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September 30, 2019

VIA eFILING

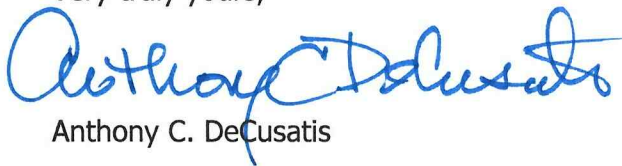
Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

**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 in the above-referenced matter is the **Joint Stipulation of Facts**. Copies have been served on Deputy Chief Administrative Law Judge Joel H. Cheskis, Administrative Law Judge Andrew M. Calvelli, and all parties of record as indicated on the attached Certificate of Service.

Very truly yours,



Anthony C. DeCusatis

ACD/ap
Enclosures

c: Per Certificate of Service (w/encls.)

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF PENNSYLVANIA	:	
AMERICAN WATER COMPANY	:	
WASTEWATER OPERATIONS FOR	:	DOCKET NO. P-2014-2431005
APPROVAL OF MODIFICATION OF	:	
LONG TERM INFRASTRUCTURE	:	
IMPROVEMENT PLAN	:	

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the **Joint Stipulation of Facts** in the above-referenced proceeding on the following persons, in the manner specified below, in accordance with the requirements of 52 Pa. Code § 1.54:

VIA ELECTRONIC AND FIRST CLASS MAIL

The Honorable Joel H. Cheskis
Deputy Chief Administrative Law Judge
Pennsylvania Public Utility Commission
400 North Street, Second Floor
Harrisburg, PA 17120
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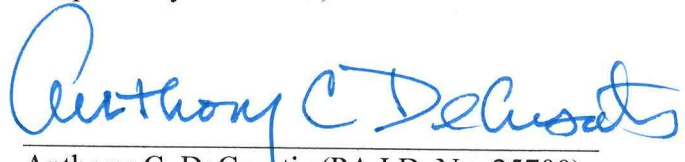
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Respectfully submitted,



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Dated: September 30, 2019

Counsel for
Pennsylvania-American Water Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PETITION OF PENNSYLVANIA- :
AMERICAN WATER COMPANY :
WASTEWATER OPERATIONS FOR :
APPROVAL OF MODIFICATION OF : DOCKET NO. P-2014-2431005
LONG-TERM INFRASTRUCTURE :
IMPROVEMENT PLAN :**

JOINT STIPULATION OF FACTS

**TO DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE JOEL H. CHESKIS AND
ADMINISTRATIVE LAW JUDGE ANDREW M. CALVELLI:**

Pennsylvania-American Water Company (“PAWC” or the “Company”), the Office of Consumer Advocate (“OCA”), the Pennsylvania Public Utility Commission’s (“Commission’s”) Bureau of Investigation and Enforcement (“I&E”) and the Office of Small Business Advocate (“OSBA”) (collectively, the “Stipulating Parties”), hereby file this Joint Stipulation of Facts in the above-captioned proceeding. On August 15, 2019, the Stipulating Parties filed a Joint Petition for Settlement (“Settlement” or “Joint Petition”) that resolves all issues in this proceeding. In support of the Settlement, the Stipulating Parties stipulate and agree to the facts set forth below.

I. STIPULATION OF FACTS

1. This proceeding relates to the Long-Term Infrastructure Improvement Plan (“2014 LTIIIP”) for PAWC’s wastewater operations previously approved by Commission on December 4, 2014. The 2014 LTIIIP covers a five-year period (2014 through 2019) and focuses on improvements that replace or rehabilitate aging or impaired collection system infrastructure

and are designed to maintain adequate, efficient, safe, reliable and reasonable service and in particular reduce infiltration and in-flow (“I&I”) from surface water and groundwater sources. The improvements identified for each year of the 2014 LTIIIP reflect PAWC’s plan to accelerate annual investments by approximately \$5.14 million annually for infrastructure upgrades, including replacement of approximately 94,000 linear feet of pipeline, 1,200 laterals, 400 manholes and one lift station over the five-year term of the 2014 LTIIIP.

2. On February 29, 2016, February 28, 2017 and February 27, 2018, PAWC filed its Annual Asset Optimization Plans (“AAOPs”), and those plans were subsequently approved by the Commission. As part of its approval of the February 27, 2018 AAOP, the Commission adopted the Bureau of Technical Utility Service (“TUS”) recommendation that PAWC modify its 2014 LTIIIP in light of the acceleration of DSIC-eligible wastewater capital investments shown in the AAOP for 2015-2017. To that end, on December 12, 2018, PAWC filed the above-captioned Petition for Commission approval to replace the Company’s 2014 LTIIIP for the year 2019 and include four additional years (2020-2023) (the “Modified LTIIIP”).¹

3. The Modified LTIIIP, like the 2014 LTIIIP, is designed to accelerate the rehabilitation, improvement and replacement of aging wastewater infrastructure, particularly for troubled systems acquired by PAWC, and continues to focus on reducing I&I. The Modified LTIIIP reflects the following principal changes: (1) the Company’s use of a more detailed risk-based condition assessment to prioritize projects; (2) increased spending of \$20 million annually to maintain an accelerated rate of investment; (3) the addition of 11 wastewater districts, including both combined and sanitary sewer systems acquired since 2014; and (4) expansion of

¹ The Company originally 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 on November 8, 2018, but withdrew that petition on December 10, 2018 based on guidance from TUS.

DSIC-eligible property to include assets associated with combined sewer systems and the entire customer service lateral on gravity wastewater collection systems.²

4. The Petition was served on the OCA, OSBA, I&E and all parties of record in PAWC's most recent base rate proceeding at Docket No. R-2017-2595853. On January 2, 2019, I&E filed an Answer to PAWC's Petition and subsequently filed an Amended Answer and Comments ("Amended Answer") on January 10, 2019. Comments on PAWC's Modified LTIIP were filed by the OCA on January 9, 2019.

5. In its Amended Answer, I&E requested that this matter be assigned to the Office of Administrative Law Judge for an investigation. Accordingly, this matter was assigned to Deputy Chief Administrative Law Judge Joel H. Cheskis and Administrative Law Judge Andrew M. Calvelli (the "ALJs"). On February 8, 2019, the Commission issued a Hearing Notice establishing an Initial Prehearing Conference for this matter for Friday, March 8, 2019, beginning at 10:00 a.m.

6. Pursuant to the Prehearing Conference Order issued by the ALJs on February 14, 2019, PAWC, I&E, the OCA, and the OSBA filed Prehearing Conference Memoranda. In each of their respective Prehearing Conference Memoranda, the parties requested that the ALJs allow the parties to meet and discuss I&E's and the OCA's issues and concerns with the goal of reaching a resolution that would not require formal litigation. At the Prehearing Conference held on March 8, 2019, the ALJs granted the parties' request and directed a status update by April 9, 2019.

² Petition, p. 7.

7. In March 2019, I&E and the Company held two informal discovery conferences to facilitate I&E's evaluation of the Company's proposed Modified LTIIP. In addition, through various telephone conferences and correspondence, the Stipulating Parties engaged in discussions to attempt to achieve a settlement of some or all of the issues raised by I&E and the OCA in this proceeding. On April 9 and May 8, 2019, the Stipulating Parties provided status reports to the ALJs to inform them of the progress of settlement discussions.

8. On June 7, 2019, the parties notified the ALJs that a settlement in principle had been reached on the issues raised by I&E and the OCA in this proceeding and that the settling parties would submit a Joint Petition for Settlement and Statements in Support to memorialize their agreement.

9. The Joint Petition requests that the ALJs approve the Settlement without modification. The Joint Petition consists of twenty-six numbered paragraphs. Exhibit 1 to the Joint Petition is the Company's Modified LTIIP as enhanced by the Settlement. Exhibits 2-4 to the Joint Petition consist of detailed tables provided to the Stipulating Parties pursuant to the terms of the Settlement to facilitate the Commission's evaluation of PAWC's proposed Modified LTIIP. Statements in Support were submitted by PAWC, I&E, the OCA and the OSBA, which were appended to the Joint Petition as Statements A-D. In their respective Statements in Support, each of the Stipulating Parties explains why it believes that the Settlement resolves the issues raised by I&E and the OCA in this proceeding and why the Settlement overall is in the public interest and should be approved.

10. Under the Settlement, the Stipulating Parties agreed that PAWC's Modified LTIIP should be implemented as filed, with the modifications described in the Joint Petition. The principal substantive terms and conditions of the Settlement are set forth in Paragraph Nos.

9-19 of the Joint Petition, which address the issues and concerns raised in I&E's Amended Answer and the OCA's Comments.

11. Paragraph Nos. 11-13 of the Joint Petition address Comments submitted by both I&E and the OCA that additional information was necessary to assist the Commission in determining that the Modified LTIIP will accelerate PAWC's wastewater infrastructure repair and replacement in a cost-effective manner.³ Accordingly, Paragraph Nos. 11 through 13 provide as follows:

11. In response to the issues raised in I&E's Amended Answer and the OCA's Comments, PAWC has provided the Joint Petitioners with additional information regarding the Company's risk-based condition assessment and planned schedule for replacement and rehabilitation of eligible property. First, Exhibit 2 hereto outlines the projected schedule for completion of the Company's risk-based condition assessment for each wastewater system covered by the Modified LTIIP. The information presented in Exhibit 2 is organized by three categories of systems: (1) newly acquired systems; (2) systems subject to a Pennsylvania Department of Environmental Protection or United States Environmental Protection Agency Consent Order; and (3) all other "routine" systems that do not fall under the other two categories. In addition, Exhibit 3 hereto provides detailed information on the Company's projected schedule for replacement and rehabilitation of DSIC-eligible property for each wastewater system based on the preliminary results of the Company's condition assessment. Exhibit 3 includes a breakdown of expenditures for each type of eligible property by year and by wastewater system (district), with expenditures for combined and sanitary systems displayed separately. PAWC will include an annual update of Exhibit 2 (Condition Assessment Schedule) with its AAOP filing.
12. For newly acquired wastewater systems that have known deficiencies in the gravity collections system (e.g., significant I&I, pipe defects, and installation deficiencies),

³ See I&E Amended Answer and Comments, pp. 6-12; OCA Comments, pp. 3-5.

which were observed during the pre-acquisition due diligence process, PAWC agrees to assume the highest risk factor for these known deficiencies. Once the condition assessment is completed, the risk factor will be adjusted to reflect actual conditions.

13. To facilitate the evaluation of the Company's proposed Modified LTIP, PAWC also provided the detailed table attached hereto as Exhibit 4, which identifies historic annual DSIC-eligible expenditures in each district, from 2015 through the latest available data for 2019 (January/February). Exhibit 4 also contains a summary of historic annual replacement for DSIC-eligible categories of plant for 2015 through 2018, by district.

12. I&E and the OCA each explain why Paragraph Nos. 11-13 of the Joint Petition address their concerns regarding the supplemental information they believe is necessary to evaluate the Company's proposed Modified LTIP in their respective Statements in Support (I&E Statement in Support, pp. 7-14; OCA Statement in Support, pp. 3-4).

13. Paragraph No. 14 of the Joint Petition adopts the following recommendation advanced in the OCA Comments (p. 5): "In future Annual Asset Optimization plans and other LTIP-related filings, the Company will continue to distinguish between non-regulatory and regulatory investments." Non-regulatory investments exclude regulatory compliance costs such as projects associated with a consent order agreement or a connection management plan.

14. Paragraph Nos. 15-17 of the Joint Petition address the recommendation made in the OCA's Comments (p. 5) that if the projected quantities of property improved or annual expenditures are higher for the Company's McKeesport division and lower for other service areas, PAWC should explain why the shift was appropriate in future LTIP and AAOP filings. Accordingly, Paragraph Nos. 15 through 17 provide as follows:

15. Pursuant to Ordering Paragraph 7 of the Commission's October 26, 2017 Order in Docket No. A-2017-2606103

[("McKeesport Order")], PAWC may collect a DSIC related to the Municipal Authority of the City of McKeesport system prior to the first base rate case in which the System plant-in-service is incorporated into PAWC's rate base, subject to three conditions. The Joint Petitioners agree that the first of those conditions (Ordering Paragraph 7(a)) is met because PAWC's Modified LTIP incorporating the McKeesport system does not re-prioritize other existing commitments in other service areas.

16. In future LTIP and AAOP filings, any changes in projected quantities or projected expenditures for the McKeesport system will be condition assessment-related and will not re-prioritize existing commitments in other service areas. In such filings, if projected quantities or projected expenditures are higher for the McKeesport system and lower for other service areas than the projections in its approved LTIP, PAWC will include an explanation why the shift was appropriate and does not re-prioritize existing commitments in other service areas.
17. In addition, in future water and wastewater LTIP and AAOP filings, if projected quantities or projected expenditures are higher for systems acquired under 66 Pa. C.S. § 1329 and lower for other service areas – compared to its approved LTIP – the Company will include an explanation why the shift was appropriate and does not re-prioritize existing commitments in other service areas.

15. Paragraph 15 of the Settlement reflects the Stipulating Parties' agreement that the Modified LTIP does not re-prioritize existing commitments in other service areas. In its Statement in Support (pp. 5-6), the OCA explains that Paragraph Nos. 16-17 of the Joint Petition will facilitate review of the Company's compliance with the McKeesport Order and any apparent shift in investment or replacement levels among service areas in future LTIP and AAOP filings.

16. PAWC agreed to Paragraph Nos. 18-19 of the Joint Petition to address issues raised by I&E concerning qualified contractors under PAWC's workforce management plan. Paragraph Nos. 18-19 provide as follows:

18. PAWC will continue to administer a competitive process for soliciting contracts and will also continue to use a third party to monitor contractor safety performance through the pre-qualification process described in Section 7 of the Modified LTIP.
19. PAWC will use only pre-qualified contractors or trained Company employees to perform work on all wastewater DSIC-eligible projects.

17. Paragraph No. 20 of the Joint Petition addresses I&E's concern regarding the Company's current use of the PA One Call "Coordinate PA" system. Paragraph No. 20 provides as follows:

20. PAWC currently uses the PA One Call "Coordinate PA" system to facilitate and track contractor pre-construction meetings. The Company agrees to utilize the PA One Call "Coordinate One Call" system to identify targeted areas of anticipated work planned over a two-year look ahead period and to facilitate better coordination with other utilities and municipalities.

18. I&E addresses why it supports Paragraph Nos. 18-20 in its Statement in Support (pp. 14-17).

19. The Stipulating Parties hereby stipulate to the admission of Exhibits 1-4 to the Joint Petition and Statements A-D into evidence in this proceeding.

20. PAWC's Modified LTIP agreed to by the Stipulating Parties under the Settlement satisfies the requirements set forth in Section 1352(a) of the Public Utility Code and the Commission's regulations at 52 Pa Code § 121.1-121.8 governing long-term infrastructure improvement plans. Section 1 of the Modified LTIP describes the types and age of the DSIC-eligible property included in PAWC's accelerated investment totaling approximately \$115.7 million encompassed by the Modified LTIP. Section 2 of the Modified LTIP describes the Company's approach to risk-based condition assessment for analyzing, prioritizing and

accelerating the renewal of aging wastewater collection system infrastructure and explains why the Company believes its approach is cost-effective. Sections 3 through 6 identify the general location of the eligible property covered by the Modified LTIP and contain schedules depicting the levels of investment and quantity of property targeted for accelerated repair and replacement based on the preliminary results of the Company's risk-based condition assessment. Sections 7 and 8 of the Modified LTIP provide the Company's workforce management plan and discuss PAWC's coordination and outreach activities with municipalities and other utilities.

WHEREFORE, the Stipulating Parties, by their respective counsel, respectfully request that Deputy Chief Administrative Law Judge Joel H. Cheskis and Administrative Law Judge Andrew M. Calvelli enter an Order admitting the foregoing Joint Stipulation of Facts into the record in this proceeding.

Respectfully submitted,



Susan Simms Marsh
Pennsylvania-American Water Company

Dated: September 30, 2019

Anthony C. DeCusatis
Brooke E. McGlenn
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Counsel for Pennsylvania-American Water Company

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Office of Consumer Advocate
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Bureau of Investigation & Enforcement
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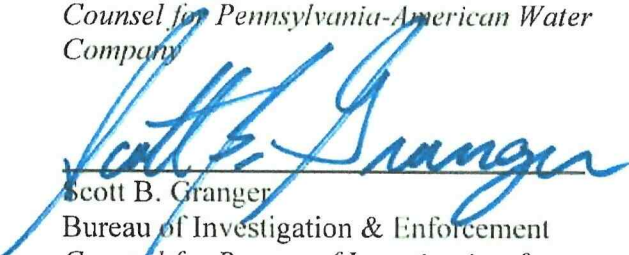
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