

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water Company :
under Section 1102(a) of the Pennsylvania Public Utility Code, 66 :
Pa. C.S. § 1102(a), for approval of (1) the transfer, by sale, of :
substantially all of the Royersford Borough assets, properties and :
rights related to its wastewater collection and treatment system to : Docket No. A-2020-3014248
Pennsylvania-American Water Company, and (2) the rights of :
Pennsylvania-American Water Company to begin to offer or :
furnish wastewater service to the public in the Royersford :
Borough, and portions of Upper Providence Township, :
Montgomery County, Pennsylvania. :

In re: Application of Pennsylvania-American Water Company :
under Section 1329 of the Pennsylvania Public Utility Code, 66 : Docket No. A-2020-_____
Pa. C.S. § 1329, for approval of the use for ratemaking purposes :
of the lesser of the fair market value or the negotiated purchase :
price of the Royersford Borough assets related to its wastewater :
collection and treatment system. :

Petition of Pennsylvania-American Water Company, related to its :
acquisition of the Royersford Borough wastewater collection and :
treatment system, for approval under Section 1329 of the :
Pennsylvania Public Utility Code, 66 Pa. C.S. § 1329, to (i) collect : Docket No. P-2020-_____
a distribution system improvement charge, (ii) for book and :
ratemaking purposes, accrue Allowance for Funds Used During :
Construction for post-acquisition improvements not recovered :
through the distribution system improvement charge, (iii) for book :
and ratemaking purposes, defer depreciation related to post- :
acquisition improvements not recovered through the distribution :
system improvement charge, and (iv) include, in its next base rate :
case, a claim for transaction and closing costs. :

In re: Filing by Pennsylvania-American Water Company under :
Section 507 of the Pennsylvania Public Utility Code, 66 Pa. C.S. : Docket No U-2020-_____
§ 507, of the Asset Purchase Agreement Between Pennsylvania- :
American Water Company and the Royersford Borough. :

TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

1. Pennsylvania-American Water Company (“PAWC” or “Applicant”) hereby respectfully requests that the Pennsylvania Public Utility Commission (“Commission”) issue such Certificates of Public Convenience as necessary to evidence its approval under Section 1102(a) of the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. § 1102(a), of: (a) the transfer, by sale, of substantially all of the Royersford Borough (“Borough”) assets, properties and rights related to the Borough’s wastewater collection and treatment system (the “System”) to PAWC; and, (b) PAWC’s right to begin to offer, render, furnish and supply wastewater service in the areas served by the Borough inclusive of the Borough and a portion of Upper Providence Township, Montgomery County (“Service Territory”) (including approval to make effective upon closing the *pro forma* tariff supplement attached hereto as **Appendix A-12**).

2. PAWC also respectfully requests that the Commission approve, pursuant to Code Section 1329, 66 Pa. C.S. § 1329: (a) the use for ratemaking purposes of the lesser of the fair market value or the negotiated purchase price of the Borough’s assets related to the System;¹ (b) collection of a distribution system improvement charge (“DSIC”) related to the System prior to the first base rate case in which the System plant-in-service is incorporated into rate base; (c) the accrual of Allowance for Funds Used During Construction (“AFUDC”) for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; (d) the deferral of depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; and (e) the inclusion, in its next base rate case, of a claim for transaction and closing costs related to the acquisition. Attached hereto as **Appendix A** is the Commission’s current “66 Pa. C.S. § 1329 Application Filing Checklist - Water/Wastewater (Revised February 28, 2019)” (“Section 1329

¹ PAWC reserves its right in future proceedings to make rate base claims related to the acquisition as may otherwise be permitted under the Code.

Checklist”), **Appendix A** to the Commission’s Final Supplemental Implementation Order in *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 (Order entered February 28, 2019) (“*Final Supplemental Implementation Order*”). For the ease of reference and review, the sub-appendices to **Appendix A** (such as **Appendix A-1**, **Appendix A-2**, etc.) correspond directly with the filing requirements listed in the Commission’s Section 1329 Checklist. Certain appendices contain proprietary information and are, accordingly, labeled as **CONFIDENTIAL** and filed with the Commission’s Secretary under seal.

3. PAWC further requests, pursuant to Code Section 507, 66 Pa. C.S. § 507, the issuance of a Certificate of Filing or approval for the Asset Purchase Agreement By and Between Royersford Borough, Montgomery County as Seller and Pennsylvania-American Water Company as Buyer, dated as of December 10, 2019 (attached hereto as **Appendix A-24-a**) (the “APA”). The APA is marked as “**CONFIDENTIAL**”.

4. The name and address of the Applicant is:

Pennsylvania-American Water Company
852 Wesley Drive
Mechanicsburg, PA 17055

5. The names and addresses of PAWC’s attorneys are:

Elizabeth Rose Triscari, Esquire
Pennsylvania-American Water Company
852 Wesley Drive
Mechanicsburg, PA 17055
(717) 550-1574
elizabeth.triscari@amwater.com

David P. Zambito, Esquire
Jonathan P. Nase, Esquire
Cozen O’Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101
(717) 703-5892
dzambito@cozen.com
jnase@cozen.com

6. PAWC is a regulated public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania, and is engaged in the business of collecting, treating, storing, supplying, distributing and selling water to the public, and collecting, treating, transporting and disposing of wastewater for the public. Water and wastewater service are furnished by PAWC to the public in a service territory encompassing more than 400 communities across the Commonwealth with a combined population of over 2,400,000. A description of PAWC's existing certificated water and wastewater service territory is found in **Appendix B**, along with a detailed corporate history, outlining all of the mergers, acquisitions and consolidations, which have created PAWC as it exists on the date of this Application.

7. The Borough is a municipal corporation, organized and existing under the laws of the Commonwealth of Pennsylvania, with its offices located at 300 Main Street, Royersford, PA 19468. The Borough owns and operates the System, providing wastewater service to the public in the Service Territory.

8. The Borough furnishes wastewater service to approximately 1,447 residential, 161 commercial, and 12 industrial customer connections.

9. PAWC currently furnishes wastewater service to approximately 74,754 residential, commercial, industrial, municipal and bulk customers in Pennsylvania.

10. The completion of the below-defined Transaction will confer benefits upon the long-term financial health of the Borough, while ensuring that the Borough's existing customers receive safe, adequate, and reliable wastewater service at just and reasonable rates.

A. TRANSFER, BY SALE, OF ALL OF THE BOROUGH'S ASSETS, PROPERTIES AND RIGHTS RELATED TO THE SYSTEM (OTHER THAN THE EXCLUDED ASSETS) TO PAWC

Summary of the Transaction

11. On December 10, 2019, the Borough entered into the APA (along with detailed schedules) to sell all of the Borough's assets, properties and rights relating to the System (other than the Excluded Assets, as defined by the APA) to PAWC (the "Transaction").

12. The Transaction will be completed in accordance with the APA.

13. Among other things, the APA: (i) requires PAWC and the Borough to complete the Transaction after receipt of all governmental approvals (including from this Commission) and the satisfaction of all conditions precedent; (ii) requires PAWC initially to adopt the Borough's rates in effect at the time of closing of the Transaction (see *pro forma* tariff supplement attached hereto as **Appendix A-12**); and, (iii) requires PAWC to maintain those initial rates for a limited time, which will be fair to both the Borough's current customers and PAWC's current customers.²

Applicable Legal Standards

14. Under Code Section 1103, the Joint Applicants must demonstrate that PAWC is legally, technically, and financially fit. *Seaboard Tank Lines v. Pa. Pub. Util. Comm'n*, 502 A.2d 762, 764 (Pa. Cmwlth. 1985); *Warminster Township Mun. Auth. v. Pa. Pub. Util. Comm'n*, 138 A.2d 240, 243 (Pa. Super. 1958). As a currently certificated public utility, PAWC's fitness is presumed by law to be continuing. *See e.g., South Hills Movers, Inc. v. Pa. Pub. Util. Comm'n*, 601 A.2d 1308, 1310 (Pa. Cmwlth. 1992).

² The rate commitment set forth in the APA (that base rates shall not be increased until after the second anniversary of the Closing Date) does not fall within the definition of a "rate stabilization plan" as defined by 66 Pa. C.S. § 1329 because the Borough is not included in PAWC's base rate case that is currently pending before the Commission and the Company does not anticipate that the Borough's rates will be held constant after the next base rate case. *See* Direct Testimony of Rod Neviraskas, Appendix A-14-a, PAWC St. No. 3 at pp.15-16.

15. The Commission may issue a certificate of public convenience upon a finding that “the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public.” 66 Pa. C.S. § 1103(a). Ownership and operation of the System by PAWC will “affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way.” *City of York v. Pa. Pub. Util. Comm’n*, 449 Pa. 136, 151, 295 A.2d 825, 828 (1972). The “substantial public interest” standard is satisfied by a simple preponderance of the evidence of benefits. *Popowsky v. Pa. Pub. Util. Comm’n*, 594 Pa. 583, 611, 937 A.2d 1040, 1057 (2007).

16. Code Section 1329 establishes a voluntary process whereby the acquiring public utility and the selling municipality may choose to have the fair market value of the assets established through independent appraisals conducted by Utility Valuation Experts (“UVEs”). For ratemaking purposes, the valuation will be the lesser of the average of the two appraisals or the negotiated purchase price. 66 Pa. C.S. § 1329.

17. Section 1329 also allows, as a matter of law, the acquiring public utility (i) to collect a DSIC for the Service Territory prior to the first base rate case in which the Service Territory plant-in-service is incorporated into rate base, (ii) to accrue AFUDC for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes, (iii) to defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes, and (iv) to include, in its next base rate case, a claim for transaction and closing costs associated with the acquisition. In order to obtain this ratemaking treatment, the acquiring public utility must produce certain documents and information as required by the Commission in the context of a future base rate proceeding. 66 Pa. C.S. § 1329; *see Final Supplemental Implementation Order*.

18. Code Section 507, 66 Pa. C.S. § 507, requires that contracts between a public utility and a municipal corporation, except for contracts to furnish service at a regular tariffed rate, be filed with the Commission at least 30 days before the effective date of the contract. The Commission

acknowledges the contract by issuing a certificate of filing unless it decides to institute proceedings to determine whether there are any issues with the reasonableness, legality, or any other matter affecting the validity of the contract. Should the Commission initiate proceedings, the contract or agreement is not effective until the Commission grants its approval. 66 Pa. C.S. § 507.

Background Financial Information

19. Attached hereto is the audited internal balance sheet of the Borough as of December 31, 2019 (**Appendix C**), and PAWC's audited balance sheet as of December 31, 2019 (**Appendix D**).

20. Attached hereto is the audited income statement of the Borough for the 12 months ended December 31, 2019 (**Appendix E**), and PAWC's audited income statement for the 12 months ended December 31, 2019 (**Appendix F**).

21. All the annual reports, tariffs, certificates of public convenience, applications, securities certificates and similar documents filed with this Commission by PAWC and its predecessors are made a part hereof by reference.

Terms and Impact of the Transaction

22. As noted above, this Application seeks, among other things, approval of the transfer to PAWC of all of the assets, properties and rights of the Borough related to the System (other than the Excluded Assets, as defined by the APA) (**Appendix A-24-a**) (**CONFIDENTIAL**).

23. PAWC and the Borough are not affiliated with each other.

24. The Transaction is, and was negotiated, at arm's length.

25. Attached hereto as **Appendix G** is a *pro forma* balance sheet of PAWC as of December 31, 2019, giving effect to the transfer.

26. Attached hereto as **Appendix H** is a *pro forma* consolidated income statement of

PAWC and the Borough for the 12 months as of December 31, 2019.

27. Attached hereto as **Appendix I** is a certified copy of the resolutions adopted by the Board of Directors of PAWC authorizing the execution of the APA and the consummation of the proposed transfer.

28. Attached hereto as **Appendix J** is a copy of the Borough Council resolution authorizing, *inter alia*, the execution of the APA.

Transaction's Effect on Service and Rates and Other Affirmative Benefits

29. The Transaction will have no detrimental effect on the service provided to PAWC's existing customers or the wastewater customers transferred to PAWC by the Borough.

30. The Transaction will have a beneficial effect on service to the wastewater customers of the Borough. They will receive the benefit of PAWC's experience in managing and operating water and wastewater systems, which will result in efficiencies and improvements in the service to the customers to be transferred.

31. The Transaction is in the public interest, will provide affirmative public benefits of a substantial nature, and satisfies the applicable standard of Code Section 1103, 66 Pa. C.S. § 1103, for, among others, the following reasons:

a. PAWC has the managerial, technical and financial capabilities and fitness to safely and adequately operate the System in compliance with the Code, the Pennsylvania Clean Streams Law (35 P.S. §§ 691.1-691.801), and other requisite regulatory requirements, and to make improvements, as needed, on a short- and long-term basis;

b. The acquisition will further the Commission's goal of regionalization. *See* 52 Pa. Code § 69.721(a). The System will become part of a larger organization that is more viable from a costs and rates standpoint and is committed to providing improved service in the future;

c. The transferred wastewater customers will be served by a large, financially-sound company that has the capability to finance necessary capital additions. Given its size, access to capital and its recognized strengths in system planning, capital budgeting and construction management, PAWC is well-positioned to ensure that high quality wastewater service meeting federal and state requirements is provided to the Borough's customers and maintained for PAWC's existing customers;

d. The transferred wastewater customers will benefit from enhanced customer service in a number of areas, such as, but not limited to, additional bill payment options, extended customer service and call center hours, customer information and education programs, and PAWC's customer assistance program;

e. PAWC provides water service to all but twenty-three of the Borough's wastewater customers, which customers are served by individual wells. As such, improvements in the wastewater service directly benefits these existing PAWC customers. Furthermore, the geographic proximity of the System and PAWC's existing water certificated service territory creates opportunities for functional and operational consolidation, and associated efficiencies and cost savings. The System will be operated and managed in conjunction with PAWC's existing "Southeast Operations"; and

f. The Transaction will yield environmental benefits to PAWC's existing customers, the transferred wastewater customers and the general public because PAWC can better maintain environmental compliance, address any environmental compliance challenges that may arise and operate the System going forward in a more environmentally-friendly way.

32. The Transaction will have no immediate effect on the rates for service to be charged to PAWC's existing customers. With regard to the wastewater customers to be transferred by the Borough, PAWC will -- as shown in the *pro forma* tariff submitted with this Application as **Appendix**

A-13 -- adopt the Borough's current rates, shown on **Schedule 6.7** of **Appendix A-24-a (CONFIDENTIAL)** and at **Appendix A-18-a**. Additionally, immediately following closing of the Transaction, the customers in the Service Territory will be subject to PAWC's prevailing wastewater tariff on file with, and as approved by, the Commission with respect to all rates other than the customer charge (known under PAWC's current tariff as "monthly service charge") and consumption charge, including but not limited to capacity reservation fees, service line inspection fees and the like, as well as non-rate related terms and conditions of service, including but not limited to, billing frequency, termination procedures, and the like. PAWC respectfully requests approval from the Commission to make effective upon closing of the Transaction its existing rules and regulations regarding conditions of service as revised with the proposed changes shown on the *pro forma* tariff supplement attached hereto as **Appendix A-13**.

33. The ratemaking rate base of the proposed transaction equates to an average rate base per customer less than the average per-customer ratemaking rate base approved by the Commission in other recent PAWC acquisitions,³ including the acquisition of the water system assets of the Steelton Borough Authority⁴ and the acquisition of the wastewater system assets of the Kane Borough Authority.⁵ The Commission approved the Steelton acquisition on October 3, 2019 and the Kane acquisition on June 18, 2020, finding the settlements of the application proceedings to be in the public interest.

34. The public and more specifically, the residents of the Borough (who will be both water

³ The ratemaking rate base of the Transaction equates to approximately \$8,025 per customer, on average. See PAWC Statement No. 3 Direct Testimony of Rod P. Nevirauskas at p. 7.

⁴ Docket No. A-2019-3006880, Opinion and Order entered October 3, 2019. \$20.5 million ratemaking rate base approved (Recommended Decision p. 36) / 2,472 customers (Recommended Decision p. 10) = average rate base of \$8,293 per customer.

⁵ Docket No. A-2019-3014248, Opinion and Order entered June 18, 2020. \$17,560,000 ratemaking rate base approved (Recommended Decision p. 24) / 2,019 customers (Recommended Decision p. 9) = average rate base of \$8,697 per customer.

and wastewater customers of PAWC post-closing) will benefit from the Transaction because the purchase price will improve the Borough's financial condition and outlook, providing it with the ability to mitigate against the risk of revenue shortfalls, allowing it the flexibility to undertake necessary future non-System related capital projects, enabling redevelopment, eliminating debt, and potentially lowering the total cost of residency for residents through tax stabilization. By selling the System, the Borough no longer has the burden of maintaining and operating a wastewater business and is enabled to focus more on other key initiatives of the Borough, while at the same time preserving all jobs related to the System. Finally, transferring the System to an investor-owned utility, subjects it to taxation and provides the affirmative public benefit of creating tax revenues.

B. THE RIGHTS OF PAWC TO OFFER OR FURNISH WASTEWATER SERVICE TO THE PUBLIC IN THE BOROUGH, AND IN A PORTION OF UPPER PROVIDENCE TOWNSHIP, MONTGOMERY COUNTY, PENNSYLVANIA

35. The Borough's service area is the same as PAWC's applied-for Service Territory and is shown on the maps in **Appendix A-16-a through A-16-f** and is further described in that appendix. The applied-for-Service Territory is consistent with the Act 537 service area within the Borough.

36. On April 1, 2020 the Borough filed a Petition for Declaratory Order at Docket No. P-2020-3019398 ("Royersford Petition") requesting that the Commission issue a declaratory order that the Borough's provision of wastewater service to sixteen residents in Upper Providence does not constitute the provision of public utility service pursuant to Section 102 of the Code, 66 Pa. C.S. § 102. The Office of Consumer Advocate filed an Answer to the Royersford Petition on April 21, 2020. At the time of this filing, the Royersford Petition is pending before the Commission. Those sixteen customers in Upper Providence are included as part of PAWC's applied-for Service Territory.⁶

⁶ There are Aqua Pennsylvania Wastewater, Inc. ("Aqua") wastewater customers located in Limerick Township ("Limerick") that are served by Aqua pursuant to a bulk service agreement with the Borough. That agreement was assigned to Aqua from Limerick as part of Aqua's acquisition of Limerick's wastewater system and will be assigned to

37. No corporation, partnership or individual other than the Borough is now furnishing or has corporate or franchise rights to furnish service similar to that to be rendered by PAWC in the territory covered by this Application, and no competitive condition will be created. As part of this Application, PAWC has requested approval to acquire, by purchase, all of the assets, properties and rights of the System (other than the Excluded Assets, as set forth in the APA). Upon closing of the Transaction, the Borough will permanently discontinue all wastewater service to the public.

38. The estimated annual revenues and expenses of PAWC in the Service Territory are set forth in **Appendix K**.

C. FAIR MARKET VALUATION UNDER CODE SECTION 1329

39. **Appendix A** and related Section 1329 Checklist appendices satisfy the filing requirements of Code Section 1329, the *Final Supplemental Implementation Order*, and the Section 1329 Checklist. The Section 1329 appendices correspond directly with the numbered requirements of the Section 1329 Checklist (*e.g.*, **Appendix A-1** (Requirement No. 1), **Appendix A-2** (Requirement No. 2), etc.).

40. The fair market valuation reports of the seller's and buyer's UVEs are contained in **Appendix A-5** (with electronic working documents included at **Appendix A-4**). Buyer's UVE's written direct testimony in support of its report is set forth in **Appendix A-14-b**.⁷

41. PAWC's other written direct testimony in support of this Application can be found in **Appendix A-14-a**.

PAWC from the Borough as part of this Transaction. See **Appendix A-25**.

⁷ PAWC is submitting direct testimony of the Borough's UVE and Borough Manager as directed by the *Final Supplemental Implementation Order*. PAWC's submission of this testimony should not be considered support for or sponsoring of such testimony. PAWC anticipates that the Borough will intervene in this matter and will sponsor its direct testimony and exhibits. PAWC reserves its right to submit rebuttal testimony regarding the Borough's testimony as appropriate.

42. As PAWC has strictly followed the requirements of Code Section 1329, the *Final Supplemental Implementation Order*, and the Section 1329 Checklist, PAWC should be permitted to: (a) use for ratemaking purposes the lesser of the fair market value or the negotiated purchase price of the assets related to the System; (b) collect a DSIC related to the Service Territory prior to the first base rate case in which the Service Territory plant-in-service is incorporated into rate base; (c) accrue AFUDC for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; (d) defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; and, (e) include, in its next base rate case, a claim for transaction and closing costs related to the acquisition.

D. FILING OF CONTRACTS PURSUANT TO CODE SECTION 507

43. The APA, because it is between PAWC and a municipal corporation, is required to be filed with the Commission under 66 Pa. C.S. § 507. The APA is attached hereto as **Appendix A-24-a (CONFIDENTIAL)**. This agreement is reasonable and otherwise lawful. PAWC requests that the Commission issue a Certificate of Filing or otherwise approve the APA, for the reasons described in detail in the testimony of Michael Salvo, PAWC Statement No. 1, **Appendix A-14-a**, if the Commission deems that a Certificate of Filing or approval for such agreements is necessary under 66 Pa. C.S. § 507.

E. NOTICE

44. As evidenced by the Certificate of Service accompanying this Application, PAWC is serving electronic copies of this filing by overnight mail on the Office of Consumer Advocate, the Office of Small Business Advocate, and the Commission's Bureau of Investigation and Enforcement. Once the Application is reviewed and conditionally accepted by Commission Staff, PAWC will serve copies of the Application upon the municipal entities required to be provided with copies by the Commission's regulations at 52 Pa. Code § 3.501(f) and by the Section 1329 Checklist and upon the

Pennsylvania Department of Environmental Protection (“DEP”) Central Office and Eastern Regional Office. Similarly, notice will be published in local newspapers of general circulation.

45. Upon receiving conditional acceptance of this filing by the Commission, PAWC will provide individual notice to its customers by bill insert/onsert and to the Borough’s customers by direct mail, consistent with the settlement in *Application of Pennsylvania-American Water Company Pursuant to Sections 1102 and 1329 of the Public Utility Code for Approval of its Acquisition of the Water System Assets of the Steelton Borough Authority*, Docket No. A-2019-3006889 (Order entered October 3, 2019). PAWC will verify to the Commission when individual notice to affected customers has been completed and ask that the filing be finally accepted.

46. Upon final acceptance of this filing, PAWC respectfully requests that the Commission publish notice of this filing in the Pennsylvania Bulletin as soon as possible, with a reasonable deadline for the filing of protests, interventions, etc. in this proceeding.

F. CONCLUSION AND REQUEST FOR RELIEF

WHEREFORE, Pennsylvania-American Water Company respectfully requests that the Pennsylvania Public Utility Commission approve the Application and order that:

(a) such Certificates of Public Convenience be issued as necessary to evidence its approval under 66 Pa. C.S. § 1102(a) of (i) the transfer, by sale, of substantially all of the Royersford Borough’s assets, properties and rights related to its wastewater collection and treatment system to Pennsylvania-American Water Company, and (ii) Pennsylvania-American Water Company’s right to begin to offer, render, furnish and supply wastewater service in the areas served by the Borough in the Borough of Royersford and in a small portion of Upper Providence Township, Montgomery County, Pennsylvania.

(b) the *pro forma* tariff supplement attached hereto as **Appendix A-13**, including all rates, rules and regulations regarding conditions of Pennsylvania-American Water Company’s wastewater

service as revised herein, be permitted to become effective immediately upon closing of the transaction;

(c) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to use for ratemaking purposes the lesser of the fair market value or the negotiated purchase price of the assets purchased pursuant to the Transaction;

(d) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to collect a distribution system improvement charge prior to the first base rate case in which the Service Territory plant-in-service is incorporated into rate base;

(e) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to accrue Allowance for Funds Used During Construction for post-acquisition improvements not recovered through the distribution system improvement charge for book and ratemaking purposes;

(f) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes;

(g) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to include, in its next base rate case, a claim for transaction and closing costs associated with the acquisition of the System;

(h) pursuant to 66 Pa. C.S. § 507, a Certificate of Filing or approval be issued for the Asset Purchase Agreement By and Between Royersford Borough as Seller and Pennsylvania-American Water Company as Buyer dated as of December 10, 2019 (attached hereto as **Appendix A-24-a (CONFIDENTIAL)**); and

(i) the issuance of any other approvals or certificates appropriate, customary, or necessary under the Code to carry out the Transaction contemplated in this Application in a lawful manner.

Respectfully submitted,



Elizabeth Rose Triscari, Esquire (PA ID 306921)
Pennsylvania-American Water Company
852 Wesley Drive
Mechanicsburg, PA 17055
(717) 550-1574
elizabeth.triscari@amwater.com

David P. Zambito, Esquire (PA ID 80017)
Jonathan P. Nase, Esquire (PA ID 44003)
Cozen O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101
(717) 703-5892
dzambito@cozen.com
jnase@cozen.com

Attorneys for *Pennsylvania-American Water Company*

Dated: July 14, 2020