



## West Virginia American Water Receives Approval of 2020 Distribution System Improvement Charge

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*Pre-approved annual infrastructure replacement program continues to accelerate company's investments and enhance water service reliability*

CHARLESTON, W.Va.--(BUSINESS WIRE)--Dec. 23, 2019-- In an order entered this week, the Public Service Commission of West Virginia (PSC) approved a joint agreement reached last month in West Virginia American Water's request for approval of its 2020 infrastructure replacement program, referred to as a Distribution System Improvement Charge (DSIC). The program and its associated surcharge mechanism allow the company 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 infrastructure replacement and reliability program.

"The purpose of a DSIC is to address the national challenge of aging infrastructure by directing additional investment to areas where improvements are most needed," said Robert Burton, president of West Virginia American Water. "All parties involved in the agreement acknowledged the accelerated investments we've made since incorporating this surcharge in 2017 and recognize that distribution system renewal and replacement is a significant priority and in the best interest of customers."

The approved DSIC, effective January 1, 2020, includes \$32.4 million in system-wide upgrades that West Virginia American Water will make in 2020. The improvements include \$18.6 million to replace or upgrade more than 30 miles of water mains; \$4.5 million to replace service lines and fire hydrants; \$8.1 million for post-acquisition investment on troubled water systems; and \$1.2 million on water storage tanks.

Accordingly, customers will pay a 2.54 percent surcharge on their monthly bills (approximately \$1.38 for the average residential customer) to help fund these projects. Most customers will see a prorated amount on their first 2020 bill, depending on their meter reading and billing schedule.

"The true benefit of a DSIC to our customers is the elimination of historically large, cyclical rate increases that reflect cost recovery of multiple years of company investments all at one time," Burton said. "This surcharge 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."

Following the Tax Cuts and Jobs Act of 2017, West Virginia American Water offset the 2019 DSIC surcharge for customers by using the company's excess deferred tax amortization toward the infrastructure replacement program. Customer DSIC rates will continue to be partially offset by this amortization in 2020. This method provided customers with a savings of \$2.2 million in 2019 and an additional \$1.5 million in 2020.

The program includes multiple consumer protections, such as annual reconciliations, annual and cumulative caps and earnings limits. The surcharge is calculated each year based on capital investments made annually between rate cases until rolled into the company's rates in a future rate case.

West Virginia American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water services to approximately 550,000 people. With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 7,100 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to more than 14 million people in 46 states. American Water provides safe, clean, affordable and reliable water services to our customers to make sure we keep their lives flowing. For more information, visit [amwater.com](http://amwater.com) and follow American Water on [Twitter](https://twitter.com/AmWater), [Facebook](https://www.facebook.com/AmWater) and [LinkedIn](https://www.linkedin.com/company/AmWater).

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