



**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 assets, properties and rights related to the wastewater collection system (the “System”) owned by the Borough of Brentwood (“Brentwood” or “Borough”) to PAWC; (b) PAWC’s right to begin to offer, render, furnish and supply wastewater service in the areas served by the System in the Borough (hereinafter the “Service Area”) and (c) PAWC’s right 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 Brentwood’s assets related to the System;<sup>1</sup> (b) the 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) to record the acquisition at the net value of the assets, (d) the accrual of Allowance for Funds Used During Construction (“AFUDC”) for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; (e) the deferral of depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; and (f) 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

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<sup>1</sup> 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 Certificates of Filing or approvals for the following agreements between PAWC and a municipal corporation:

- a. Asset Purchase Agreement and First Amendment to the Asset Purchase Agreement By and Between Brentwood Borough, as Seller, and Pennsylvania-American Water Company, as Buyer, dated as of December 22, 2020, and amended on March 2, 2023 (attached hereto as **Appendix A-24-a**) (collectively the “APA”);
- b. Agreement between Borough of Brentwood and City of Pittsburgh, dated October 14, 1936 (attached hereto as **Appendix A-25.1**);
- c. Streets Run Sewer Joint Management Agreement between Boroughs of Brentwood, Baldwin and Whitehall and the Western Mifflin Sanitary Sewer Authority dated July 19, 2000 (attached hereto as **Appendix A-25.2**); and
- d. Cooperation and Allocation of Responsibilities Agreement between Borough of Brentwood and Pennsylvania-American Water Company dated March 2, 2023 (“Cooperation Agreement”), attaching as Exhibit A Sewage Treatment, Plan Design, Construction and Operation Agreement by and between

Allegheny County Sanitary Authority (“ALCOSAN”), City of Pittsburgh and  
Borough of Brentwood Dated as of December 1, 1949 (“Z Agreement”)  
(attached hereto as **Appendix A-25.3**).

The aforementioned agreements are referred collectively herein as the “Section 507 Agreements.”

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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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 417 communities in 37 counties across the Commonwealth, including Allegheny County and the nearby counties of Washington, Westmoreland, Beaver and Armstrong. PAWC serves a combined population of over 2,300,000. 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. Brentwood is a body corporate and politic organized and existing under the Borough Code in the Commonwealth of Pennsylvania, with its offices located at 3735 Brownsville Road, Brentwood, PA 15227. Brentwood owns and operates the System to provide wastewater service to customers throughout the Service Area.

8. As of March 20, 2023, Brentwood furnished wastewater service to 3,974 active customers in the span of its Service Area consisting of approximately 1.4 square miles.

9. As of February 28, 2023, PAWC furnished wastewater service to approximately 97,325 residential, commercial, industrial, municipal and bulk customers in Pennsylvania. As of February 28, 2023, PAWC furnished water service to approximately 680,144 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 Brentwood’s existing customers receive safe, adequate, and reliable wastewater service at just and reasonable rates.

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

**Summary of the Transaction**

11. On December 22, 2020, Brentwood entered into the APA, along with detailed schedules, with PAWC to sell all of Brentwood’s assets, properties and rights relating to the System (other than the Excluded Assets, as defined by the APA) (the “Transaction”). On March 2, 2023, PAWC entered into a First Amendment to the APA with Brentwood adjusting the purchase price to reflect the prudent capital expenditures made by the Borough in the System since execution of the

APA.

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

13. Among other things, the APA: (i) requires PAWC and Brentwood 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 the rates in effect at the time of closing of the Transaction (“Closing”) (see *pro forma* tariff supplement attached hereto as **Appendix A-12**); and, (iv) sets forth rates for the Service Area that will be fair to both Brentwood’s current customers and PAWC’s current customers.<sup>2</sup>

#### **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).

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

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<sup>2</sup> 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. *See* Direct Testimony of Ashley E. Everette, **Appendix A-14-a**, PAWC St. No. 3.

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. Code Section 1329 also allows, as a matter of law, the acquiring public utility, *inter alia*, (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,<sup>3</sup> (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

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<sup>3</sup> Before doing so, however, PAWC would need to file and receive Commission approval of, an amended Long Term Infrastructure Improvement Plan and a compliance tariff supplement, which incorporate the Service Area into PAWC’s DSIC tariff.

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 Brentwood's balance sheet as of December 31, 2021 (**Appendix C**) and PAWC's audited balance sheet as of December 31, 2021 (**Appendix D**).

20. Attached hereto is Brentwood's audited income statement for the 12 months ended December 31, 2021 (**Appendix E**), and PAWC's audited income statement for the 12 months ended December 31, 2021 (**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 substantially all of the assets, properties and rights related to the System (other than the Excluded Assets, as defined by the APA) (**Appendix A-24-a**).

23. PAWC and Brentwood 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, 2021, giving effect to the transfer.<sup>4</sup>

26. Attached hereto as **Appendix H** is a *pro forma* consolidated income statement of PAWC and Brentwood for the 12 months as of December 31, 2021.<sup>5</sup>

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<sup>4</sup> The timing difference in restating the Brentwood's financial statements to December 31, 2021 is assumed by PAWC to be immaterial.

<sup>5</sup> The timing difference in restating the Brentwood's financial statements to December 31, 2021 is assumed by PAWC to be immaterial.

27. Attached hereto as **Appendix A-19-d** is an estimate of PAWC's revenues and expenses in the new service area during the first year after Closing.

28. Attached hereto as **Appendix I** is a verification by the Secretary of PAWC verifying that the Board of Directors of PAWC authorized the execution of the APA.

29. Attached hereto as **Appendix J** is a copy of Brentwood's Board of Directors Resolution No. 2020-72 approving the execution of an Asset Purchase Agreement for the sale of the wastewater system assets and Resolution 2023-14 approving execution of the First Amendment to the APA.

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

30. 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, because the benefits of the Transaction outweigh the detriments for all major stakeholder groups: (a) the public-at-large, (b) the Borough; (c) the existing customers of Brentwood, (d) the existing wastewater customers of PAWC, and (e) the existing water customers of PAWC.

31. The Transaction will benefit the public-at-large, for the following reasons (among others):

- a. The Transaction promotes the Commission's policy favoring regionalization and consolidation of water and wastewater systems. 52 Pa. Code § 69.721(a).
- b. The Transaction promotes the Legislature's policy goals when it enacted Section 1329.
- c. Due to its greater financial resources and greater depth of experience in managing wastewater systems, PAWC is in a better position than Brentwood to address the System's existing environmental challenges and to maintain environmental compliance in the future. PAWC has a good record of complying with applicable environmental statutes and regulations. Improved environmental compliance will promote the rights of all Pennsylvanians, which are protected by the Environmental Rights Amendment. PA. CONST. Art. 1, § 27.

32. The Transaction will benefit the Borough for the following reasons (among others):
- a. The Transaction will enable the Borough to reallocate administrative time to focus on other key initiatives, while also providing much needed sale proceeds to provide financial stability and security in the current unpredictable economic environment. The sale proceeds will be available to provide the Borough with the opportunity to eliminate its current debt obligations, fund renovations to its Civic Center, assist with future grant matching/cost sharing opportunities for other development projects in the Borough and eliminate the need for the Borough to raise taxes to its residents in the near future.
  - b. PAWC is the water service provider in the area. It will evaluate needed infrastructure upgrades holistically from both the water and wastewater perspectives, and can plan water distribution system improvements and sewer system rehabilitation projects together when feasible, reducing the number of street openings, lessening the inconvenience to the public, and lowering overall construction and restoration costs.
  - c. The Borough will receive additional tax revenues because the System will be subject to tax after Closing. In addition, PAWC will improve the System, which will promote economic development in the area, further enhancing tax revenues to the Borough.

33. The Transaction will benefit the existing customers of Brentwood for the following reasons (among others):

- a. The existing customers of Brentwood are members of the public-at-large, and so will enjoy the same benefits from the Transaction as all other members of the public-at-large.
- b. Brentwood customers will become part of a very large PAWC customer base. As a stand-alone system, Brentwood customers would have to bear the complete burden of impending capital improvement needs on their own. As part of a larger customer base, Brentwood customers will benefit at times but also be required to contribute to other customers at times. The sharing of costs over an extended period of time is a benefit of regionalization and consolidation of wastewater systems in the Commonwealth.
- c. Customers will receive service from a financially, legally and technically fit public utility, subject to the regulatory oversight of the Commission. Customers will now be able to receive assistance from the Office of Consumer Advocate, the Office of Small Business Advocate, and the Bureau of Investigation and Enforcement with service and rate issues.
- d. Pursuant to the APA, PAWC will not raise rates for at least two years after Closing.

- e. PAWC has more robust cyber security, physical security, business continuity and emergency plans than does Brentwood.
  - f. Customers can make service calls to PAWC's customer call centers at hours when Brentwood's office is closed, and can request service via the internet, which Brentwood does not offer.
  - g. PAWC has more robust customer assistance programs and customer education programs. PAWC also offers a wider range of bill payment options than does Brentwood. Because PAWC is the water provider in the area, residents will have the convenience of one bill for both water and wastewater.
  - h. PAWC must comply with the Responsible Utility Customer Protection Act, and the Commission's regulations at 52 Pa. Code Chapter 56, whereas Brentwood is not subject to this statute and regulations.
  - i. Brentwood's existing customers will enjoy the economies of scale that come from PAWC's greater size and purchasing power, including its ability to obtain goods and services at lower costs because it buys in large quantities.
34. The Transaction will benefit the existing wastewater customers of PAWC for the following reasons (among others):
- a. PAWC's existing wastewater customers are members of the public-at-large, and so will enjoy the same benefits from the Transaction as all other members of the public-at-large.
  - b. The Transaction will have no immediate rate impact on PAWC's existing wastewater customers; any impacts on the rates of PAWC's existing customers would occur only upon Commission approval as part of a base rate proceeding.
  - c. The Transaction will add approximately 3,974 wastewater customers to PAWC's existing wastewater customer base of approximately 97,325 customers (or an increase of more than 4%). In the long term, this will benefit existing wastewater customers by spreading the costs of the System among a larger number of customers, allowing all customers to share future infrastructure and other expenses, which permits rates for all customers to remain just and reasonable over time. It also promotes rate stability because ratepayers in any particular wastewater system are unlikely to experience sharp rate spikes when their individual system requires extensive capital investments.
35. The Transaction will benefit the existing water customers of PAWC for the following reasons (among others):

- a. The existing water customers of PAWC are members of the public-at-large, and so will enjoy the same benefits from the Transaction as all other members of the public-at-large.
- b. The Transaction will have no immediate rate impact on PAWC's existing water customers.
- c. In the long term, the Transaction will have no impact at all on the rates of PAWC's existing water customers unless, in a future rate case, the Commission determines that an allocation of PAWC's wastewater requirement to water customers is in the public interest.

**B. THE RIGHTS OF PAWC TO OFFER OR FURNISH WASTEWATER SERVICE TO THE PUBLIC IN THE BOROUGH OF BRENTWOOD, ALLEGHENY COUNTY, PENNSYLVANIA**

36. Brentwood provides wastewater service to approximately 3,974 active customers in the Service Area.

37. The System'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 (Appendix A-16-f is CONFIDENTIAL)** and is further described in those appendices. The applied-for service area will be consistent with the Act 537 Service Area for Brentwood and the surrounding municipalities when the Act 537 Plan is updated to reflect the change in ownership of the System. This Act 537 Plan Update, including the service area map, will be adopted by ALCOSAN and all the affected municipalities and approved by DEP prior to Closing.

38. No corporation, partnership or individual other than Brentwood 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, substantially all of the assets, properties and rights related to the wastewater collection System (other than the Excluded Assets, as set forth in the APA). Upon closing of the Transaction, Brentwood will permanently discontinue all wastewater service to the public.

### 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** as **Appendix A-4.2 (Weinert Appraisal and Depreciation Service, LLC)** and **Appendix A-4.3 (Gannett Fleming Valuation and Rate Consultants, LLC)**). Buyer's UVE's written direct testimony in support of its report is set forth in **Appendix A-14-b**.<sup>6</sup>

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

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 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

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<sup>6</sup> PAWC is submitting Direct Testimony of Brentwoods's UVE and one other piece of testimony by George Zboyovsky, Borough Manager. These two pieces of Direct Testimony are being submitted as directed by the *Final Supplemental Implementation Order*. PAWC's submission of this testimony should not be considered support for or sponsorship of such testimony. PAWC anticipates that Brentwood will intervene in this matter and will sponsor their respective direct testimony and exhibits. PAWC reserves its right to submit rebuttal testimony regarding the testimony of Brentwood as appropriate.

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.

43. PAWC seeks approval to record the net value of the \$19,364,443 assets on its books. Specifically, PAWC requests to record the acquisition on a net basis consistent with generally accepted accounting principles, which advise that property, plant and equipment acquired in a business combination intended to be held and used should be recognized and measured at fair value, and that the accumulated depreciation of the acquiree is not carried forward in a business combination (*i.e.*, net presentation). Recording the acquisition at the net value of the assets is consistent with Section 1329.

#### **D. FILING OF CONTRACTS PURSUANT TO CODE SECTION 507**

44. The APA and the Cooperation Agreement, because they are between PAWC and a municipal corporation, are required to be filed with the Commission under 66 Pa. C.S. § 507. The APA is attached hereto as **Appendix A-24-a**. The Cooperation Agreement is attached hereto as **Appendix A-25.3**. In addition, contracts between Brentwood and certain municipal corporations will be assumed by PAWC upon Closing. The Section 507 Agreements, other than the APA, are listed on **Appendix A-25** and attached hereto as **Appendices A-25.1 through A-25.3**. The municipal agreements are reasonable and otherwise lawful. Assumption of the agreements by PAWC is necessary for PAWC to abide by the existing contractual arrangements of Brentwood and in order for PAWC to provide safe, adequate, and reasonable service to the Service Area customers at just and reasonable rates. As explained further in PAWC Statement No. 1, the Direct Testimony of Michael Salvo, at pp. 8-12, the Z Agreement with ALCOSAN is not being directly assigned to PAWC. Rather the Cooperation Agreement sets forth the rights and obligations under the Z Agreement that will be allocated to PAWC by Brentwood at Closing. Accordingly, the Commission should issue Certificates of Filing or otherwise approve the Section 507 Agreements

under 66 Pa. C.S. § 507.

#### E. NOTICE

45. As evidenced by the Certificate of Service accompanying this Application, PAWC is serving copies of this filing electronically by emailing a One Drive link to 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 Northwestern Regional Office. Similarly, notice will be published in local newspapers of general circulation.

46. 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 Brentwood'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).<sup>7</sup> PAWC will verify to the Commission when individual notice to affected customers has been completed and ask that the filing be finally accepted.

47. 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.

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<sup>7</sup> See Direct Testimony of Ashley E. Everette, **Appendix A-14-a**, PAWC Statement No. 3. at pp. 11-16.

## 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 assets, properties and rights related to the wastewater collection system owned by Brentwood to Pennsylvania-American Water Company, and (ii) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply wastewater service in the areas served by the wastewater collection system owned by Brentwood;

(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. § 1702, Pennsylvania-American Water Company be permitted to record the acquisition at the net value of the assets;

(e) 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:

(f) 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;

(g) 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;

(h) 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;

(i) pursuant to 66 Pa. C.S. § 507, a Certificate of Filing or approvals be issued for the following agreements between Pennsylvania-American Water Company and a municipal corporation:

- i. Asset Purchase Agreement and First Amendment to the Asset Purchase Agreement By and Between Brentwood Borough , as Seller, and Pennsylvania-American Water Company, as Buyer, Dated as of December 22, 2020 and amended March 2, 2023 (attached hereto as **Appendix A-24-a**);
- ii. Agreement between Borough of Brentwood and City of Pittsburgh, dated October 14, 1936 (attached hereto as **Appendix A-25.1**);
- iii. Streets Run Sewer Joint Management Agreement between Boroughs of Brentwood, Baldwin and Whitehall and the Western Mifflin Sanitary Sewer Authority dated July 19, 2000 (attached hereto as **Appendix A-25.2**); and
- iv. Cooperation and Allocation of Responsibilities Agreement between Borough of Brentwood and Pennsylvania-American Water Company dated March 2, 2023 attaching as Exhibit A the Sewage Treatment, Plan Design,

Construction and Operation Agreement by and between Allegheny County  
Sanitary Authority, City of Pittsburgh and Borough of Brentwood Dated as of  
December 1, 1949 (attached hereto as **Appendix A-25.3**).

(j) 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: March 31, 2023