

THEREFORE,

IT IS ORDERED:

1. That the Joint Petition for Approval of Non-Unanimous Settlement of All Issues filed by Pennsylvania-American Water Company, the Office of Consumer Advocate, the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement, the Office of Small Business Advocate, Upper Pottsgrove Township, and Shadeland Development Corporation, on June 25, 2021 at Docket No. A-2020-3021460, including all terms and conditions thereof, is approved, without modification.

2. That the Application filed by Pennsylvania-American Water Company on November 24, 2020, as amended, be granted, subject to the conditions set forth in the Joint Petition for Approval of Non-Unanimous Settlement of All Issues filed on June 25, 2021 and the terms set forth in this Order.

3. That the Commission issue Certificates of Public Convenience under 66 Pa.C.S. §§ 1102(a) and 1103(a) evidencing Commission approval of: (i) the transfer, by sale, of Upper Pottsgrove Township's assets, properties and rights related to its wastewater collection and treatment system to Pennsylvania-American Water Company as provided in the Application, and (ii) Pennsylvania-American Water Company's right to begin to offer, render, furnish and supply wastewater collection and treatment service in the areas served by Upper Pottsgrove as indicated in the Application.

4. That, upon the day of Closing of the Transaction, Pennsylvania-American Water Company be permitted to issue a compliance tariff supplement, consistent with the *pro forma* tariff supplement submitted with the Application as Appendix A-12, to be effective upon the day of Closing of the Transaction.

5. That the Commission approve, under 66 Pa.C.S. § 1329(c), a rate base addition of \$13,750,000 associated with the acquisition of the System.

6. That, in future acquisitions by Pennsylvania-American Water Company under 66 Pa.C.S. § 1329, filed subsequent to the Commission's approval of this Settlement without modification, Pennsylvania-American Water Company shall clearly document the date on which it engaged or otherwise authorized its utility valuation expert to perform the fair market value appraisal of the system so as to demonstrate compliance with 66 Pa.C.S. § 1329(a)(5).

7. That Pennsylvania-American Water Company be directed to ensure that, in any future Section 1329 applications it submits, the engineering assessment required under 66 Pa.C.S. § 1329(a)(4) will designate the condition of the inventory and assets appraised. Such designation of condition shall be limited to whether the categories of system assets appraised are in poor, fair, good, or very good condition

8. That Pennsylvania-American Water Company and Upper Pottsgrove Township be directed to continue to work to achieve the transfer of the Real Property Rights. However, PAWC shall be permitted, in its discretion, to Close without the transfer of all of the Real Property Rights, provided that an escrow is established from the Purchase Price to be used to obtain any post-Closing transfers of the Real Property Rights. Pennsylvania-American Water Company will provide an update to the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate and the Office of Small Business Advocate approximately thirty (30) days in advance of the anticipated Closing Date and a final update before Closing regarding the status of the transfer of the Real Property Rights.

9. That Pennsylvania-American Water Company be directed to require, as a condition of Closing and subject to 66 Pa.C.S. § 703(g), that Upper Pottsgrove obtain clear title to the sewer line of which Shadeland Development Corporation claims ownership in its Petition to Intervene, by dedication to Upper Pottsgrove, determination of a court of competent jurisdiction that dedication is not necessary, or other evidence reasonably satisfactory to Pennsylvania-American Water Company.

10. That PAWC be directed to complete an Inflow and Infiltration study of the Upper Pottsgrove System following Closing and provide the results of that study to I&E, OCA

and OSBA upon completion. The costs of the I&I study will be subject to prudence review when they are claimed for recovery in base rates.

11. That, in the first base rate case that includes Upper Pottsgrove's wastewater system assets:

a. Pennsylvania-American Water Company will submit a cost-of-service study that removes all costs and revenues associated with the operation of Upper Pottsgrove's system.

b. Pennsylvania-American Water Company will provide a separate cost-of-service study for the Upper Pottsgrove System.

c. Pennsylvania-American Water Company will propose to move the Township's system to its cost of service, based on a separate cost-of-service study for the Township's system; provided, however, that Pennsylvania-American Water Company will not propose Upper Pottsgrove wastewater rates in excess of Pennsylvania-American Water Company's proposed Rate Zone 1 system-average rates. The Joint Petitioners acknowledge, however, that Pennsylvania-American Water Company may agree to rates other than those proposed for Township customers in the context of a settlement of the base rate case. OCA, I&E, OSBA and Upper Pottsgrove reserve their rights to fully address this proposal, and to make other rate proposals in the base rate case.

12. That, pursuant to 66 Pa.C.S. § 1329, Pennsylvania-American Water Company shall be permitted to collect a DSIC prior to the first base rate case in which the Upper Pottsgrove service area plant-in-service is incorporated into rate base; provided, however, that such permission shall be conditioned upon (i) Pennsylvania-American Water Company's filing of an amended wastewater Amended LTIP which does not re-prioritize other existing commitments in other services areas, (ii) the Commission's approval of the Amended LTIP, as may be modified in the discretion of the Commission, and (iii) Pennsylvania-American Water Company's filing of

a compliance tariff supplement which incorporates Upper Pottsgrove into its existing DSIC tariff, including all customer safeguards applicable thereto, after Commission approval of the Amended LTIP.

13. That Pennsylvania-American Water Company shall be permitted to (i) accrue AFUDC for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes and (ii) defer depreciation related to post acquisition improvements not recovered through the DSIC for book and ratemaking purposes. Any claims for AFUDC and deferred depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes will be addressed in Pennsylvania-American Water Company's first base rate case which includes Upper Pottsgrove's wastewater System assets. The Joint Petitioners reserve their rights to litigate their positions fully in future rate cases when these issues are ripe for review. The Joint Petitioners' assent to this term should not be construed to operate as their preapproval of Pennsylvania-American Water Company's requests.

14. That Pennsylvania-American Water Company shall be permitted to claim Transaction and Closing Costs associated with the Transaction. The Joint Petitioners reserve their rights to litigate their positions fully in future rate cases when this issue is ripe for review. The Joint Petitioners' assent to this term should not be construed to operate as their preapproval of Pennsylvania-American Water Company's request.

15. That, if the transaction does not close, and Pennsylvania-American Water Company does not recoup all of its \$90,000 engineering fee/legal fee deposit from Upper Pottsgrove as referenced in Section 3.01 of the APA, then Pennsylvania-American Water Company will not seek to recover any unrecouped portion of the deposit from its ratepayers in any proceeding.

16. That the inclusion of outside legal fees, if any, in Pennsylvania-American Water Company's transaction and closing costs under the APA between Pennsylvania-American Water Company and Upper Pottsgrove shall be separately identified in Pennsylvania-American Water Company's next base rate case and amounts expended by Pennsylvania-American Water

Company on behalf of Upper Pottsgrove will be separately identified. The OCA, I&E and OSBA reserve the right to challenge the reasonableness, prudence, and basis for such fees.

17. That, within the first billing cycle following Closing, Pennsylvania-American Water Company shall include a bill insert to Upper Pottsgrove's customers regarding its low income programs and shall include such information in a welcome letter to Upper Pottsgrove's customers. The bill insert and welcome letter shall include, at a minimum, a description of the available low income programs, eligibility requirements for participation in the programs, and PAWC's contact information. Pennsylvania-American Water Company will also provide ongoing, targeted outreach to its Upper Pottsgrove-area customers regarding its low income program.

18. That, in the same welcome packet referenced in the above paragraph, Pennsylvania-American Water Company will explicitly inform acquired customers that they are being converted to monthly billing. Pennsylvania-American Water Company's letter should also direct acquired customers to contact Pennsylvania-American Water Company with any questions about the conversion and/or to discuss low-income programming options that may be available.

19. That, pursuant to 66 Pa.C.S. § 507, the Commission issue Certificates of Filing or approvals for the following agreements between Pennsylvania-American Water Company and a municipal corporation: (1) the Sanitary Sewer Asset Purchase Agreement By and Between Upper Pottsgrove Township, Montgomery County as Seller and Pennsylvania-American Water Company as Buyer, dated as of April 28, 2020; (2) the Sewage Treatment Service Agreement between Upper Pottsgrove Township, Borough of Pottsgrove and Pottstown Borough Authority; and, (3) the Joint Sewage Transportation Agreement between Upper Pottsgrove Township and Lower Pottsgrove Township.¹

20. That the contracts listed in Schedule 4.13 of the APA, including but not limited to, the Sewage Treatment Service Agreement referenced in Paragraph No. 42 of the Settlement, which are subject to approval by the Commission under 66 Pa.C.S. § 507, are material

¹ The OCA does not join in this paragraph but does not oppose PAWC's request.

to the Commission's approval of the Transaction (singularly, a "Material Agreement") and that Pennsylvania-American Water Company will require, subject to 66 Pa.C.S. § 703(g), Upper Pottsgrove to obtain assignment of all Material Agreements as a condition of Closing.

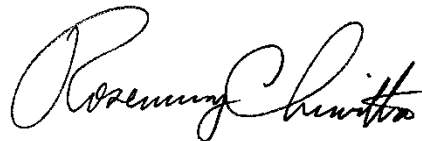
21. That the Commission issue any other approvals or certificates appropriate, customary, or necessary under the Code to carry out the transaction contemplated in the Application in a lawful manner.

22. That all claims asserted by the Borough of Pottstown and Pottstown Borough Authority for a modification to the Settlement or the Application, are hereby denied.

23. That the Protests filed by the Borough of Pottstown and Pottstown Borough Authority in this proceeding, are hereby denied and dismissed.

24. That the Commission's proceeding at Docket No. A-2020-3021460 be terminated and marked closed.

BY THE COMMISSION,

A handwritten signature in black ink, appearing to read "Rosemary Chiavetta". The signature is written in a cursive, flowing style.

Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: September 15, 2021

ORDER ENTERED: September 15, 2021