pennsylvania-American Water Company 2018 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. Beginning in 2018 and commensurate with new base rates the wastewater DSIC was reset to 0%. A waste wastewater DSIC rate of 0% continued throughout 2018.

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 12/31/18
Blue Mountain Lake	0	68,252	0	6	859
Lehman-Pike (including Winona Lakes)	0	268,455	0	13	2,684
Pocono Country Place (Pocono)	149,911	99,798	777	2	3,674
Claysville	62,156	1,149	342	1	493
Coatesville	355,304	93,605	1,678	17	6,272
Clarion	202,868	36,295	940	6	2,227
Marcel Lakes	30,732	28,597	130	3	346
<b>TOTAL</b>	<b>800,971</b>	<b>596,151</b>	<b>3,867</b>	<b>48</b>	<b>16,555</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 <sup>(2)</sup>	\$5,097,241	\$21,335,140	\$4,810,440	\$27,659,456
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.

<sup>(2)</sup> 2018 Actual Expenditure includes carryover for Pocono WW and Clarion WW projects that were delayed by weather and placed in service by mid February 2019.

### Summary of Wastewater DSIC-eligible expenditures – Calendar year 2018

District	Actual Expenditures - 2018
Blue Mountain - 69	0
Lehman Pike & Marcel Lakes - 69	\$920,642
Pocono - 58	\$347,833
Claysville - 26	0
Coatesville - 67	\$2,377,735
Clarion - 47	\$1,164,230
<b>TOTAL</b>	<b>\$4,810,440</b>

### Detailed Project Listing of Wastewater-DSIC eligible projects – Calendar year 2018 Actual

District	Funding Project Number	Description:	Installed Quantity	Capital Investment 2018 + Jan/Feb. 2019
<b>Clarion WW</b>				
47	R24-47B1	Sewer line replacement projects (including manholes and laterals)	6,109 ft	\$1,104,265.40
47	R24-47C1	Emergency sewer main replacement work.	9 ft	\$13,765.33
47	R24-47F1	Manhole replacements at locations determined to be deficient during annual manhole inspection program id required.	7	\$29,243.61
47	R24-47H1	Lateral replacements at locations determined to be deficient during annual inspection program.	2	\$16,955.37
47	R24-47Q1	Process Plant Facilities and Equip - Lift Stations		
<b>47 Total</b>		<b>Clarion WW</b>	<b>6,118 ft</b>	<b>\$1,164,229.71</b>
<b>Pocono WW</b>				
58	R24-58B1	Sewer line replacement projects (including manholes and laterals)	2,023 ft	\$309,371.79
58	R24-58C1	Emergency sewer main replacement work.		\$10,958.01
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.	27	\$27,503.18
58	R24-58Q1			
<b>58 Total</b>		<b>Pocono WW</b>	<b>2,023 ft</b>	<b>\$347,832.98</b>
<b>Coatesville WW</b>				
67	R24-67B1	Sewer line replacement projects (including manholes and laterals)	5,237 ft	\$2,150,159.81
67	R24-67C1	Emergency sewer main replacement work.		\$39,298.04
67	R24-67F1	Manhole replacements at locations determined to be deficient during annual manhole inspection program.	28	\$85,911.34
67	R24-67H1	Lateral replacements at locations determined to be deficient during annual inspection program.	108	\$102,365.89
67	R24-67Q1			
<b>67 Total</b>		<b>Coatesville WW</b>	<b>5,237 ft</b>	<b>\$2,377,735.08</b>
<b>Lehman Pike WW / Marcel Lakes WW</b>				
69	R24-69B1	Sewer line replacement projects (including manholes and laterals)	5,700 ft	\$590,134.11
69	R24-69C1	Emergency sewer main replacement work.	ft	\$12,867.56
69	R24-69F1	Manhole replacements at locations determined to be deficient	1	\$14,237.84
69	R24-69H1	Lateral replacement project	130	\$303,402.42
<b>69 Total</b>		<b>Lehman Pike WW / Marcel Lakes WW</b>	<b>5,700 ft</b>	<b>\$920,641.93</b>
<b>Total</b>				<b>\$4,810,439.70</b>

**Summary of Wastewater DSIC Eligible Properties Replaced in 2018**

	Mains (LF)		Manholes	Laterals	Lift Stations
	Gravity	LP/Force			
Blue Mountain Lake					
Lehman-Pike		5,700	1	152	
Pocono Country Place (Pocono)	2,023		10	47	
Claysville					
Coatesville	4,582	655	47	128	
Clarion	6,118		37	71	
<b>Total</b>	<b>12,723</b>	<b>6,355</b>	<b>95</b>	<b>398</b>	<b>-</b>

## Detailed Project Listing of Wastewater DSIC-Eligible projects – Calendar year 2019 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 2019
<b>Clarion WW</b>					
47	R24-47B1		Sewer line replacement projects	6,713 ft	\$1,312,494.36
47	R24-47C1		Unscheduled Mains		\$30,000.00
47	R24-47D1		Relocations	1,198	\$185,000.00
47	R24-47F1		Manholes Replaced	2	\$10,000.00
47	R24-47H1		Laterals Replaced	5	\$15,000.00
<b>47 Total</b>		<b>Clarion WW</b>		<b>7,911 ft</b>	<b>\$1,552,494.36</b>
<b>Pocono WW</b>					
58	R24-58B1		Sewer line replacement projects	2,331 ft	\$624,446.86
<b>58 Total</b>		<b>Pocono WW</b>		<b>2,331 ft</b>	<b>\$624,446.86</b>
<b>Claysville WW</b>					
26	R24-26B1		Sewer line replacement projects	1,600 ft	\$162,000.00
26	R24-26C1		Unscheduled Mains		\$10,000.00
26	R24-26F1		Manholes Replaced	2	\$10,000.00
26	R24-26H1		Laterals Replaced	2	\$5,000.00
26					
<b>26 Total</b>				<b>1,600 ft</b>	<b>\$187,000.00</b>
<b>Coatesville WW</b>					
67	R24-67B1		Sewer line replacement projects	1,388 ft	\$655,199.68
67	IP		Coatesville WW CMP	14,955 ft	\$9,260,000.00
<b>67 Total</b>		<b>Coatesville WW</b>		<b>16,343 ft</b>	<b>\$9,915,199.68</b>
<b>Lehman Pike WW</b>					
69	R24-69H1		Laterals Replaced	150	\$225,000.00
<b>69 Total</b>		<b>Lehman Pike WW</b>			<b>\$225,000.00</b>
<b>Total</b>				<b>28,185</b>	<b>\$12,317,140.90</b>

### Summary:

PAWC's AAO Plan demonstrates that PAWC has accelerated DSIC-eligible wastewater capital investment and the actual cumulative expenditures over the last 4 years are in excess of planned budgetary levels included in the LTIIP, 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 2018 along with associated costs for the seven wastewater districts are shown on pages 3 and 4 of this report. The DSIC-eligible wastewater expenditures in 2018 were approximately \$4.81 million, which was consistent with the original LTIP target level of \$5.1 million.

On December 12, 2018, Pennsylvania American Water Company filed a petition seeking Commission approval of its modified 5-Year Wastewater Long-Term Infrastructure Improvement Plan dated October 31, 2018 ("Modified LTIP"). The Modified LTIP replaces Year 2019 of the Company's 2014 Wastewater Long-Term Infrastructure Improvement Plan, and further includes, Years 2020-2023. It also includes wastewater assets acquired by the Company since 2014.

PAWC's Modified LTIP makes the following primary changes:

- (a) PAWC will utilize a risk-based condition assessment approach to prioritize wastewater replacement and rehabilitation projects;
- (b) Proposes to increase non-regulatory wastewater DSIC eligible spending to over \$20 Million annually in order to continue making the necessary improvements at an accelerated pace;
- (c) Expands to 18 the number of wastewater districts, including both combined and sanitary sewer systems acquired since 2014;
- (d) DSIC eligible property includes wastewater assets associated with both combined and sanitary sewer systems; and

(e) Pursuant to recently enacted Act 120 of 2018, the entire customer service lateral on a gravity wastewater collection system is deemed to be DSIC eligible.

This Petition is currently under consideration by the Commission.

The projected 2019 wastewater replacement and rehabilitation program on page 5 of this AAOP is consistent with year 2019 of the proposed modified LTIP for the wastewater operations covered under this AAOP.

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

In Re: Pennsylvania-American Water :  
Company's 2018 Wastewater Annual : Docket No. M-2019-\_\_\_\_\_  
Asset Optimization Plan :

**CERTIFICATE OF SERVICE**

I hereby certify that I have on this day served a true and correct copy of Pennsylvania-American Water Company's 2018 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**

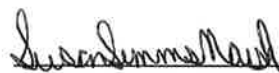
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The Certificate of Service for Pennsylvania-American Water Company's 2018 Wastewater Annual Asset Optimization Plan has been electronically filed on the Pennsylvania Public Utility Commission's eFiling system.



\_\_\_\_\_  
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