

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: IOWA-AMERICAN WATER COMPANY	DOCKET NO. RPU-2020-0001
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ORDER APPROVING LEAD SERVICE LINE REPLACEMENT PLAN

PROCEDURAL HISTORY

On June 28, 2021, the Utilities Board (Board) issued a final order in Iowa-American Water Company's (Iowa-American) rate case, Docket No. RPU-2020-0001, which required, *inter alia*, Iowa-American to submit a lead service line replacement plan and inventory within 60 days of the date of the final order. On August 27, 2021, Iowa-American filed a plan and inventory for the period 2022-2026 (Plan). In the August 27, 2021 filing, Iowa-American describes the Plan and provides inventories for lead service lines in Clinton, Iowa, and lines in the Quad Cities area. Iowa-American requested the Board approve the Plan and authorize Iowa-American to recover the costs of implementing the Plan through the Qualified Infrastructure Plant (QIP) Rider, subject to the existing QIP annual and cumulative caps.

On October 26, 2021, the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, filed a response and requested that the Plan be docketed for further review. OCA stated that the proposed Plan lacked details regarding the identification of lead service lines, the prioritization of line replacement, the cost of replacement recovery through the QIP, and an explanation of available funding sources.

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On November 1, 2021, Iowa-American filed a reply to OCA's October 26, 2021 filing. In the reply, Iowa-American provided additional information about the Plan and argued that OCA's questions are without merit and should be rejected.

On November 12, 2021, OCA filed a response to Iowa-American's November 1, 2021 reply. In its response, OCA stated that it is withdrawing its request to docket the Plan; however, OCA stated that it is still concerned with the lead service line replacement costs that Iowa-American proposed to recover through the QIP, that the six steps for updating the lead service line replacement inventory set out in the Plan were not contemplated by the Board, and that recovery of costs has not been approved by the Board.

FINAL ORDER

In the final order, the Board required Iowa-American to submit a plan and inventory for Board approval, which includes the following information:

1. Iowa-American's goals and strategy for replacing lead service lines during the next five years.
2. An evaluation of any government or charitable funding available for lead service line replacement and a description of Iowa-American's efforts to secure such funding. The Board expects Iowa-American to pursue any available funding opportunities.
3. Any lead service line requirements of the federal Environmental Protection Agency (EPA) that require action by Iowa-American.

The Board also required Iowa-American to update the five-year plan and inventory each year at the time Iowa-American makes its annual QIP surcharge filing. The updated plan shall include a report of Iowa-American's lead service line replacement activities over the last year, a report of any actions taken to comply with EPA requirements related to lead service lines, and a report of Iowa-American's efforts to secure government or charitable funding for lead service line replacements.

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The Board limited recovery through the QIP to those lead service line replacements that occur due to the service line being disturbed by Iowa-American or due to some other circumstance that presents an increased likelihood of lead contamination in drinking water. The Board stated that additional proactive efforts to locate and replace lead service lines will not be eligible for recovery through the QIP until the Board approves these activities as part of the Plan. Recovery of activities described in the Plan are addressed below.

LEAD SERVICE LINE REPLACEMENT PLAN AND INVENTORY

Iowa-American's Plan includes the current count of service lines that are categorized as confirmed line material containing lead, unclassified, and non-lead service line material. The service lines currently identified in the Plan are set out in the table below.

	Quad Cities	Clinton	Quad Cities and Clinton Combined
Unclassified	2,144 (4%)	207 (2%)	2,351 (4%)
Lead Service Line	10,306 (18%)	1,405 (13%)	11,711 (18%)
Non-Lead Service Line	43,267 (78%)	8,991 (85%)	52,258 (79%)*
Total	55,717	10,603	66,320

*The percentages total 101 percent because of a rounding error.

The Plan also includes a process for updating lead service line information over the next five years. The Plan provides that Iowa-American will take the following steps to update the inventory of lead service lines:

1. Review service line tap cards and digitize them into Iowa-American's MapCall system.
2. Request and review plumbing permits from each of the municipalities and update lead line inventory accordingly.
3. Conduct outreach to plumbing contractors to obtain any records regarding lead service line replacement.

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4. Conduct customer outreach to educate its customers on what a lead service line looks like and how they can notify Iowa-American of any suspected lines.
5. Utilize existing EPA Lead and Copper sampling sites.
6. Conduct strategic “potholing” to confirm the presence of lead service lines.

The Plan sets targeted goals for replacing lead service lines through 2026, based upon the increase in the cost of replacement materials. The targeted goals for replacement of lead service lines are: (1) 200 in 2022; (2) 425 in 2023; (3) 450 in 2024; (4) 750 in 2025; and (5) 950 in 2026. The Plan provides that both Clinton and Quad Cities customers will be treated the same by Iowa-American when replacing a lead service line as required in the final order. The evidence in the rate case showed that Iowa-American replaced the entire service line from the water main to the residence in Clinton with Iowa-American paying the cost of replacement, while in the Quad Cities, the customer was responsible for the cost of replacing the service line. In the final order, the Board directed that replacement of lead service lines in both Clinton and the Quad Cities would be from the water main to the residence and the cost would be paid by Iowa-American.

The activities described in the Plan will result in (1) classification of 2,351 service lines currently unclassified, (2) replacement of 2,775 lead service lines by 2026, (3) submission of a plan to remove all lead service lines by 2032, and (4) utilization of the same process to identify and replace lead service lines in any future water system acquisition.

In the Plan, Iowa-American states that it has reviewed grant information from the EPA and hundreds of other possible grants, and that Iowa-American has been unable to identify any grants that would be available for lead service line replacement. The Plan provides that Iowa-American will, during the five-year plan period, contact and work with

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the state of Iowa in an attempt to secure an Iowa Drinking Water State Revolving Fund loan for lead service line replacement. Iowa-American also will continue to monitor government and charitable grants and will seek funding that applies to private water utilities to fund replacement of lead service lines.

In the Plan, Iowa-American states that sampling results are currently below the level required for action under the EPA Lead and Copper Rule. Iowa-American anticipates that its results will continue to remain below the level where action is required by the EPA for lead and copper during the five-year plan period. Iowa-American states that the only EPA requirement applicable to Iowa-American's system at this time is maintaining an inventory of lead service lines.

BOARD DECISION

A review of the Plan filed by Iowa-American to address replacement of lead service lines includes the following elements, as required by the June 28, 2021 final order:

1. Details of Iowa-American's goals and strategies for replacing lead service lines.
2. An evaluation of governmental and charitable funding available for lead service line replacement and Iowa-American's efforts to secure funding from these sources.
3. Identification of EPA lead service line requirements that require Iowa-American action.
4. The commitment to update the five-year plan and inventory annually at the time Iowa-American makes its annual QIP filing with information on Iowa-American's lead service line replacement activities, action taken to comply with EPA lead service line requirements, and a report on Iowa-American's efforts to secure government or charitable funding for lead service line replacements.
5. Identification and replacement of lead service lines in accordance with the requirements in the final order that all customers be treated the same.

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The Board finds that the Plan, with the information listed above, complies with the June 28, 2021 final order. The annual updated information will provide the Board with the information needed to ensure that lead service line replacements are being made in accordance with the Plan and the inventory is updated as the location of additional lead service lines are discovered. The Board will review the costs associated with lead service line replacements as part of the annual review of the QIP.

Part of the Plan the Board is approving includes a six-step process for identifying lead service lines that need to be replaced. The six steps are: (1) digitizing service line tap cards, (2) reviewing plumbing permits for mention of lead service lines, (3) contacting plumbers regarding lead service lines, (4) educating customers on how to identify lead service lines, (5) outreaching to EPA lead and copper sampling sites, and (6) strategic potholing.

The Board finds that approval of the Plan that includes the six steps does not include approval of the recovery through the QIP of the costs associated with the six steps. The current QIP tariff, 3rd Revised Sheet No. 4H, does not allow for recovery of the activities listed in the six steps. The final order has language that could be misinterpreted to allow recovery of these activities. That language, “Additional proactive efforts to locate and replace lead service lines — for instance by searching tap records — will not be eligible for QIP rider recovery until such efforts are approved as a component of Iowa-American’s lead service line replacement plan” means that additional service line replacements that are discovered during searching of tap records will be eligible for recovery through QIP after the lead service line replacement plan is approved. The language in the order is not intended to expand the QIP’s recovery eligibility criteria to include any expenses accrued from the efforts of discovering the

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lead service lines once the Plan is approved. Iowa-American will be authorized to seek recovery of the costs it accrues for replacement of lead service lines through QIP; however, that recovery does not include the activities described in the six steps.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The Lead Service Line Replacement Plan and Inventory filed on August 27, 2021, by Iowa-American Water Company is approved.
2. Iowa-American Water Company is authorized to recover the costs associated with the plan approved in Ordering Clause 1 that are consistent with Water Tariff 3rd Revised Sheet No. 4H.
3. Iowa-American Water Company shall file annual updates of the replacement and inventory information in the plan approved in Ordering Clause 1 with Iowa-American Water Company's annual filing for the Qualified Infrastructure Plan.

UTILITIES BOARD

Geri Huser Date: 2022.01.24
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Richard Lozier Date: 2022.01.24
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ATTEST:

Louis Vander Streek
Louis Vander Streek
2022.01.24 15:32:25
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Josh Byrnes Date: 2022.01.24
09:27:09 -06'00'

Dated at Des Moines, Iowa, this 24th day of January, 2022.