



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

IN REPLY, PLEASE
REFER TO OUR FILE

May 11, 2026

Docket No. M-2026-3060810
Utility Code: 230073

TERESA K. HARROLD
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-2026-3060810

Dear Ms. Harrold:

On March 2, 2026, Pennsylvania-American Water Company - Wastewater Division (PAWC-WD) filed its Annual Asset Optimization Plan (AAOP), pursuant to 52 Pa. Code § 121.6. On April 22, 2026, the Commission, via Secretarial Letter, sent PAWC-WD a data request seeking additional information regarding regulatory driven projects and extending the consideration period of the AAOP to June 02, 2026. On May 6, 2026, 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 (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 LTIIP has expired and under this time frame for each successive year of the term of the LTIIP.

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 LTIIP 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 LTIIP

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 LTIIP for the corresponding 12-month time frames.

52 Pa. Code § 121.6(e)

Absent any major modifications to the LTIIP 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 LTIIP. If the utility concludes that it needs to revise its LTIIP 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 2025 were \$26.61 million, which is an approximate 31% decrease from its LTIP target level of \$38.48 million. PAWC-WD also reported that it replaced 56,010 linear feet (LF) of the 66,890 LF of main scheduled to be replaced. PAWC-WD maintained that although its actual expenditures were under the projected annual expenditures in the LTIP, the actual four-year average expenditures are consistent with the four-year average expenditures projected in the LTIP.

PAWC-WD projected DSIC-eligible spending of \$30.23 million for 2026, as compared to the LTIP projection of \$65.54 million, which is an approximate 54% decrease in funding. PAWC-WD maintained that the lower projected expenditures on wastewater replacement and rehabilitation projects are due to the projected expenditures needed on regulatory-driven projects.

In supplemental information provided, PAWC-WD explained that the regulatory-driven projects referenced are non-DSIC-eligible projects that need to be completed by specific deadlines in order to comply with requirements imposed by the Pennsylvania Department of Environmental Protection through Consent Orders and Agreements, Corrective Action Plans, Act 537 Plan approval, or by the US Environmental Protection Agency via Administrative Orders for Compliance on Consent or Consent decrees.

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.

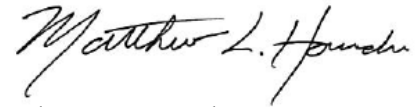
Accordingly, PAWC-WD's AAOP appears to substantially conform to the schedule set forth in the company's LTIP.

Conclusion

Upon review of PAWC-WD's AAOP filed on March 2, 2026, and supplemental information provided, 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,

A handwritten signature in black ink that reads "Matthew L. Homsher". The signature is written in a cursive style with a large, prominent 'M' and 'H'.

Matthew L. Homsher
Secretary

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