



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY, PLEASE
REFER TO OUR FILE

April 25, 2024

Docket No. M-2024-3047019
Utility Code: 230073

TERESA K. HARROLD
DIRECTOR, CORPORATE COUNSEL
PENNSYLVANIA AMERICAN WATER COMPANY
852 WESLEY DRIVE
MECHANICSBURG, PENNSYLVANIA 17055
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**Re: Annual Asset Optimization Plan for Pennsylvania -American Water Company
- Wastewater Division at Docket No. M-2024-33047019**

Dear Ms. Harrold:

On February 29, 2024, Pennsylvania-American Water Company – Wastewater Division (PAWC-WD) filed its Annual Asset Optimization Plan (AAOP), pursuant to 52 Pa. Code § 121.6. On March 29, 2024, via Secretarial Letter, the Commission issued a data request to PAWC-WD and extended the consideration period for PAWC-WD’s AAOP to May 29, 2024. On April 9, 2024, PAWC-WD filed its response.

The Commission’s regulations require utilities with an approved Distribution System Improvement Charge (DSIC) to file annually an AAOP with the Commission. The AAOP shall be filed 60 days after the prior 12 months of the company’s Long-Term Infrastructure Improvement Plan (LTIIIP) has expired, and pursuant to this timeframe for each successive AAOP. 52 Pa. Code § 121.6(a).

The AAOP must include:

- 1) A description that specifies all of the eligible property repaired, improved, and replaced in the prior 12-month period under its LTIIIP and prior year’s AAOP.
- 2) A description of the eligible property to be repaired, improved, and replaced in the upcoming 12-month period.

The Commission is charged with reviewing each AAOP only to determine whether the utility is in substantial compliance with the repairs, improvements, or replacements of the specific eligible property in its approved LTIIIP, for the corresponding 12-month timeframes. 52 Pa. Code § 121.6(d). The Commission has delegated the review of AAOPs to the Bureau of Technical Utility Services.

Timely Filing

52 Pa. Code § 121.6(a)

A utility with an approved DSIC shall file with the Commission, for informational purposes, an AAO plan. The AAO plan shall be filed annually with the Commission 60 days after the 12 months of its LTIP has expired and under this time frame for each successive year of the term of the LTIP.

PAWC-WD's AAOP complies with this requirement.

Content

52 Pa. Code § 121.6(b)

An AAO plan must include:

- (1) A description that specifies all the eligible property repaired, improved, and replaced in the prior 12-month period under its LTIP and prior year's AAO plan.*
- (2) A description of the eligible property to be repaired, improved, and replaced in the upcoming 12-month period.*

PAWC-WD's AAOP substantially complies with this requirement.

Substantial Adherence to LTIP

52 Pa. Code § 121.6(d)

An AAO plan will be reviewed by the Commission only to determine whether the utility is in substantial compliance with the repairs, improvements, or replacements of the specific eligible property in its approved LTIP for the corresponding 12-month time frames.

52 Pa. Code § 121.6(e)

Absent any major modifications to the LTIP or Commission action to reject an AAO plan within 60 days of its submission to the Commission, the AAO plan will be deemed approved. The Commission may extend its consideration period if necessary.

52 Pa. Code § 121.6(f)

If an AAO plan is rejected by the Commission, the utility will be notified of the plan's deficiencies and actions needed to repair, improve, or replace eligible property to bring the utility into compliance with the work schedule in its approved LTIP. If the utility concludes that it needs to revise its LTIP to comply with the Commission's determinations, it shall file a petition for modification under § 121.5.

PAWC-WD reported that its actual DSIC eligible expenditures in 2023 were \$49.48 million, which is an 110.00 % increase from its original LTIP target level of \$23.84 million.

PAWC-WD also reported that it replaced 87,197 linear feet (LF) of the 104,701 (LF) of main scheduled to be replaced in 2023. It is noted that 2023 was the last year of PAWC-WD's current LTIIIP. PAWC-WD reported that the elevated investment was the result of including newer acquisitions in the projected plan along with the higher material costs, higher restoration costs, and additional capital investments required due to poor infrastructure conditions discovered in service areas of recently acquired systems that are included in the current LTIIIP.

In a Commission Order entered on April 16, 2020, at Docket No. P-2014-2431005 (April Order), PAWC-WD was directed to provide updated information on its pipeline materials and diameters for all its wastewater systems, detailed information on the amount of sewer pipe that is replaced or rehabilitated each year, and a baseline and update on the progress of the inflow and infiltration (I&I) reduction for each of its wastewater systems. PAWC-WD appears to be in substantial compliance with the April Order.

PAWC-WD's projected 2024 wastewater expenditures appear to be approximately 19.49% lower than the amount projected in its LTIIIP. PAWC-WD's projected spending is \$39.83 million for 2024, as compared to the LTIIIP projection of \$49.47 million. PAWC-WD maintained that the information for 2024 is preliminary and subject to change. PAWC-WD also noted that 2024 is the start of its second LTIIIP and that its costs reflect the addition of nine DSIC-eligible wastewater systems.¹

Compliance with the LTIIIP is evaluated on a multiyear basis over the life of the LTIIIP. Construction and budget variations in individual years can be expected and it is reasonable to expect that over a multi-year timeframe, much of this variation will be mitigated.

The AAOP does not propose a Major Modification to the company's LTIIIP.

Accordingly, PAWC- WD's AAOP appears to substantially conform to the schedule set forth in the company's LTIIIP.

Conclusion

Upon review of PAWC-WD's AAOP filed on February 29, 2024, it appears that the filing substantially complies with the requirements of 52 Pa. Code § 121.6 and it is approved. This approval is contingent upon the possibility that subsequent audits, reviews, and inquiries, in any Commission proceeding, may be conducted pursuant to 52 Pa. Code § 121.

If you are dissatisfied with the resolution of this matter, you may, as set forth in 52 Pa. Code § 5.44, file a petition with the Commission within twenty (20) days after the date of this letter. Please direct any questions regarding this filing to Ken Shaffer, Bureau of Technical Utility Services at (717) 787-2359, or kennshaffe@pa.gov.

¹ See, *Petition of Pennsylvania-American Water Company-Wastewater Division for Approval of its Second Long-Term Infrastructure Improvement Plan*, Order entered June 15, 2023, at Docket P-2023-3038874.

Sincerely,

A handwritten signature in black ink, reading "Rosemary Chiavetta". The signature is written in a cursive, flowing style with a large initial "R".

Rosemary Chiavetta
Secretary

cc: David Screven, LAW
Allison Kaster, BIE
Dan Searfoorce, TUS
John Van Zant, TUS
Ken Shaffer, TUS