

**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 Valley Township’s assets, properties and rights :
related to its wastewater collection and conveyance system to : Docket No. A-2020-3020178
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 Valley Township, and :
limited portions of East Fallowfield Township, Sadsbury :
Township and West Caln Township, Chester 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 Valley Township’s assets related to its wastewater :
collection system. :

Petition of Pennsylvania-American Water Company, related to its :
acquisition of the Valley Township wastewater collection system, :
for approval under Section 1329 of the Pennsylvania Public :
Utility Code, 66 Pa. C.S. § 1329, to (i) collect a distribution system : Docket No. P-2020-_____
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 : Docket No U-2020-_____
Section 507 of the Pennsylvania Public Utility Code, 66 Pa. C.S. :
§ 507, of (a) the Asset Purchase Agreement Between :
Pennsylvania-American Water Company and Valley Township; :
(b) the Sewer and Water Service Agreement Between West Caln :
Township, Valley Township, Valley Township Authority and :
Highlands Corporate Center; and (c) the Agreement between :
Valley Township and Sadsbury Township. :

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 Valley Township’s (“Valley’s”) assets, properties and rights related to Valley’s wastewater collection 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 Valley in Valley and in portions of East Fallowfield Township, Sadsbury Township, and West Caln Township (the “Service Area”), Chester County, Pennsylvania (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 Valley’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 here to 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: (a) the Asset Purchase Agreement By and Among Valley Township, as Seller, and Pennsylvania-American Water Company, as Buyer, dated as of December 17, 2019 (attached hereto as **Appendix A-24-a**) (the “APA”) (**CONFIDENTIAL**); (b) the Sewer and Water Service Agreement Between West Caln Township, Valley Township, Valley Township Authority and Highlands Corporate Center;² and (c) the Agreement between Valley Township and Sadsbury Township.

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:

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² Valley Township Authority was subsequently disbanded.

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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. Valley is a Township of the Second Class, organized and existing under the laws of the Commonwealth of Pennsylvania, with its offices located at 890 West Lincoln Highway, Coatesville, Pennsylvania. Valley owns and operates the System, providing wastewater service to the Service Area, in Chester County, Pennsylvania.

8. As of December 31, 2019, Valley furnishes wastewater service to approximately 3,125 customers (2,982 residential, 128 commercial, 12 industrial and 3 other customer connections).

9. As of July 31, 2020, PAWC currently furnishes wastewater service to approximately 75,087 residential, commercial, industrial, municipal and bulk customers in Pennsylvania. As of July 31, 2020, PAWC furnished water service to approximately 669,708 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 Valley, while ensuring that Valley’s existing customers receive safe, adequate, and reliable wastewater service at just and reasonable rates.

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

Summary of the Transaction

11. Valley entered into the APA (along with detailed schedules) to sell all of Valley’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 Valley to complete the Transaction after receipt of all governmental approvals (including from this Commission) and the satisfaction of all conditions precedent; (ii) requires PAWC to assume certain contracts; (iii) requires PAWC initially to adopt Valley’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) sets forth rates for the Service Area that will be fair to both Valley’s current customers and PAWC’s current customers³

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

³ The rate commitments set forth in the APA do not fall within the definition of a “rate stabilization plan” as defined by 66 Pa. C.S. § 1329 because PAWC has not made any commitments to control rates beyond Closing as set forth in the APA and PAWC is not asking the Commission to approve any rate commitments as part of this application proceeding. See Direct Testimony of Rod Nevirauskas, Appendix A-14-a, PAWC St. No. 3WW.

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. Cmwlt. 1992).

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 Area prior to the first base rate case in which the Service Area 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 balance sheet of Valley 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 Valley 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 Valley related to the System (other than the Excluded Assets, as defined by the APA) (**Appendix A-24-a**) (**CONFIDENTIAL**).

23. PAWC and Valley 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 Valley 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 Valley's resolution (2019-24) approving the execution of an asset purchase agreement for the sale of the wastewater system assets.

29. Attached hereto as **Appendix K** is an estimate of PAWC's revenues and expenses in the new service area during the first year after closing.

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

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

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

32. 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 Valley'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 currently provides water service to a substantial portion of Valley's wastewater customers. As such, improvements in the wastewater service directly benefit 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. Further opportunities for functional and operational consolidation will be presented in the future because PAWC is simultaneously filing an application to acquire Valley's water system. 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

address any environmental deficiencies and operate the System going forward in a more environmentally-friendly way.

33. 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 Valley, PAWC will -- as shown in the *pro forma* tariff submitted with this Application as **Appendix A-12** -- adopt Valley's current rates, shown on **Schedule 7.03(a)** of **Appendix A-24-a (CONFIDENTIAL)** and at **Appendix A-18-a**. Additionally, immediately following closing of the Transaction, the customers in the Service Area 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-12**.

34. The ratemaking rate base of the proposed transaction equates to an average rate base per customer less than or *similar* to the average per-customer ratemaking rate base approved by the Commission in other recent PAWC acquisitions,⁴ including the acquisition of the water system assets of the Steelton Borough Authority⁵ and the acquisition of the wastewater system assets of the Kane

⁴ The ratemaking rate base of the Transaction equates to approximately \$4,464 per customer, on average. See PAWC Statement No. 3 WW Direct Testimony of Rod P. Nevirauskas at p. 7.

⁵ 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.

Borough Authority.⁶ 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.

35. The public and more specifically, the residents of Valley (who will be both water and wastewater customers of PAWC post-closing) will benefit from the Transaction because the purchase price will provide funds which can potentially be used for public purposes, such as, reducing pension liabilities and debt, funding public works, mitigating tax increases, promoting economic development, providing police and fire protection, maintaining and upgrading parks, etc. By selling the System, Valley will no longer have the burden of maintaining and operating a wastewater business and is enabled to focus more on its core governmental functions. 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 VALLEY, AND IN PORTIONS OF EAST FALLOWFIELD TOWNSHIP, SADSBUY TOWNSHIP, AND WEST CALN TOWNSHIP, CHESTER COUNTY, PENNSYLVANIA

36. Valley currently provides wastewater service to approximately 3,125 customers in the Service Area.

37. On April 14, 2020, Valley filed a Petition for Declaratory Order at Docket No. P-2020-3019477 (“Valley Petition”) requesting that the Commission issue a declaratory order that Valley’s provision of wastewater service to 20 customers in West Caln Township, one customer in Sadsbury Township and 9 customers in East Fallowfield Township does not constitute the provision of public utility service, and, therefore, is not subject to Commission jurisdiction. By Order entered on August

⁶ 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.

6, 2020, the Commission granted the Valley Petition. In the Order, the Commission specifically found that “Valley Township’s service to its extraterritorial wastewater customers in West Caln, Sadsbury and East Fallowfield Township is not ‘for the public.’” Thus, the 20 customers in West Caln Township, the one customer in Sadsbury Township and the 9 customers in East Fallowfield Township are included in this Application as part of PAWC’s applied-for service territory.

38. Valley’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-h (Appendix A-16-f CONFIDENTIAL)** and is further described in that appendix. The applied-for service area is consistent with the Act 537 Service Area within Valley.

39. No corporation, partnership or individual other than Valley 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, Valley will permanently discontinue all wastewater service to the public.

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

C. FAIR MARKET VALUATION UNDER CODE SECTION 1329

41. **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.).

42. 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 as Appendix A-4.2 (AUS) and Appendix A-4.3 (Gannett)**). Buyer's UVE's written direct testimony in support of its report is set forth in **Appendix A-14-b**.⁷

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

44. 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 Area prior to the first base rate case in which the Service Area 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

45. 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)**. In addition, Valley will assign to PAWC (i) the November 16, 1988 Sewer and Water Service Agreement Between West Caln Township, Valley Township, Valley Township

⁷ PAWC is submitting direct testimony of Valley's UVE and the Chairwoman of Valley's Board 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 Valley will intervene in this matter and will sponsor its direct testimony and exhibits. PAWC reserves its right to submit rebuttal testimony regarding Valley's testimony as appropriate.

Authority and Highlands Corporate Center; and (ii) the November 15, 2011 Agreement between Valley Township and Sadsbury Township.⁸ These agreements can be found in **Appendix A-25-a**. These agreements are reasonable and otherwise lawful. PAWC requests that the Commission issue a Certificate of Filing or otherwise approve them, for the reasons described in detail in the testimony of Keith Gabage, PAWC Statement No. 1WW, **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

46. As evidenced by the Certificate of Service accompanying this Application, PAWC is serving copies of this filing by certified 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 Southeast Regional Office. Similarly, notice will be published in local newspapers of general circulation.

47. Upon receiving conditional acceptance of this filing by the Commission, PAWC will provide individual notice to its customers by bill insert or bill onsert and to Valley's customers by direct mail, in substantial compliance 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).⁹ PAWC will verify to the Commission when individual

⁸ Valley will also assign to PAWC several contracts between Valley and the City of Coatesville Authority. Since PAWC now owns the City of Coatesville Authority, these contracts will cease to be effective at closing, and Commission approval is unnecessary.

⁹ See Direct Testimony of Rod P. Nevirauskus, **Appendix A-14-a**, PAWC Statement No. 3WW. at p. 10.

notice to affected customers has been completed and ask that the filing be finally accepted.

48. 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 Valley's assets, properties and rights related to its wastewater collection 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 Valley in Valley and in portions of East Fallowfield Township, Sadsbury Township and West Caln Township, Chester County, Pennsylvania;

(b) the *pro forma* tariff supplement attached hereto as **Appendix A-12**, 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 Area 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;

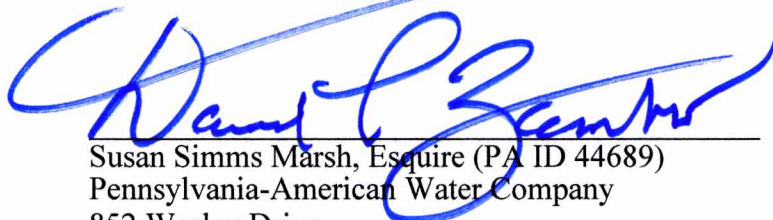
(f) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes;

(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 Among Valley, as Seller, and Pennsylvania-American Water Company, as Buyer, dated as of December 17, 2019 (attached hereto as **Appendix A-24-a (CONFIDENTIAL)**); (b) the November 16, 1988 Sewer and Water Service Agreement Between West Caln Township, Valley Township, Valley Township Authority and Highlands Corporate Center; and (c) the November 15, 2011 Agreement between Valley Township and Sadsbury Township (both attached hereto in **Appendix A-25-a**); 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,



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Dated: October 9, 2020