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VIA e-Filing

December 2, 2024

Rosemary Chiavetta, Secretary
Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor
400 North Street
Harrisburg, PA 17120

Re: 2022 Focused Management and Operations Audit of
Pennsylvania-American Water Company ("PAWC")
Docket No. D-2022-3035217

Dear Secretary Chiavetta:

At the Pennsylvania Public Utility Commission's December 21, 2023 Public Meeting, the Commission acknowledged receipt of PAWC's October 2023 Implementation Plan. By Secretarial Letter dated December 28, 2023, PAWC was directed to submit implementation progress reports annually for three (3) years.

Enclosed is PAWC's first of the three implementation progress reports dated December 1, 2024.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Teresa Harrold", with a stylized flourish at the end.

Teresa K. Harrold

Enclosure



PENNSYLVANIA-AMERICAN WATER COMPANY

IMPLEMENTATION PLAN

in response to the

2022-23 FOCUSED MANAGEMENT AND OPERATIONS AUDIT

December 1, 2024 Update

Pennsylvania-American Water Company Implementation Plan

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INTRODUCTION AND ACKNOWLEDGEMENT

Pennsylvania-American Water Company (the “Company” or “PAWC”) is pleased to submit this implementation progress report, which provides an update regarding the Company’s Implementation Plan developed in response to the 2022 to 2023 Focused Management and Operations Audit of the Company conducted by the Pennsylvania Public Utility Commission (“Commission”) pursuant to Section 516 of the Pennsylvania Public Utility Code requiring that the Commission periodically examine the management effectiveness and operating efficiency of certain jurisdictional utilities.

By Secretarial Letter dated December 21, 2023, the Commission directed the Company to submit annual implementation progress reports. Of the 31 recommendations contained in the audit report, 31 were accepted in whole or in part by the Company. To date, the Company has implemented 24 of the 31 implementation plan items. Implementation of the remaining 7 items remain in progress, as discussed in more detail below.

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Chapter III

Executive Management and Organizational Structure

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Chapter III

Executive Management and Organizational Structure

Recommendation III-1 Include version control documentation on all policies, procedures, manuals, etc. and explore additional tools to ensure documentation is kept up to date.

PAWC Response The Company accepts this recommendation.

Benefit Low

Discussion:

The Company is updating its process for reviewing and managing policies and adding a heading to updated policies to assist with version control.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Add a heading to updated policies to assist with version control.	04/01/2024	E

Personnel Responsible:

Holly Rotkowitz, Senior Director, HR Operations

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Implementation of this item is complete.

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Chapter III

Executive Management and Organizational Structure

Recommendation III-2 Develop metrics for the Service Company and other externally provided services to fully assess PAWC’s overall performance.

PAWC Response The Company accepts, in part, this recommendation.

Benefit Medium

Discussion:

The Service Company has adopted several metrics to allow for continued performance improvement. Accordingly, the Company accepts the recommendation to evaluate and, as needed, develop additional metrics for its Service Company and other externally provided services.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Evaluate and, as needed, develop additional metrics for the Service Company and third-party service providers.	07/31/2024	E

Personnel Responsible:

Gary Gehringer, Director, Operational Performance & Planning

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Implementation of this item is complete. The Company will continue to evaluate the need for additional metrics and assess whether they should be incorporated in the future.

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Chapter III

Executive Management and Organizational Structure

Recommendation III-3 Document and clearly delineate PAWC’s expected performance standards for all department levels on executive level reporting metrics.

PAWC Response The Company accepts, in part, this recommendation.

Benefit Low

Discussion:

PAWC agrees that continued communication regarding metrics to PAWC leadership is important. Accordingly, the Company accepts the recommendation to continue to communicate metrics to the PAWC leadership team.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Continue to communicate metrics to PAWC leadership team.	07/31/2024	E

Personnel Responsible:

Gary Gehringer, Director, Operational Performance & Planning

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Implementation of this item is complete. The Company continues to communicate metrics to the Pennsylvania Leadership Team, including the distribution of Pennsylvania-specific Business Operations Performance Reports.

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Chapter III

Executive Management and Organizational Structure

Recommendation III-4 Complete and ratify the updated ERM policy and charter.

PAWC Response The Company accepts this recommendation.

Benefit Low

Discussion:

The Enterprise Risk Management (“ERM”) Policy and Charter are scheduled to be reviewed, revised, and ratified.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Ratify updated ERM Policy and Charter.	04/01/2024	O

Personnel Responsible:

Jimmy Sheridan, Senior Vice President, Enterprise Risk, Internal Audit & Corporate Strategy

Shash Dave, Director, Enterprise Risk Management

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Implementation of this item is complete.

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Chapter IV

Corporate Governance

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Chapter IV

Corporate Governance

Recommendation IV-1 Perform a market comparison for local board compensation to ensure PAWC Board fees are at market rates.

PAWC Response The Company accepts this recommendation.

Benefit Medium

Discussion:

PAWC is in the process of evaluating whether it should continue to maintain external Board members. If PAWC continues with external Board members, PAWC will re-evaluate whether its external Board compensation fees are at market rates.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Evaluate market rate for external Board member compensation if PAWC continues to maintain external Board members.	11/01/2024	E

Personnel Responsible:

Stephen Bishop, Vice President, General Counsel (PA & NJ)
Elizabeth Triscari, Senior Director, Corporate Counsel (PA & NJ)

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PAWC determined that it would not continue to maintain external Board members. All four external PAWC Board members submitted letters of resignation effective December 31, 2023. Therefore, no evaluation of external Board compensation was undertaken.

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Chapter V

Cost Allocations and Affiliated Interests

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Chapter V

Cost Allocations and Affiliated Interests

Recommendation V-1 File a new or amended affiliated interest agreement that accurately reflects the current company structure and the intercompany transactions occurring between PAWC and AWWSC.

PAWC Response The Company accepts, in part, this recommendation.

Benefit Low

Discussion:

PAWC does not believe it is necessary to update its affiliated interest agreement with its Service Company. The affiliated interest agreement was drafted to have flexibility to accommodate reorganizations, changes in nomenclature and technologies that occur routinely and in the normal course of business, and to accommodate the provision of services by the Service Company. PAWC will provide an updated list of existing major services and current nomenclature applicable to PAWC’s affiliated interest agreement with Service Company.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Submit information update to the Commission regarding PAWC/Service Company affiliated interest agreement.	10/31/2024	E

Personnel Responsible:

Stephen Bishop, Vice President, General Counsel (PA & NJ)
Elizabeth Triscari, Senior Director, Corporate Counsel (PA & NJ)

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Please see the attached updated list of existing major services and current nomenclature applicable to PAWC’s affiliated interest agreement with Service

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Company.

Overview of Services Provided to Pennsylvania American Water by American Water Works Service Company, Inc.

Service Company makes available many support services to Pennsylvania American Water and other American Water affiliates, including services in the following general categories: Internal Audit, Business Development, Customer Service, External Affairs, Communications and Public Policy, Finance, Human Resources, Technology and Innovation, Environmental Compliance, Central Laboratory, Investor Relations, Planning & Strategy Integration, Legal Counsel and Services, Engineering, Enterprise Security, Health and Safety, Facilities, Operational Excellence, and Supply Chain. A brief description of some of the Service Company functional areas is provided below:

Internal Audit – Internal Audit provides services to assist management in evaluating and improving the effectiveness of governance, control, and risk management processes of American Water. Internal Audit also assists management and the Board of Directors in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, advice, and information concerning the activities that they audit and by promoting effective controls and sound business practices. Internal Audit's objectivity is sustained by its independence from management. The authority and responsibilities of Internal Audit are established by the Audit, Finance and Risk Committee of the Board of Directors. Service Company's Internal Audit activities are the responsibility of the Vice President, Internal Audit who reports functionally to the Chairman of the Audit, Finance and Risk Committee and administratively to the Chief Financial Officer.

Business Development - Provides coordination, tools, training, and support to affiliates by assisting in identifying opportunities that facilitate orderly and continued growth as well as other appropriate business opportunities that can benefit the affiliates and their customers through creation of synergies and economies of scale. Business Development engages in competitor and water market trend research, direct pursuit of strategic growth opportunities, development, and communication of company growth strategy.

Customer Service - Provides customer service for public utility customers. Services include: customer call processing, service order processing, billing services, correspondence processing, customer relations, customer digital services, field resource coordination, operations support, process and test all tariff changes in SAP, oversight of major accounts program, customer insights, and customer data, and credit and collections.

External Affairs, Communications and Public Policy - Serves as a center of expertise providing affiliates with strategy, tools, and templates to provide effective and consistent communications and education for customers, employees, and other key stakeholders. Provides assistance on regulatory and federal/state public policy issues. Additionally, provides resources and tactical direction in media relations, social media, educational campaigns, emergency events, community events, public forums, customer communications, research, environmental, social and governance (ESG), and employee communications and engagement.

Accounting & Finance – Provides affiliates with analysis and decision support, including guidance and coordination activities in areas such as: accounting, treasury, financial planning and analysis, external reporting, risk management, accounts payable and purchase card services, fixed asset processing, cash management, income tax, payroll (payroll related services includes payroll processing, compliance reporting, payroll system maintenance, and employee payroll data maintenance), and assistance in the preparation of financial statements, SEC and other regulatory filings. Also included are Corporate, General and Property tax professionals who analyze and prepare the associated tax, regulatory and compliance filings in these areas.

Human Resources (HR) - Provides affiliates' employees with strategy, support, guidance, coordination of all employee-related actions and planning, including recruiting, on/off boarding employee relations, total rewards, learning and organizational development, and inclusion, diversity and equity. This includes involvement in negotiations for new contracts with bargaining units, due diligence and integration support related to mergers and acquisitions, succession planning, employee development, employee experience, performance management, compliance, reporting, and HR project management, and development and implementation of policies and practices affecting affiliates' employees. In addition, HR provides employees access to HR information through self-service tools and manages all employee data. HR builds a positive employee experience and cultivates an effective and impactful culture of inclusion and diversity through communication, engagement, employee well-being, training and workforce and succession planning.

Information Technology (IT) – Provides information technology systems and support for affiliates. IT provides local onsite support as well as the IT Service Desk for remote assistance for all employees using company issued computers in the performance of their day-to-day activities. IT supports mission-critical systems such as SCADA, as well as emerging technologies such as GIS and Mobility. IT Operations provides the network, storage, and servers to enable communication systems (telephone/smart phone/mobile devices) for all American Water affiliate employees. Additionally, IT ensures effective project governance and release management while ensuring compliance with all policies and regulations.

Information Technology (IT) – Provides information technology systems and support for affiliates. IT provides local onsite support as well as the IT Service Desk for remote assistance for all employees using company issued computers and mobile devices in the performance of their day-to-day activities. IT supports mission-critical systems such as SCADA and GIS, and enterprise applications such as SAP. IT Operations provides support, management and cybersecurity services for the companies' cloud applications, data center services, and field technologies. Additionally, IT ensures effective project management, governance, change management, and compliance with all policies and regulations.

Environmental Compliance - Provides expertise and centralized coordination of the environmental program to ensure compliance with all water and wastewater quality and environmental regulations, supports development of audit-ready operations, interfaces with regulators at the national level, and provides cross-functional communications and resources to facilitate end-to-end process efficiency. Provides direct oversight in maintaining and establishing new AW environmental policies, practices, and procedures.

Central Laboratory - Employs chemists, lab technicians, analysts, and support employees to perform water quality testing and research. The lab, which is Environmental Protection Agency (“EPA”) and state certified, uses state of the art water testing equipment to test source water and finished water from all affiliates.

Investor Relations – Responsible for preparation and distribution of company and industry information that is periodically released to current or potential holders of financial securities of American Water.

Financial Planning & Analysis (FP&A) - Consists of support areas to the affiliates related to FP&A activities:

- 1) State Finance Teams: Finance resources embedded in the affiliates, providing state leadership and operations a wide range of financial analysis and decision support, including accounting, finance, budgeting, and planning; as well as collaborating and supporting key functions within the state. Examples include: (Capital teams, Rates teams, BD teams)
- 2) BIRS Group which is comprised of several support areas:
 - a. Revenue Analytics Team which is responsible for Regulated Revenues (budgeting, analysis, rate case support)
 - b. Service Company Team which is responsible for FP&A support to Service Company Functions
 - c. Corporate team which is responsible for consolidated FP&A activities

Legal - Provides legal guidance and support for American Water and affiliates, including on governance, ethics and compliance matters, rate and regulatory matters, real estate, contract and commercial, litigation, intellectual property, labor, and employment, environmental, acquisitions and divestitures, and any other matters that require support.

Regulatory Services – Provides affiliates with assistance, support and guidance in the preparation and litigation of regulatory proceedings, implementation of rates, and compliance filings associated with regulatory rulings. Stays apprised of economic and regulatory developments and conditions that may affect regulated water utilities and provides analysis, support and guidance related thereto; performs rates and regulatory policy analysis; provides support, guidance, and coordination of process improvements to support continuous improvement of rates and regulatory processes and services, as well as data compilation and reporting, data and revenue analysis, and training.

Engineering - Provides affiliates with support, guidance and coordination of Asset Planning, Design Service, Construction Service, and Capital Program Management.

Enterprise Security - Supports and enhances business operations through the management of risks which derive from physical and cyber security and business continuity-related vulnerabilities. The group develops facility focused solutions, within an established corporate framework of standardized technologies, methodologies, integrators, programs, policies, and practices. The group utilizes an Integrated Operation Center to monitor security alarms, enterprise-wide, and support the business in the response to emergencies and events.

Health and Safety - Provides strategy development; technical support; enterprise safety program design, development and implementation; safety, health and training practice development; incident investigations with corrective action recommendations; monitoring of regulatory compliance requirements; and industry best practices for occupational health and safety.

Facilities – Provides facility management services for owned and leased buildings. This includes administering facility and space planning and utilization, developing and administering capital and expense budgets for facilities, negotiating and administering leases, completing large scale fit-outs of office space, housekeeping, utilities, receptionist, mail distribution, reprographics, and related functions in addition to providing direction and capital program management to other Service Company locations. Facilities is also responsible for procuring and overseeing maintenance such as landscaping, snow removal, electrical, HVAC, and other building repairs, as well as building upgrades and building related capital costs.

Operational Excellence - Provides affiliates with support and guidance with the development of operating procedures to ensure regulatory compliance and to promote the efficient operation of public utility companies. Enterprise support & guidance over Production Asset & Work Management, T&D Asset & Work Management, Field Operations (FSR) Work Management and Operational Support, Metering Operations and Operational Business Performance Reporting.

Operational Excellence - Leads the development, and supports implementation of, standardized operating procedures to ensure regulatory compliance, and compliance with internal operations and maintenance standard practices. and to promote the efficient and standardized operation of public utility companies. Enterprise support & guidance over Production Asset & Work Management, T&D Asset & Work Management, Field Operations (FSR) Work Management, Metering Operations, Operational Business Performance Reporting, and operational project delivery for enterprise operations and maintenance improvement projects. Manages the delivery of enterprise-wide GIS services through the centralized GIS team, Operational Training services focused on frontline employee task-based training and provides governance and business-side management of certain core operational technology systems.

Supply Chain - Provides affiliates with support, guidance and coordination of procurement, supplier management, supplier diversity and development, inventory management and asset disposition; and manages certain vendor relationships for affiliates. Supply chain services include traditional procurement activities, such as sourcing and contracting, as well as assisting the affiliates in analyzing and implementing cost reduction opportunities and managing supply chain related risk components.

American Water Works Service Company, Inc. Glossary of Terms

Affiliate – for purposes of this CAM, American Water Works Company, Inc., and the companies it directly or indirectly controls through one or more intermediaries.

Allocate - To distribute a joint or common cost to more than one affiliate.

Amortization - The gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

At-Cost – At cost price, without profit.

Budget - An estimate of proposed expenditures for a given period or purpose and a statement of the means of financing them.

Capital Charge – A cost expected to provide benefits over a period longer than one year.

Cost Accounting Manual (CAM) – A document that explains how service company costs are assigned to affiliate companies and explains the nature of the services to be provided between affiliates.

Cost Effective – Effective or productive in relation to its cost.

Direct Charge – A cost incurred by one affiliate for the exclusive benefit of, or specifically identified with, one or more other affiliates, and which are directly charged (or assigned) to the affiliate or affiliates that specifically benefited.

Operating Expenses - Expenses related to maintaining day-to-day functions, including operation and maintenance expenses, taxes and depreciation and amortization costs, but not interest payments or dividends.

Overhead - Costs for certain personnel, rents, facility expenses, pension, medical insurance, taxes, general office supplies, and other similar expenses are recorded in the ledger of the cost center responsible for incurring the charge.

Service Agreement – A written agreement specifying the terms and conditions upon which services are provided to and from affiliated entities.

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Chapter V

Cost Allocations and Affiliated Interests

Recommendation V-2 Update AWWSC's Cost Allocation Manual to define all allocation factors, updates in billing for services, and description of supporting processes.

PAWC Response The Company accepts this recommendation.

Benefit Medium

Discussion:

The Cost Allocation Manual is updated annually. The Final Report will be used as a resource during the Company's next update.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Update the Cost Allocation Manual.	08/31/2024	E

Personnel Responsible:

Brian Holbert, Chief Financial Officer, Operations
Agata Szynglarz, Director, Corporate FP&A

December 1, 2024 Implementation Plan Update

Implementation of this item is complete.

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Chapter V

Cost Allocations and Affiliated Interests

Recommendation V-3 Establish SLAs for all critical functions provided through the service company, including IT, Customer Service, Fleet, Central Lab, etc.

PAWC Response The Company accepts, in part, this recommendation.

Benefit Medium

Discussion:

The Service Company has adopted several metrics to continue performance improvement. The Company will continue to review the critical functions provided by the Service Company to evaluate whether additional metrics for these functions should be adopted.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Continue to evaluate whether additional metrics for critical functions should be adopted.	11/01/2024	E

Personnel Responsible:

Gary Gehringer, Director, Operational Performance & Planning

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Implementation of this item is complete. The Company will continue to evaluate the need for additional metrics and assess whether they should be incorporated in the future.

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Chapter V

Cost Allocations and Affiliated Interests

Recommendation V-4 Require mandatory refresher training on time sheet entry and periodically review preset allocators for shared employees.

PAWC Response The Company accepts, in part, this recommendation.

Benefit Low

Discussion:

Refresher time entry training for shared service employees will be provided.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Develop and deliver refresher time entry training.	09/01/2024	E

Personnel Responsible:

Brian Holbert, Chief Financial Officer, Operations
Agata Szynglarz, Director, Corporate FP&A

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Implementation of this item is complete. The Company successfully developed mandatory refresher training on timesheet entry. Moving forward, all employees will be required to complete refresher training on time sheet entry annually, with training to be completed by January 31 each year.

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Chapter VI

Financial Management

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Chapter VI

Financial Management

Recommendation VI-1 Update American Water’s Internal Audit Charter to accurately reflect the administrative reporting relationship of the Vice President of Enterprise Risk and Internal Audit

PAWC Response The Company accepts this recommendation.

Benefit Low

Discussion:

The Internal Audit Charter reflects the independent reporting relationship of the Senior Vice President of Enterprise Risk, Internal Audit, and Corporate Strategy to the Audit Finance and Risk Committee. In addition, the Audit, Finance, and Risk Committee Charter highlights this reporting relationship.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Confirm that the Internal Audit Charter accurately reflects the reporting relationship of personnel reporting to the Chair.	04/01/2024	E

Personnel Responsible:

Jimmy Sheridan, Senior Vice President, Enterprise Risk, Internal Audit & Corporate Strategy

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Implementation of this item is complete.

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Chapter VII
Water Operations

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Chapter VII Water Operations

Recommendation VII-1 Reduce UFW below the 20% threshold and report UFW correctly.

PAWC Response The Company accepts this recommendation.

Benefit High

Discussion:

The Company continues to strive to reduce its UFW below the 20% threshold. PAWC’s UFW reduction efforts include, but are not limited to, documenting UFW within the Company’s Work Management Program; offering a robust UFW training program on unmetered and unbilled water loss; and repairing leaks sensed by fixed based logger systems. In addition, PAWC intends to factor consumption using the UFW methodology on its Form 500 Annual Reports filed with the Commission.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Continue to repair leaks sensed by fixed based logger system.	12/31/2024	O
Continue to offer the UFW training program.	12/31/2024	O
Develop a form to track and report UFW separately from non-revenue water	12/31/2024	A

Personnel Responsible:

Jim Runzer, Vice President, Operations

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Implementation of this item is complete. PAWC will continue to repair leaks identified by its fixed-based logger systems and will maintain a robust UFW training program to address unmetered and unbilled water loss. Additionally,

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PAWC developed a dedicated form within its Company Work Management System to track and report UFW separately from non-revenue water.

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Chapter VII

Water Operations

Recommendation VII-2 Meet or exceed an 80% compliance threshold for testable backflow prevention devices.

PAWC Response The Company accepts this recommendation.

Benefit High

Discussion:

PAWC partnered with Backflow Solutions Inc., (“BSI”) to manage its annual customer communications and test entries of backflow prevention devices. With these tasks now handled by BSI, internal employees have an increased focus on enforcement when a customer fails to comply with the annual testing requirements for backflow prevention devices.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Increase focus on enforcement of backflow testing requirements.	12/01/2024	E

Jim Runzer, Vice President, Operations

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Implementation of this item is complete. The Company increased its focus on enforcing backflow testing requirements by prioritizing compliance and actively addressing delinquent accounts. PAWC has enhanced communication efforts to those customers who are overdue in submitting their test results. This communication strategy is designed to remind customers of their responsibilities and the importance of timely testing. Additionally, the Company re-started service termination procedures for customers who continue to fail to comply with the testing requirements.

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Chapter VII

Water Operations

Recommendation VII-3 Reduce line hits to company underground facilities.

PAWC Response The Company accepts this recommendation.

Benefit High

Discussion:

The Company continues to strive to reduce line hits to PAWC’s underground facilities. PAWC’s internal Underground Damage Prevention Program includes training for mark-out employees and contractors; the development and updating of an Underground Damage Prevention Manual; and regular meetings of a cross-functional team to discuss performance trends, alleged violation reports, technical issues, and training.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Continue updating the Underground Damage Prevention Manual.	04/01/2024	E
Continue ongoing training for mark-out employees and contractors.	11/01/2024	O
Continue regular cross-functional damage prevention meetings.	11/01/2024	O

Personnel Responsible:

Jim Runzer, Vice President, Operations

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Implementation of this item is complete. PAWC will continue to make regular updates to its Underground Damage Prevention Manual to ensure it reflects the latest best practices. Additionally, PAWC will maintain ongoing training programs

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for mark-out employees and contractors, and continue holding regular cross-functional damage prevention meetings to review performance trends, address technical issues, and ensure effective collaboration in minimizing line hits.

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Chapter VIII

Wastewater Operations

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Chapter VIII

Wastewater Operations

Recommendation VIII-1 Update PennDOT specifications to the latest version in the Collections System Operations and Maintenance Manuals.

PAWC Response The Company accepts this recommendation.

Benefit Low

Discussion:

The Company will revise its Collections System Operations and Maintenance (“O&M”) Manuals to include updated PennDOT specifications.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Update PennDOT specifications to the latest version in Collections Systems O&M Manuals.	04/01/2024	E

Personnel Responsible:

Bruce Aiton, Vice President, Engineering

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Implementation of this item is complete.

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Chapter VIII

Wastewater Operations

Recommendation VIII-2 Conduct a staffing study for Water and Wastewater Operations with cost/benefit analysis weighing current and future expected workloads, analysis of overtime utilization, and strategic use of contractors.

PAWC Response The Company accepts, in part, this recommendation.

Benefit Medium

Discussion:

The Company will perform a pilot staffing study for one regional service area. If PAWC determines information from additional regions would be beneficial, the study will be replicated for additional service areas.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Complete pilot staffing study.	06/30/2025	E
Perform staffing study for additional service areas if warranted.	12/31/2026	E

Personnel Responsible:

Gary Gehringer, Director, Operational Performance & Planning

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The Company is on target to complete a pilot staffing study by June 30, 2025. The study is progressing, and ongoing efforts are focused on gathering data and refining the study methodology.

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Chapter VIII

Wastewater Operations

Recommendation VIII-3 Correct the growth budget development process to account for predicted growth in wastewater.

PAWC Response The Company accepts, in part, this recommendation.

Benefit Low

Discussion:

The Company will analyze its wastewater investment and operational costs for the following year's budget for both current and future opportunities.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Conduct annual budget analysis for current and future wastewater investment opportunities.	04/01/2024	E

Personnel Responsible:

Brian Holbert, Chief Financial Operator, Operations
Bruce Aiton, Vice President, Engineering

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Implementation of this item is complete. The Company has conducted an analysis of its wastewater investment and operational costs for the current budget cycle and will continue to perform annual budget analyses to assess both current and future wastewater investment opportunities.

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Chapter VIII

Wastewater Operations

Recommendation VIII-4 Create and document a robust leak detection and repair program by creating a manual with policies and procedures, including use of the GIS system to track current known breaks, leaks, and repairs.

PAWC Response The Company accepts this recommendation.

Benefit Medium

Discussion:

The Company maintains robust systems for leak detection and record keeping for defects in its wastewater systems. The Company will evaluate the cost versus benefit of transferring leak information into GIS rather than maintaining this data in the system assessment records.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Evaluate transferring information into GIS.	11/01/2024	E

Personnel Responsible:

Jim Runzer, Vice President, Operations
Bruce Aiton, Vice President, Engineering

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Implementation of this item is complete. PAWC evaluated the costs and benefits of transferring leak information into GIS and, at this time, has determined it is more feasible to maintain the data within its system asset records. However, the Company will continue to reassess the potential for transferring this data to GIS in the future.

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Chapter IX

Emergency Preparedness

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Chapter IX

Emergency Preparedness

Recommendation IX-1 Correct minor deficiencies in physical security.

PAWC Response The Company accepts this recommendation.

Benefit High

Discussion:

The Company will correct the minor physical security deficiencies noted by the Bureau of Audits during its inspections of PAWC’s facilities.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Correct minor deficiencies in physical security.	04/01/2024	O

Personnel Responsible:

Jim Runzer, Vice President, Operations
 Bill Bowers, Senior Director, Chief Security Officer
 Phil Landreth, Manager Physical Security

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Implementation of this item is complete.

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Chapter IX

Emergency Preparedness

Recommendation IX-2 Incorporate a table of contents and tabs labelled with chapter titles to the printed ERPs.

PAWC Response The Company accepts this recommendation.

Benefit Low

Discussion:

PAWC will incorporate a table of contents and labeled tabs into printed emergency response plans (“ERPs”) accessible at water and wastewater facilities.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Incorporate a table of contents and labeled tabs into printed ERPs accessible at water and wastewater facilities.	04/01/2024	E

Personnel Responsible:

Jim Runzer, Vice President, Operations

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Implementation of this item is complete.

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Chapter IX

Emergency Preparedness

Recommendation IX-3 Establish a scheduled fence inspection program with training for operations personnel to accomplish thorough inspections.

PAWC Response The Company accepts this recommendation.

Benefit Medium

Discussion:

Fence inspections are part of PAWC’s current physical security inspection process. The Company intends to conduct periodic fence inspections and related training for operational personnel.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Conduct periodic fence inspections and related training	11/01/2024	O

Personnel Responsible:

Jim Runzer, Vice President, Operations
 Bill Bowers, Senior Director, Chief Security Officer
 Phil Landreth, Manager Physical Security

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Implementation of this item is ongoing. The Company conducts periodic fence inspections as part of its broader physical security inspection process. PAWC is actively working to establish a formal, scheduled fence inspection program and training. This program is expected to be fully deployed in 2025.

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Chapter IX

Emergency Preparedness

Recommendation IX-4 Station rescue hooks near any open-topped tank or reactor that is aerated at any time.

PAWC Response The Company accepts this recommendation.

Benefit Medium

Discussion:

PAWC will position rescue hooks at all open topped aerated basins and tanks.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Position rescue hooks near all open topped aerated basins and tanks.	11/01/2024	E

Personnel Responsible:

Jim Runzer, Vice President, Operations

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Implementation of this item is complete.

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Chapter IX

Emergency Preparedness

Recommendation IX-5 Improve physical security for control rooms and SCADA systems.

PAWC Response The Company accepts this recommendation.

Benefit High

Discussion:

PAWC has included control rooms, SCADA systems, and technology systems into its continuous improvement security program. Physical security improvements are implemented continuously and prioritized based on risk.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Physical security improvements will continue to be prioritized following a risk-based approach.	11/01/2024	O

Personnel Responsible:

Bill Bowers, Senior Director, Chief Security Officer
 Jim Runzer, Vice President, Operations
 Phil Landreth, Manager Physical Security

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Implementation of this item is complete. Physical security improvements for control rooms and SCADA systems are incorporated in PAWC’s continuous improvement security program and security enhancements are prioritized based on risk.

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Chapter IX

Emergency Preparedness

Recommendation IX-6 Partner with a trusted third-party security specialist to conduct regular physical penetration testing of PAWC’s facilities.

PAWC Response The Company accepts this recommendation.

Benefit Medium

Discussion:

PAWC will work with American Water Enterprise Security to identify a partner to conduct periodic physical penetration testing of PAWC facilities.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Conduct two penetration tests of PAWC facilities.	12/31/2024	O

Personnel Responsible:

Bill Bowers, Senior Director, Chief Security Officer
Jim Runzer, Vice President, Operations
Phil Landreth, Manager Physical Security

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Implementation of this item is complete.

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Chapter IX

Emergency Preparedness

Recommendation IX-7 Conduct regular tabletop exercises focused primarily on physical security and cybersecurity.

PAWC Response The Company accepts this recommendation.

Benefit Low

Discussion:

The Company will continue to conduct regular tabletop exercises and will focus on both physical security and cybersecurity in future exercises.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Continue to conduct tabletop exercises, including exercises focused on physical security and cyber security.	11/01/2024	E

Personnel Responsible:

Bill Bowers, Senior Director, Chief Security Officer
 Jim Runzer, Vice President, Operations
 Phil Landreth, Manager Physical Security

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Implementation of this item is complete. In 2024, the Company conducted tabletop exercises that focused on both physical security and cybersecurity. Moving forward, the Company is committed to continuing these exercises on a regular basis, with an emphasis on both physical security and cybersecurity, to promote ongoing readiness and resilience against potential threats.

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Chapter X

Purchasing and Materials Management

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Chapter X

Purchasing and Materials Management

Recommendation X-1 Improve inventory turnover to two or higher turns by gradually reducing stockpiled materials.

PAWC Response The Company accepts, in part, this recommendation.

Benefit High

Discussion:

PAWC is experiencing supplier shortages and materials availability issues in the constrained market. The Company continues to evaluate its inventory turnover and reduce stockpiled materials as supplier shortages and materials availability improves.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Evaluate the feasibility of reducing stockpiled material once shortages and materials availability improves.	12/31/2024	O

Personnel Responsible:

Jim Runzer, Vice President, Operations

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Implementation of this item is ongoing. PAWC recognizes the importance of improving inventory turnover and are actively working towards this goal. Given the current constraints in the supply chain, including supplier shortages and limited material availability, PAWC is continuing to evaluate the feasibility of gradually reducing stockpiled materials. As market conditions improve and material availability stabilizes, PAWC will assess the impact of reducing stockpiles on inventory turnover and adjust its approach accordingly.

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Chapter X

Purchasing and Materials Management

Recommendation X-2 Investigate and implement, if feasible, a framework for transferring materials between regulated affiliates including the appropriate regulatory approval.

PAWC Response The Company accepts this recommendation.

Benefit Medium

Discussion:

The Company rarely transfers materials between affiliates unless there is an emergency. The Company will investigate the feasibility of transferring materials between regulated affiliates.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Investigate the feasibility of transferring materials between regulated affiliates.	07/01/2024	E

Personnel Responsible:

Jim Runzer, Vice President, Operations

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Implementation of this item is ongoing. The Company initiated an investigation into the feasibility of transferring materials between regulated affiliates, including assessing the necessary regulatory approvals. PAWC will continue to evaluate this process, taking into account the regulatory requirements and operational considerations, to determine if such transfers can be implemented in a compliant and efficient manner.

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Chapter XI

Customer Service

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Chapter XI

Customer Service

Recommendation XI-1 Improve customer service performance at minimum to pre-pandemic levels.

PAWC Response The Company accepts this recommendation.

Benefit High

Discussion:

The Company’s customer service performance has improved significantly in 2023. Primary drivers of this improvement include, but are not limited to, additional self-service options for customers; hiring and training additional front line customer care agents (“CCAs”); optimizing schedules for CCAs based on tenure, skill, and projected call volumes; and proactive electronic outreach to customers. The Company is striving to achieve a service level of 80% of calls answered in 60 seconds or less.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
The Company will strive to achieve a service level of 80% of calls answered in 60 seconds or less.	12/31/2024	O

Personnel Responsible:

Deb Degillio, Vice President, Chief Customer Officer

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Implementation of this item is ongoing. Service levels have continued to improve throughout 2024. Below is the service level for PAWC customers by month and for the first three quarters. The percent is the percentage of calls answered within 60 seconds.

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January	66.85%
Feb	57.67%
March	73.14%
April	80.02%
May	83.76%
June	84.52%
July	80.23%
August	86.86%
Sept	69.32%
Oct	74.49%
Nov	78.81%
Q1	66.11%
Q2	82.78%
Q3	78.74%

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Chapter XI

Customer Service

Recommendation XI-2 Continue outreach efforts to engage with payment troubled customers and leverage low-income resources to help reduce the overall level of outstanding customer balances.

PAWC Response The Company accepts this recommendation.

Benefit High

Discussion:

PAWC will continue to identify communities in its footprint with higher concentrations of low-income customers in which to strategically target assistance program outreach through mail and digital channels and in-person events in the communities.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
PAWC will continue outreach efforts to payment-troubled customers and leverage assistance programs.	10/01/2024	O

Personnel Responsible:

Thom Chiomento, Vice President, Business Development, Government Affairs, and External Affairs

Deb Degillio, Vice President, Chief Customer Officer

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Implementation of this item is ongoing. The Company continues targeted outreach to increase awareness of its H2O Help to Others program among customers who may be facing financial hardship. By overlapping population income data with the Company's service territory, the Company identified geographic areas where large

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segments of PAWC's customer base are eligible to enroll in the H2O offerings, including annual grants, monthly bill discounts, water-saving devices and conservation education, and the newly launched arrearage forgiveness program.

With respect to customer assistance program communications, the Company follows a multi-faceted approach that is comprised of direct-to-customer mailings, bill inserts and emails; collaboration with partners working in the low-income space (e.g., food banks and pantries); participation in community events; distribution of paid and organic social media posts; and promotion via traditional, paid and earned media.

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Chapter XII

Information Technology

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Chapter XII

Information Technology

Recommendation XII-1 Work with the Service Company to establish key performance indicators, user metrics, system performance indicators, etc. that are shared with PAWC.

PAWC Response The Company accepts this recommendation.

Benefit Low

Discussion:

The IT Department currently maintains a key performance indicator (“KPI”) dashboard. The KPIs are updated monthly and are accessible to PAWC employees.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Improve communication to PAWC employees on KPIs.	04/01/2024	E

Personnel Responsible:

John Cole, Principal Business Process Specialist, IT Performance
Steve Simpson, Associate Director, Technology Field Services
Michael Langfels, Manager, Technology Field Services

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Implementation of this item is ongoing. IT has various monthly meetings with PAWC employees to provide updates on all aspects of IT. In addition, IT is planning on providing a KPI update during the monthly Operations meeting with the PAWC Operations leadership team within the next 2-3 months.

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Chapter XIII
Fleet Management

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Chapter XIII

Fleet Management

Recommendation XIII-1 Evaluate the business case for implementing telematics in PAWC’s fleet and develop specific goals for key performance indicators.

PAWC Response The Company accepts this recommendation.

Benefit Low

Discussion:

PAWC intends to complete an analysis of the net benefits of implementing a Company vehicle telematics solution and evaluate whether to establish additional KPIs related to its telematics deployment.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Complete analysis of the net benefits of implementing a Company vehicle telematics solution.	07/01/2024	E
Evaluate whether to establish KPIs for telematics deployment.	07/01/2024	O

Personnel Responsible:

Frank Tagliaferro, Director Fleet & Logistics

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Implementation of this item is complete. A telematics solution was deployed for PAWC’s fleet vehicles with the goals of improving driver safety and vehicle reliability, and reducing maintenance costs.

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Chapter XIV

Human Resources and Diversity

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Chapter XIV

Human Resources and Diversity

Recommendation XIV-1 Document company policies and procedures or guidance for the application of remote work.

PAWC Response The Company accepts this recommendation.

Benefit Low

Discussion:

PAWC will document Company policies and guidance for the application of remote work.

Milestones/Full Implementation Date

Milestones	Date [xx/xx/xxxx]	Delivery E=Estimate A=Actual O=Ongoing
Finalize company policy related to remote work.	04/01/2024	E

Personnel Responsible:

Holly Rotkowitz, Senior Director, HR Operations

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Implementation of this item is complete.