



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

IN REPLY, PLEASE
REFER TO OUR FILE

April 24, 2026

Docket No. M-2026-3060774
Utility Code: 210013

LARRY FINNICUM
REGIONAL PRESIDENT, MID ATLANTIC DIVISION
VEOLIA WATER NORTH AMERICA, INC.
6310 ALLENTOWN BLVD, SUITE 104
HARRISBURG, PA 17112
larry.finnicum@veolia.com

**Re: Annual Asset Optimization Plan (AAOP) for Veolia Water Pennsylvania Inc.
(Veolia) at Docket No. M-2026-3060774**

Dear Mr. Finnicum:

On February 27, 2026, Veolia Water Pennsylvania Inc (Veolia) filed its Annual Asset Optimization Plan (AAOP) for its water operations, 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.

Veolia'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.*

Veolia'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.

Veolia reported that it invested \$20.06 million in DSIC-eligible infrastructure improvements in 2025, which is an approximate 38% increase of its LTIP projection of \$14.51 million. Veolia noted that it completed 9.05 miles of main replacements as compared to its LTIP projection of 10.0 miles. Veolia noted that it experienced a trend in overall increased actual costs versus estimated costs during the period from 2022 through 2026 due to overall

industry conditions attendant to external pressures such as supply chain, PFAS mitigation, inflation, and other factors.

Veolia noted its eligible-property replacement rate may be impacted in 2026 by multi-year projects, increased funding requirements for company-side lead line replacements, PFAS regulations, and necessary water quality improvements resulting in a focus on transmission main replacement compared to distribution main replacement. Veolia projected the installation of approximately 7.5 miles of main, compared to the 10 estimated miles of main to be installed per its LTIIIP.

Veolia noted that its total investment is projected to reach \$85.3 million by the conclusion of the five-year term as compared to the \$69.8 million total net budget outlined in its LTIIIP, which is an approximate 22% increase. Veolia stated that it projects that it will be approximately 91% substantially compliant across all categories of installed units within its five-year plan, not including additional categories for implementation of replacement end point installations that began in 2023, as well as company-wide lead service replacements scheduled to commence in 2026. Veolia stated that it is presently forecasting that the total actual LTIIIP costs for the years 2022 through 2026 will exceed the estimated LTIIIP costs by approximately \$15.5 million, which is 2% greater than the Major Modification threshold percentage set forth in 52 Pa. Code § 121.2 (definition of Major Modification). Veolia noted that this is the final year for its LTIIIP and so respectfully submits that an amendment of its LTIIIP pursuant to 52 Pa. Code § 121.6(c) is not necessary.

The Commission agrees that a modification at this time would be an unnecessary administrative and financial burden on Veolia as 2026 is the final year of its LTIIIP. The Commission expects Veolia to file a petition for a new or modified LTIIIP prior to the expiration of its current LTIIIP in order to maintain its DSIC.

The Commission Order entered on July 24, 2025, at Docket No. P-2023-3042107 (July Order), which approved Veolia's Modified LTIIIP (which included its Lead Service Line Replacement Plan), directed Veolia to include a report that details its updated non-revenue water (NRW) and main break occurrence rates in every AAOP filed with the Commission beginning in March 2026.¹ Veolia reported that its NRW from January 1, 2025, through December 31, 2025, was 30.6%. Additionally, Veolia reported that there was a total of 120 main breaks. Veolia appears to be in substantial compliance with the July Order.

Pursuant to the July Order, Veolia was directed to file a copy of its Lead Service Line Replacement Program Report with the Commission by March 1 of each year, until further Order of the Commission. Veolia appears to be in substantial compliance with its Commission approved lead service line replacement program.

We shall approve Veolia's AAOP because, as noted above, 2026 is the last year of Veolia's LTIIIP.

¹ See, *Petition of Veolia Water Pennsylvania, Inc. for Approval of its Lead Service Line Replacement Program*, at Docket No. P-2023-3042107.

Conclusion

Upon review of Veolia’s AAOP filed on February 27, 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 2026 is the final year of Veolia’s LTIP. 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 Kenneth Shaffer, TUS, at kennshaffe@pa.gov.

Sincerely,



Matthew L. Homsher
Secretary

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