



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

IN REPLY, PLEASE
REFER TO OUR FILE

May 9, 2025

Docket No. M-2025-3053701
Utility Code: 230073

TERESA K. HARROLD
DIRECTOR, CORPORATE COUNSEL
PENNSYLVANIA AMERICAN WATER COMPANY
852 WESLEY DRIVE
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Re: Annual Asset Optimization Plan (AAOP) for Pennsylvania-American Water Company - Wastewater Division at Docket No. M-2025-3053701

Dear Ms. Harrold:

On March 3, 2025, Pennsylvania-American Water Company – Wastewater Division (PAWC-WD) filed its Annual Asset Optimization Plan (AAOP), pursuant to 52 Pa. Code § 121.6.

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 (TUS).

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 reports that its actual DSIC eligible expenditures were \$43.54 million in 2024, which is a 12% decrease from its LTIP target level of \$49.47 million. PAWC-WD also reports that it replaced 67,979 linear feet (LF) of the 83,375 LF or an 18% decrease of main

scheduled to be replaced. However, 2024 was the first year of PAWC-WD's Second LTIP. Accordingly, PAWC-WD maintains that although its 2024 actual expenditures were under the projected annual expenditure in the LTIP, the actual four-year average expenditure is consistent with the four-year average expenditures projected in the LTIP.

PAWC-WD projects DSIC-eligible spending of \$39.72 million in 2025 as compared to the LTIP projection of \$38.48 million. PAWC-WD maintains that this is consistent with its LTIP.

Compliance with the LTIP is evaluated on a multiyear basis over the life of the LTIP. 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 LTIP.

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

Conclusion

Upon review of PAWC-WD's AAOP filed on March 3, 2025, 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, TUS, at (717) 787-2359 or kennshaffe@pa.gov.

Sincerely,



Matthew L. Homsher
Secretary

cc: Sharon Webb, LAW
Allison Kaster, BIE
Dan Searfoorce, TUS
John Van Zant, TUS
Ken Shaffer, TUS