



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

IN REPLY, PLEASE  
REFER TO OUR FILE

April 23, 2026

Docket No. M-2026-3060809  
Utility Code: 212285

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**Re: Annual Asset Optimization Plan (AAOP) for Pennsylvania-American Water Company – Docket No. M- 2026-3060809**

Director Attorney Harrold:

On March 2, 2026, Pennsylvania-American Water Company (PAWC) filed its Annual Asset Optimization Plan (AAOP), pursuant to 52 Pa. Code § 121.6. On March 10, 2026, via Secretarial Letter, the Commission issued a data request to PAWC seeking additional information regarding PAWC's AAOP. On March 19, 2026, PAWC 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 (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'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'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 reports that it replaced 92.71 miles of main of the 99.1 miles projected in its LTIP. PAWC states that it expended \$362.94 million on DSIC-eligible expenditures for its

water operations in 2025, while its LTIIIP proposed \$181.11 million for eligible property replacement. The Commission notes that PAWC filed a Modified LTIIIP, which includes PAWC's Lead Service Line Replacement Program (LSLRP), that was approved by a Commission Order at Docket No. P-2024-3050263 (LSLRP Order). PAWC's Modified LTIIIP estimated \$300.58 million in LTIIIP spending for 2025.<sup>1</sup> The compliance filing directed by the LSLRP Order, which includes the final version of the Modified LTIIIP, is currently being reviewed by TUS and will be disposed via Commission Order, pursuant to the LSLRP Order directives.

PAWC reports that in 2026 its total proposed project investment is \$241.62 million while its LTIIIP proposes \$190.22 million and its Modified LTIIIP proposes \$265.54 million. The Commission notes that 2026 is the last year of PAWC's LTIIIP.

In a December 16, 2021, Commission Order (December Order) approving PAWC's LTIIIP, at Docket No. P-2021-3028300<sup>2</sup>, the Commission directed PAWC include a report that details its updated non-revenue water and main break occurrence rates in every AAOP filed with the Commission, beginning with PAWC's AAOP filed in March 2022. PAWC appears to be in substantial compliance with the December Order.

We shall approve the AAOP because as noted above, PAWC's Modified LTIIIP is currently being reviewed by TUS and the actual and proposed LTIIIP expenditures and eligible-property amounts in the AAOP generally comport with those in the Modified LTIIIP. We note that 2026 is the last year of PAWC's LTIIIP.

## **Conclusion**

Upon review of PAWC's AAOP filed on March 2, 2026, it appears that the filing substantially complies with the requirements of 52 Pa. Code § 121.6 and it is approved with the understanding that that PAWC's Modified LTIIIP is currently under review by TUS. 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.

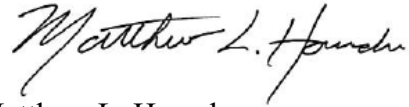
If you are dissatisfied with the resolution of this matter, you may, as set forth in 52 Pa. Code § 5.44, file a petition with the Commission within twenty (20) days after the date of this letter. Please direct any questions regarding this filing to Ken Shaffer, TUS at (717) 787-2359 or [kennshaffe@pa.gov](mailto:kennshaffe@pa.gov).

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<sup>1</sup> See, *Petition of Pennsylvania-American Water Company for Approval of a Lead Service Line Replacement Program, Related Tariff Changes, and Modification of a Long-Term Infrastructure Improvement Plan*, at Docket No. P-2024-3050263.

<sup>2</sup> See, *Petition of Pennsylvania American Water Company for Approval of its Second Long-Term Infrastructure Improvement Plan, Order entered December 16, 2021*, at Docket No. P-2021-3028300.

Sincerely,

A handwritten signature in black ink that reads "Matthew L. Homsher". The signature is written in a cursive style with a large, stylized initial "M".

Matthew L. Homsher  
Secretary

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