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## Joint Agreement Reached in West Virginia American Water Infrastructure Replacement Program Request

*Program will accelerate company's infrastructure investments to enhance water service reliability; Agreement requires final Commission approval*

**CHARLESTON, W.Va. (November 2, 2016)** – The Public Service Commission (PSC) staff, Consumer Advocate Division (CAD) and West Virginia American Water announced a joint agreement today regarding the company's April 2016 request for an infrastructure replacement program, referred to as a Distribution System Improvement Charge (DSIC). The joint stipulation reflects that the parties agree this is a fair and reasonable resolution of the case. It also allows West Virginia American Water to receive more timely cost recovery of certain infrastructure investments deemed just, reasonable and in the public interest, which in turn enables the company to accelerate its water main replacement program. The agreement filed this afternoon requires PSC approval.

"The purpose of a DSIC is to address the national challenge of aging infrastructure by directing additional investment to areas where improvements are needed with a particular focus on main replacement," said Jeffrey McIntyre, president of West Virginia American Water. "Along with the other parties, we hope that the Commission will accept this agreed-upon proposal as a fair and reasonable resolution of the request with the best interest of our customers at its center."

As part of this agreement, the parties recommend that the Commission approve a DSIC effective Jan. 1, 2017, for \$29 million in system-wide improvements that West Virginia American Water will make in 2017. The improvements include \$11 million in water main replacement projects and \$7 million to construct two new water storage tanks to improve service reliability on the west end of the Kanawha Valley distribution system. Customers would pay a 1.09 percent surcharge on their monthly bills (approximately 52 cents for the average residential customer) to help fund these projects. Current customer rates reflect company investments made through February 2016. Going forward, the authorized surcharge will reflect a portion of the company's annual capital investments made within the same year that the surcharge is collected.

"The true benefit of a DSIC to our customers is the elimination of large, cyclical rate increases that reflect cost recovery of multiple years of company investments all at one time," McIntyre said. "A DSIC allows for an upfront regulatory review of our proposed infrastructure

replacement projects each year, while customers will see the benefit of these investments with increased service reliability.”

The agreement includes multiple consumer protections, such as annual reconciliations, annual caps, cumulative caps and earnings limits. Charges stemming from this program would be calculated annually until rolled into the company’s rates in a future rate case, at which time the DSIC surcharge would reset.

“Pre-approved infrastructure replacement programs are recommended regulatory practices for water utilities by the National Association of Regulatory Commissioners and are currently in place in numerous states, including here in West Virginia for gas utilities,” McIntyre continued. “We believe the accelerated infrastructure investment proposed in the DSIC will strengthen our water system and, over time, create real operational efficiencies and reduce costs long-term for our customers.”

West Virginia American Water, a subsidiary of American Water (NYSE: AWK), is the largest water utility in the state, providing high-quality and reliable water services to approximately 550,000 people. Founded in 1886, American Water is the largest publicly traded U.S. water and wastewater utility company. Marking its 130th anniversary this year, the company employs more than 6,700 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found at [www.westvirginiaamwater.com](http://www.westvirginiaamwater.com).

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