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May 31, 2023

**FILED VIA ELECTRONIC FILING**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17105-3265

**In re: In re: Application of Pennsylvania-American Water Company under Section 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater collection and conveyance system owned by Borough of Brentwood, (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the Borough of Brentwood in Allegheny County, Pennsylvania**

**Docket No: A-2021-3024058**

Dear Secretary Chiavetta:

Attached please find an Amendment to the Application of Pennsylvania-American Water Company ("PAWC") for approval to acquire substantially all of the assets, properties and rights related to the wastewater collection system owned by the Borough of Brentwood at the above-referenced docket ("Application"). The Application was originally filed on March 31, 2023.

This Amendment is being filed to amend the following documents:

- 1. Appendix A-4.1 – Response to SDR 4 only**
- 2. Appendix A-12 – Pro Forma Tariff**
- 3. Appendix A-14 – PAWC Statement No. 3, Direct Testimony of Ashley E. Everette**
- 4. Appendix A-18-d – Customer Notice**
- 5. Appendix A-19-d – Projected Revenues and Expenses**

This Amendment is being filed due to PAWC determining through discovery that the annual operation and maintenance expenses ("O&M") were understated in the initial filing. This Amendment is being filed to correctly reflect projected O&M expense as part of the estimated annual revenue requirement. PAWC is also clarifying in the amended *pro forma* tariff that for connections that require approval from ALCOSAN, that approval is required prior to connection to the Brentwood system. This Rule is required by and consistent with the Cooperation Agreement between PAWC and Brentwood. The amended *pro forma* tariff also clarifies that ALCOSAN treatment charges are excluded from PAWC's bill discount program (customers can apply for the ALCOSAN discount for that portion of their bill).

Finally, copies of this Amendment have been served upon the statutory advocates in accordance with the attached Certificate of Service and in accordance with the Commission's *Final Supplemental Implementation Order* entered February 28, 2019 at Docket No. M-2016-2543193.

Thank you for your attention to this matter. Please do not hesitate to contact me if you have any questions.

Sincerely,



Elizabeth Rose Triscari

cc: All Parties on the Attached Certificate of Service (*via electronic mail*)

**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 Borough of Brentwood’s assets, properties and rights related to its wastewater collection and conveyance system to 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 Borough of Brentwood, Allegheny County

Docket No. A-2021-3024058

In re: Application of Pennsylvania-American Water Company under Section 1329 of the Pennsylvania Public Utility Code, 66 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 Borough of Brentwood’s assets related to its wastewater collection system.

Docket No. A-2023-

Petition of Pennsylvania-American Water Company, related to its acquisition of the Borough of Brentwood 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 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.

Docket No. P-2023-

In re: Filing by Pennsylvania-American Water Company under Section 507 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 507, of (a) the Asset Purchase Agreement and First Amendment to the Asset Purchase Agreement Between Pennsylvania-American Water Company and Borough of Brentwood; (b) Streets Run Sewer Joint Management Agreement between Boroughs of Brentwood, Baldwin and Whitehall and the Western Mifflin Sanitary Sewer Authority dated July 19, 2000 and (c) Agreement between Borough of Brentwood and City of Pittsburgh dated October 14, 1936 and (d) Cooperation and Allocation of Responsibilities Agreement between Borough of Brentwood and Pennsylvania-American Water Company dated March 2, 2023

Docket Nos. U-2023-\_\_\_\_\_, *et al.*

## **CERTIFICATE OF SERVICE**

I hereby certify that I have this 31<sup>st</sup> day of May served a true copy of the foregoing Amended Application regarding the acquisition of the Borough of Brentwoods's wastewater collection and conveyance system upon the parties, listed below and in the manner below in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a party).

### **SENT VIA ELECTRONIC MAIL ON MAY 31, 2023**

Christine Maloni Hoover, Esquire  
Mackenzie C. Battle, Esquire  
Aron J. Beatty, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923

Sharon Webb, Esquire  
Office of Small Business Advocate  
555 Walnut Street  
1<sup>st</sup> Floor, Forum Place  
Harrisburg, PA 17101

Carrie Wright, Esquire  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
400 North Street, F West  
Harrisburg, PA 17120

Brian Kalcic  
Excel Consulting  
225 S. Meramec Avenue, Suite 720  
St. Louis, MO 63105

Respectfully submitted,



Elizabeth Rose Triscari, Esquire (PA ID #306921)  
Erin K. Fure, Esquire (PA ID #312245)  
Pennsylvania-American Water Company  
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**Attorneys for Pennsylvania-American Water  
Company**

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of the Borough of Brentwood**

**66 Pa. C.S. § 1329**

**Application Filing Checklist – Water/Wastewater**

**Docket No. A-2021-3024058**

4. Provide responses to Section 1329 Application Standard Data Requests, including electronic working documents (i.e., Excel spreadsheets) for all the filing's schedules, studies, and working papers to the extent practicable.

**AMENDED RESPONSE:**

See enclosed verified responses to the Section 1329 Application Standard Data Requests labeled **Amended Appendix A-4.1 (portions CONFIDENTIAL)** and the electronic working documents (i.e., Excel spreadsheets) for all of the appraisals schedules, studies, and working papers labeled **Appendix A-4.2 (Weinert Appraisal and Depreciation Services LLC (“WAD Consultants”) on behalf of PAWC) CONFIDENTIAL Appendix A-4.3 (Gannett Fleming Valuation and Rate Consultants, LLC. (“Gannett Fleming”) on behalf of the Borough of Brentwood (“Borough”) CONFIDENTIAL** accompanying the Application.

**Pennsylvania-American Water Company  
Acquisition of the Borough of Brentwood's Wastewater Assets**

**Section 1329 Application Standard Data Requests  
Docket No. A-2021-3024058**

**Rates/Ratemaking**

4. Provide an estimate of the annual revenue requirement of the municipal system under the Buyer's ownership. Provide the assumptions for the annual revenue requirement, including expected rate of return, expected depreciation expense, O&M expenses, etc.

**AMENDED RESPONSE:**

The estimated annual revenue requirement of the Borough's system under PAWC ownership is \$4,695,000. Please refer to the Direct Testimony of Ms. Everette at **Amended Appendix A-14-a**, PAWC Statement No. 3-REV, and Revised Exhibit AEE-1 for the assumptions for the annual revenue requirement shown above.

**Provided by:** Ashley E. Everette, Senior Director, Rates and Revenue  
American Water Works Service Company

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of the Borough of Brentwood**

**66 Pa. C.S. § 1329**

**Application Filing Checklist – Water/Wastewater**

**Docket No. A-2021-3024058**

12. Provide a proposed tariff containing a rate equal to the existing rates of the seller at the time of the acquisition and a rate stabilization plan, if applicable to the acquisition.

**AMENDED RESPONSE:**

See enclosed **Amended Appendix A-12**, *pro forma* Tariff Supplement No. XX to Tariff Wastewater PA P.U.C. No. 16 of PAWC, Wastewater Division, containing an initial base rate equal to the existing rates of the Borough of Brentwood at the time of the acquisition.

The APA provides that base rates shall not be increased until the second anniversary of the Closing Date as set forth in Section 7.03 and on Schedule 7.03(a) of the APA which is attached as **Appendix A-24-a**. The Company does not anticipate that the Borough's rates will be held constant after the next rate base rate case and therefore does not technically fall within the definition of a "rate stabilization plan" as defined in 66 Pa C.S. §1329. See Direct Testimony of Ashley E. Everette, PAWC St. No. 3-REV, pp. 8-9, enclosed as **Amended Appendix A-14-a**.

**PENNSYLVANIA-AMERICAN WATER COMPANYS  
Wastewater Division  
(hereinafter referred to as the “Company”)  
D/B/A  
Pennsylvania American Water**

**RATES, RULES AND REGULATIONS**

**GOVERNING THE FURNISHINGS OF**

**WASTEWATER COLLECTION AND DISPOSAL SERVICE**

**IN CERTAIN MUNICIPALITIES AND TERRITORIES LOCATED IN:**

ADAMS COUNTY, ALLEGHENY COUNTY, BEAVER COUNTY, BERKS COUNTY,  
CHESTER COUNTY, CLARION COUNTY, CUMBERLAND COUNTY, LACKAWANNA  
COUNTY, LUZERNE COUNTY, MCKEAN COUNTY, MONROE COUNTY,  
MONTGOMERY COUNTY, NORTHUMBERLAND COUNTY, PIKE COUNTY,  
WASHINGTON COUNTY AND YORK COUNTY  
ALL IN THE COMMONWEALTH OF PENNSYLVANIA

**Issued:**

**Effective:**

Issued by:  
Justin Ladner, President  
Pennsylvania American Water  
852 Wesley Drive  
Mechanicsburg, PA 17055

<https://www.amwater.com/paaw/>

# **NOTICE**

**This Tariff authorizes Pennsylvania American Water Company to furnish  
wastewater services to the public in the Borough of Brentwood, Allegheny County,  
Pennsylvania.**

**(Refer to pages 2, 4, 5, 9, 11.13, 16, 18.1, 26.)**

# Amended Appendix A-12

Supplement No. XX to  
Tariff Wastewater PA P.U.C. No. 16  
XXXXXX Revised Page 2  
Canceling XXXXX Revised Page 2

**PENNSYLVANIA-AMERICAN WATER COMPANY**

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## LIST OF CHANGES

This Tariff supplement authorizes Pennsylvania American Water Company – Wastewater Division to begin to offer or furnish wastewater services to the public in the Borough of Brentwood in Allegheny County, Pennsylvania, as ordered by the Pennsylvania Public Utility Commission at Docket No. A-2021-3024058 entered XXXXXX.

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Issued:

Effective Date:

**PENNSYLVANIA-AMERICAN WATER COMPANY**

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(C) means Change

**PENNSYLVANIA-AMERICAN WATER COMPANY**

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**PENNSYLVANIA-AMERICAN WATER COMPANY**

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**TERRITORIES SERVED (CONT'D)**

**(By State Region and Company Wastewater System District)  
(All territories are subject to Rate Zone 1 unless otherwise noted)**

**Southeastern Pennsylvania**

**Coatesville District**

Chester County. The City of Coatesville, the Borough of Parkesburg and portions of the Borough of South Coatesville and portions of the Townships of Caln, East Fallowfield, Highland, Sadsbury, Valley (portions – Rate Zone 5), West Caln and West Sadsbury.

**Exeter Sewer District**

Berks County. Portions of the Townships of Exeter, Alsace and Lower Alsace (and related points of bulk service interconnection).

**Royersford District – Rate Zone 9**

Montgomery County. Royersford Borough and portions of Upper Providence Township.

**Upper Pottsgrove District**

Montgomery County. Portions of Upper Pottsgrove Township.

Berks County. A portion of Douglass Township.

**Western Pennsylvania**

**Clarion District**

Clarion County. Clarion Borough and portions of the Townships of Clarion and Monroe.

**Claysville District**

Washington County. Claysville Borough and portions of the Townships of Donegal.

**Kane District – Rate Zone 4**

McKean County. Kane Borough and portions of Wetmore Township.

**Koppel District**

Beaver County. Koppel Borough.

**McKeesport District – Rate Zone 6**

Allegheny County. The City of McKeesport, the City of Duquesne, Port Vue Borough, the Borough of Dravosburg, and a portion of West Mifflin Borough (and related points of bulk service interconnection).

**Paint-Elk District**

Clarion County. Shippenville Borough and portions of the Townships of Elk and Paint.

**Brentwood District – Rate Zone XX**

Allegheny County. Borough of Brentwood.

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**(C) means Change**

**PENNSYLVANIA-AMERICAN WATER COMPANY**

**SCHEDULE OF RATES**

**RATE ZONE XX – METERED AND UNMETERED**

**APPLICABILITY**

The rates as set forth below will apply in the service territory formerly served by the Borough of Brentwood served under this tariff for collection service rendered on and after the Effective Date shown at the bottom of this page.

Rates for treatment service in the service territory formerly served by the Borough of Brentwood shall be applied to bills rendered on a monthly basis and as determined by the Allegheny County Sanitary Authority(“ALCOSAN”). ALCOSAN rates will be made available on the Company’s website.

**AVAILABILITY**

The rates under this schedule are available to customers in all classes.

**METERED CHARGES (Based on Water Usage or Sewage Flows, determined at PAWC’s discretion)**

**All metered customers shall be subject to a monthly service charge.**

For collection service provided by the Company

Service Charge per month:	\$4.57
Usage Charge per 100 gallons:	\$0.8910

For treatment service provided by the Allegheny County Sanitary Authority (“ALCOSAN”)

Service Charge per month:	As determined by ALCOSAN
Usage Charge per 100 gallons:	As determined by ALCOSAN

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**PENNSYLVANIA-AMERICAN WATER COMPANY****SCHEDULE OF RATES****LOW-INCOME RIDER – ALL RATE ZONES  
FOR QUALIFYING RESIDENTIAL CUSTOMERS****APPLICABILITY**

This rider applies throughout the territories served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

**AVAILABILITY**

This rider is available for a customer in the Residential Class that meets the low-income criteria of 150% based on the Federal Poverty Level.

**RATE**

Customers under this rate schedule will receive a discount off their total wastewater bill as follows:

Tier 1 (0%-50% of FPL):	80%
Tier 2 (51%-100% of FPL):	55%
Tier 3 (101%-150% of FPL):	30%

**Customers in Rate Zone XX – Brentwood: Discounts do not apply to the portion of the bill (C) related to wastewater treatment by the Allegheny County Sanitary Authority.**

(C) means Change

Issued:

Effective Date:

**PENNSYLVANIA-AMERICAN WATER COMPANY**

**SCHEDULE OF RATES**

**DISTRIBUTION SYSTEM IMPROVEMENT CHARGE**

In addition to the net charges provided for in this Tariff, a charge of **0.00%** will apply to bills rendered on or after the Effective Date shown on the bottom of this page.

This Charge will be applicable to:

All Rate Zones except Rate Zone 1 customers in the Sadsbury, Exeter and Upper Pottsgrove service areas; Rate Zone 4 – Kane; Rate; Zone 5 – Valley; Rate Zone 7 – York; Rate Zone 9 – Royersford and **Rate Zone XX – Brentwood.**

**(C)**

The above charge will be recomputed quarterly using the elements prescribed by the Commission as shown on pages 18.2,18.3 and 18.4 of this tariff.

**(C)** means Change

Issued:

Effective Date:

RULES AND REGULATIONS**Section C - Applications for Service (cont'd)**

3. **Acceptance of Application and Right to Reject:** An application for service shall be considered accepted by the Company only upon written approval by the Company. All regulatory requirements shall be met before Company can provide approval. The Company may limit the amount or character of service it will supply, or may reject applications for service for the following reasons: requested service is not available under a standard rate; requested service may affect service to other customers; for a non-Residential Applicant's or non-Residential Customer's failure to establish Creditworthiness; for failure to address prior Company debts; for the Applicant's failure to provide identifying documentation of the Applicant and each adult occupant residing at the location; when identifying documentation cannot be verified; for the reasons set forth in Section D, paragraph 5, or for other good and sufficient reasons.
4. **Temporary Service:** In the case of temporary service for less than a 12-month period, the Company may require the Customer to pay all costs of making the service connection and for its removal after the service has been discontinued, or to pay a fixed amount in advance to cover such expenses. If the actual costs differ from the estimate, the Applicant will pay to the Company any excess amount due or the Company will refund to the Applicant any excess amount paid.
5. **Owner or Landlord Responsibility for Service:** If a building is master metered, the Company may, at its discretion, require the building owner or landlord to establish a single account for the building at the master meter in the name of the building owner or landlord even where there are existing meters for individual tenants behind the master meter.
6. **Acquired Customers:** Upon acquisition of a wastewater system where the Company is already the water service provider, the Customer of record for wastewater service shall be the same as the Customer of record for water service.
7. **Customers in the Brentwood service territory whose wastewater is treated by the Allegheny County (C) Sanitary Authority ("ALCOSAN"):** No user whose connection requires approval from ALCOSAN shall be allowed to connect to the Brentwood system until ALCOSAN approves such connection.

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(C) means Change

Issued:

Effective Date:

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of the Borough of Brentwood**

**66 Pa. C.S. § 1329**

**Application Filing Checklist – Water/Wastewater  
Docket No. A-2021-3024058**

14. Buyer Testimony:
- a. Provide buyer direct testimony supporting the application.
  - b. Provide buyer UVE direct testimony.

**AMENDED RESPONSE:**

- a. See enclosed the direct testimonies of PAWC witnesses as follows:
  - i. Direct Testimony of Michael Salvo, Senior Manager of Business Development, Pennsylvania-American Water Company, **PAWC Statement No. 1.**
  - ii. Direct Testimony of Daniel J. Hufton, Engineering Manager, Pennsylvania-American Water Company, **PAWC Statement No. 2.**
  - iii. Direct Testimony of Ashley E. Everette, Senior Director of Rates and Regulatory, American Water Works Service Company, on behalf of Pennsylvania-American Water Company, **PAWC Statement No. 3-REV.**
- b. See enclosed Direct Testimony of Utility Valuation Expert, Jerome C. Weinert, P.E., Principal and Director for Weinert Appraisal and Depreciation Services, LLC. on behalf of Pennsylvania-American Water Company, **PAWC Statement No. 4.**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :  
Company under Section 1102(a) and 1329 of the :  
Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) :  
and 1329, for approval of (1) the transfer, by sale, to :  
Pennsylvania-American Water Company, of : Docket No. A-2021-3024058 *et al.*  
substantially all of the assets, properties and rights :  
related to the wastewater collection and conveyance :  
system owned by Borough of Brentwood, (2) the rights :  
of Pennsylvania-American Water Company to begin to :  
offer or furnish wastewater service to the public in the :  
Borough of Brentwood in Allegheny County, :  
Pennsylvania :

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**DIRECT TESTIMONY OF  
ASHLEY E. EVERETTE ON BEHALF OF  
PENNSYLVANIA-AMERICAN WATER COMPANY**

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Date: March 31, 2023

PAWC Statement No. 3-REV

**DIRECT TESTIMONY OF  
ASHLEY E. EVERETTE**

**Introduction**

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**Q. What is your name and address?**

A. My name is Ashley E. Everette, and my business address is 852 Wesley Drive, Mechanicsburg, Pennsylvania 17055.

**Q. By whom are you employed and in what capacity?**

A. I am employed by American Water Works Service Company (the “Service Company”) as the Senior Director of Rates and Regulatory. I work in the Mechanicsburg office of Pennsylvania-American Water Company (“PAWC” or “the Company”).

**Q. Please state your educational background and professional experience.**

A. I hold a Bachelor’s degree in Economics and a Master’s degree in Business Administration, both from the University of Illinois. I have been employed by the Service Company since September 2019, first as the Director of Rates and Regulatory for Pennsylvania, and now in my current role as Senior Director of Rates and Regulatory with regulatory responsibility for Pennsylvania and West Virginia. In these positions, I am responsible for preparing and presenting rate applications as well as certain aspects of the financial, budgeting and regulatory functions of the Company.

Prior to my employment at the Service Company, I was employed by the Pennsylvania Office of Consumer Advocate (“OCA”) as a Regulatory Analyst from September 2012 to September 2019.

1 **Q. Have you previously submitted testimony before the Pennsylvania Public Utility**  
2 **Commission (the “Commission” or “PUC”)?**

3 **A.** Yes. I have testified on behalf of PAWC in several cases before the Commission.<sup>1</sup> Prior  
4 to my employment by the Service Company, I testified on behalf of the OCA in  
5 approximately 35 proceedings.

6

7 **Q. What is the purpose of your testimony in this proceeding?**

8 **A.** My testimony first addresses the financial fitness of PAWC to acquire and operate the  
9 wastewater collection system (“System”) currently owned by the Brentwood Borough  
10 (“Brentwood”), which PAWC has agreed to purchase (the “Transaction”). Second, my  
11 testimony addresses: (a) the identification of ratemaking rate base as required in 66 Pa.  
12 C.S § 1329 for PAWC’s acquisition of the System; (b) an overview of the rate provisions  
13 contained in the Asset Purchase Agreement (“APA”) for PAWC’s acquisition of the  
14 System; (c) the customer notices associated with the Transaction; (d) a description of  
15 PAWC’s low-income programs; (e) an estimate of the range of transaction and closing  
16 costs incurred by PAWC; (f) a statement regarding PAWC’s intentions with respect to  
17 accrual of certain post-acquisition improvement costs and deferral of related depreciation;  
18 and, (g) the authentication of certain Application appendices.

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<sup>1</sup> Additionally, I submitted testimony to the West Virginia Public Service Commission on behalf of West Virginia American Water in 2021.

1 PAWC'S Financial Fitness

2 **Q. Please discuss PAWC's financial fitness.**

3 **A.** PAWC is the Commonwealth's largest water and wastewater provider, with total assets of  
4 \$5.9 billion and annual revenues of \$769 million for 2021. For 2021, PAWC had operating  
5 income of approximately \$342 million and net income of approximately \$229 million.  
6 These operating results produced cash flows from operations of approximately  
7 \$438 million. Given its size, access to capital and its recognized strengths in system  
8 planning, capital budgeting and construction management, PAWC is well-positioned from  
9 a financial, managerial and technical perspective to ensure that high quality wastewater  
10 service meeting all federal and state requirements is provided to Brentwood's customers  
11 and maintained for PAWC's existing customers.

12  
13 **Q. Please discuss PAWC's overall financial fitness and access to capital to acquire the**  
14 **Brentwood System.**

15 **A.** PAWC has strong operating cash flows and net income and, therefore, a strong balance  
16 sheet. PAWC's strong operating and financial performance allows it to obtain competitive  
17 interest rates for long-term debt financing and access to equity investments from its parent  
18 company. PAWC is a financially-sound business that can financially support the  
19 acquisition of the System as well as the ongoing operating and investment commitments  
20 that will be required to operate, maintain and improve those assets in serving the public.

1           **Line of Credit**

2           PAWC presently has liquidity through a \$400 million line of credit through American  
3           Water Capital Corp. (“AWCC”), a wholly owned subsidiary of American Water Works  
4           Company, Inc. (“American Water”). PAWC’s strong credit ratings allow PAWC to obtain  
5           additional capacity on this line of credit.

6

7           **Long Term Debt Financing**

8           PAWC carries a corporate credit rating of “A3” from Moody’s Investors Services and an  
9           “A” rating from Standard and Poor’s Rating Services. PAWC obtains long-term debt  
10          financing through AWCC at favorable interest rates and payment terms. When applicable,  
11          PAWC also uses low-cost financing through the Pennsylvania Infrastructure Investment  
12          Authority (“PENNVEST”) and the Pennsylvania Economic Development Financing  
13          Authority (“PEDFA”).

14

15          **Equity Investments**

16          PAWC may obtain additional equity investments through American Water based on its  
17          strong operating performance.

18

19          **Q. Please explain how PAWC intends to fund the Transaction.**

20          **A.** PAWC will initially fund the Transaction with short-term debt and will later replace it with  
21          a combination of long-term debt and equity capital.

1 **Q. What impact, if any, do you anticipate that the acquisition of the System will have on**  
2 **PAWC’s corporate credit ratings?**

3 **A.** As stated above, PAWC does not anticipate that the acquisition of the System will have a  
4 significant impact on its credit ratings.

6 **Q. Do you anticipate the Transaction harming PAWC’s financial status in any manner?**

7 **A.** No. PAWC does not anticipate that the acquisition of the System will have a negative  
8 impact on PAWC’s cash flows, credit ratings or access to capital and, therefore, will not  
9 deteriorate in any manner PAWC’s ability to continue to provide safe, adequate, and  
10 reasonable service to its existing customers at just and reasonable rates.

12 **Fair Market Value Ratemaking Rate Base**

13 **Q. Please state the rate base requested in the application pursuant to 66 Pa. C.S § 1329.**

14 **A.** The negotiated purchase price for the acquired assets is \$19,364,443 and the average of the  
15 appraisals of the buyer’s Utility Valuation Expert (“UVE”) and the seller’s UVE is  
16 \$21,827,775. Accordingly, the negotiated purchase price of \$19,364,443 is the fair market  
17 value for ratemaking purposes under Section 1329 (*i.e.* the lower of the negotiated purchase  
18 price and the average of the UVEs’ appraisals). The fair market value as determined by  
19 the Section 1329 process, in addition to the transaction and closing costs described below,  
20 becomes part of PAWC’s rate base for ratemaking purposes. Note, however, that PAWC  
21 reserves its right in future proceedings to make rate base claims related to the acquisition  
22 as may otherwise be permitted under the Pennsylvania Public Utility Code (“Code”).

1 **Q. Please summarize how the Company proposes to record the Transaction.**

2 **A.** As shown on **Appendix A-15**, the Company seeks approval to record the \$19,364,443 net  
3 value of the assets on its books. The Company requests to record the acquisition on a net  
4 basis consistent with the Commission’s recent decision in *Application of Pennsylvania-*  
5 *American Water Company under Section 1102(a) of the Pennsylvania Public Utility Code,*  
6 *66 Pa. C.S. § 1102(a), for Approval of the Transfer, by Sale, to Pennsylvania-American*  
7 *Water Company, of Substantially All of the Assets, Properties and Rights Related to the*  
8 *Wastewater Collection and Treatment System Owned by the York City Sewer Authority and*  
9 *Operated by the City of York, Docket Nos. A-2021-3024681 et al. (Final Order entered*  
10 *April 14, 2022) ¶ 3(h).*

11 Section 1329(c) provides that the “ratemaking rate base” is to be incorporated into  
12 PAWC’s rate base. As discussed above, the Company requests the Commission approve  
13 the \$19,364,443 purchase price as the ratemaking rate base for Brentwood.<sup>2</sup> Since Section  
14 1329 does not address the proper accounting treatment of the rate base or approval of a  
15 depreciation reserve in determining the ratemaking rate base, the Company believes that  
16 recording the net value of \$19,364,443 is appropriate and consistent with Section 1329.

17 **Asset Purchase Agreement Rate Provisions**

18 **Q. Please provide an overview of the rate provisions of the APA.**

19 **A.** Section 7.03 of the APA, dated as of December 22, 2020, contains provisions related to  
20 rates. PAWC has committed to adopt, upon closing of the Transaction (“Closing”),  
21 Brentwood’s rates in effect at Closing.

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<sup>2</sup> “The ratemaking rate base of the selling utility shall be the lesser of the purchase price negotiated by the acquiring public utility or entity and selling utility or the fair market value of the selling utility.” 66 Pa. C.S. § 1329(c).

1           The initial rates to be applicable to the former Brentwood wastewater customers  
2 are set forth in the *pro forma* tariff supplement attached as **Appendix A-12** to the  
3 Application. System customers will be governed by rates for new Brentwood Rate Zone  
4 “XX.” After Closing, System customers will be subject to PAWC’s prevailing wastewater  
5 tariff on file with the Commission with respect to all rates other than base rates, such as  
6 reconnection fees, as well as non-rate related terms and conditions of service.

7  
8 **Q. Please describe Brentwood’s existing rates.**

9 **A.** Brentwood’s current rates for its collection service include a monthly service charge as  
10 well as a volumetric rate based on water usage.

11           Brentwood also collects a monthly service charge as well as a volumetric rate per  
12 thousand gallons of water usage for treatment service, at the rates set by the treatment  
13 provider, Allegheny County Sanitary Authority (“ALCOSAN”).

14  
15 **Q. Please describe how PAWC will apply Brentwood’s existing rates.**

16 **A.** As shown on **Appendix A-12**, PAWC will adopt Brentwood’s existing rates, which consist  
17 of a monthly fixed service charge of \$4.57 and a usage charge of \$0.8910 per 100 gallons  
18 for collection service, as well as a monthly fixed charge and a usage charge as determined  
19 by ALCOSAN for treatment service. Because the charges for treatment service are  
20 determined by ALCOSAN and are subject to change, the ALCOSAN rates are not  
21 contained in the Company’s tariff. Instead, as Brentwood does, PAWC will bill customers  
22 the treatment charges at the rates determined by ALCOSAN.

1           Brentwood currently does not bill five Borough properties for wastewater service.  
2 PAWC will bill all wastewater customers upon acquisition.

3  
4 **Q. Please summarize PAWC’s obligation regarding the ALCOSAN charges and how any**  
5 **shortfall between the amounts billed to customers and amounts collected from**  
6 **customers will be handled.**

7 **A.** PAWC will be obligated to pay the full amount of the treatment charges to ALCOSAN.  
8 Any shortfall between what PAWC bills its customers related to ALCOSAN charges and  
9 what it collects from customers may be a component of uncollectible expense in future rate  
10 cases.

11  
12 **Q. Do the rate provisions of the APA include a rate stabilization plan as defined by**  
13 **Section 1329?**

14 **A.** The APA does not set forth or require a “rate stabilization plan” as defined by Section  
15 1329(g). Therefore, PAWC is not required under the *Final Implementation Order* at  
16 Docket No. M-2016-2543193 to provide testimony, schedules, and work papers in support  
17 of a rate stabilization plan.

18           Section 1329(g) defines a “rate stabilization plan” as “[a] plan that will hold rates  
19 constant or phase rates in over a period of time after the next base rate case.” As detailed  
20 in Section 7.03 of the APA, PAWC will be charging Brentwood’s current rates as the  
21 Company’s base rates within the service territory. In addition, Section 7.03(a) states “The  
22 Base Rate shall not be increased until after the second anniversary of the Closing Date.”

1           While the APA contractually restricts PAWC from increasing base rates until after  
2           the second anniversary of the Closing Date, I am advised by counsel that nothing in the  
3           APA purports to restrict the Commission’s authority to set rates that it considers to be “just  
4           and reasonable” in the context of a base rate proceeding or otherwise. As such, the instant  
5           application does not propose a “rate stabilization plan” for approval by the Commission.  
6           In a previous Section 1329 proceeding, the Commission stated the following regarding the  
7           relationship between rate commitments and rate stabilization plans:<sup>3</sup>

8           The ALJ determined that the rate commitment provision contained in the APA does  
9           not trump the Commission’s ultimate authority to set and allocate rates. We agree.  
10          Here, the APA provides firm, unqualified guarantees to the seller as a term of the  
11          APA. However, it does not purport to hold rates constant or phase rates in over a  
12          period [of] time after the next base rate case. It offers no tariff language for us to  
13          approve. Thus, we decline to hold that the rate commitment constitutes a rate  
14          stabilization plan pursuant to Section 1329(g) of the Code.”), *reversed on other*  
15          *grounds, McCloskey v. Pa. Pub. Util. Comm’n*, 195 A.2d 1055 (Pa. Cmwlth. 2018)  
16          (“*Aqua/New Garden*”).

17  
18          PAWC was careful in negotiating the APA to respect the statutory authority of the  
19          Commission to set just and reasonable rates.

20                 At this time, it is unknown when Closing will occur or when PAWC will file its  
21          next base rate case. PAWC is not asking the Commission in this Application proceeding  
22          to maintain rates for a period of time beyond the next base rate case. If PAWC’s next base  
23          rate case would become effective within two years of Closing, PAWC will maintain  
24          Brentwood’s base rates, subject to Commission approval. Consequently, the APA does  
25          not include a rate stabilization plan.

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<sup>3</sup> See *Application of Aqua Pennsylvania Wastewater, Inc. Pursuant to Sections 1102 and 1329 of the Public Utility Code for Approval of its Acquisition of the Wastewater System Assets of New Garden Township and the New Garden Township Sewer Authority*, Docket No. A-2016-2580061 (Opinion and Order entered Jun. 29, 2017), pp. 41-42. Internal footnote omitted.

1 **Q. What impact, if any, will there be on the rates of Brentwood’s customers as a result**  
2 **of the acquisition of the System?**

3 **A.** There will be no immediate impact on the rates of Brentwood’s customers because PAWC  
4 has committed to adopt, upon Closing, Brentwood’s rates in effect at the time of Closing.  
5 Subject to Commission approval, PAWC anticipates allocating a portion of its wastewater  
6 revenue requirement to the combined water and wastewater customer base, as permitted  
7 by 66 Pa. C.S. § 1311(c).

8  
9 **Q. What impact, if any, will there be on the rates of PAWC’s current water and**  
10 **wastewater customers as a result of the acquisition of the System?**

11 **A.** There will be no immediate impact on the rates of PAWC’s current water and wastewater  
12 customers. PAWC expects to include Brentwood’s System in PAWC’s future base rate  
13 filings. Any impacts on the rates of PAWC’s existing water and wastewater customers  
14 would occur only upon Commission approval as part of a base rate proceeding. A non-  
15 binding estimate of possible rate impacts for existing water and wastewater customers is  
16 shown in **Appendix A-18-d** and discussed in the Customer Notice section below.  
17 Brentwood’s customers, as part of PAWC’s overall customer base, will become part of  
18 PAWC’s overall cost allocation. Nothing contained in the APA would bind the  
19 Commission or other interested parties in future ratemaking proceedings.

20  
21 **Q. Does PAWC seek the authority to charge non-base rates prior to the first PAWC base**  
22 **rate case in which the System is included?**

1 A. Yes. PAWC is requesting authority from the Commission to approve collection of a  
2 distribution system improvement charge (“DSIC”) related to the System in the future, prior  
3 to the first base rate case in which the System plant-in-service is incorporated into rate  
4 base. PAWC would not begin charging a DSIC until the eligible System plant is approved  
5 by the Commission in an amendment to PAWC’s Long Term Infrastructure Improvement  
6 Plan for wastewater.

7

8 **CUSTOMER NOTICE**

9 **Q. Is PAWC providing notice to customers of the acquisition?**

10 A. Yes. PAWC is providing notice of the acquisition to existing PAWC water and wastewater  
11 customers as well as to Brentwood’s wastewater customers. The notices to PAWC  
12 customers and Brentwood wastewater customers are attached to the application as  
13 **Amended Appendix A-18-d**. These notices contain a non-binding estimate of the  
14 potential rate impact of the acquisition.

15

16 **Q. How were the estimates of potential rate impacts calculated for the notices provided**  
17 **in Amended Appendix A-18-d?**

18 A. These notices were prepared in accordance with the *Steelton Order*.<sup>4</sup> This Order approved  
19 a Settlement in which PAWC agreed to the form and calculation of the notices for future  
20 Section 1329 acquisition proceedings (“Settlement”).

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<sup>4</sup> *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-2019-3006880 (Opinion and Order entered Oct. 3, 2019) (“*Steelton Order*”).

1           In the Settlement, the Joint Petitioners (PAWC, the Commission’s Bureau of  
2 Investigation & Enforcement, the Office of Consumer Advocate, the Office of Small  
3 Business Advocate and the Borough of Steelton) agreed to the form of the notices to be  
4 sent to existing PAWC water and wastewater customers and the notice to be sent to the  
5 customers of the system being acquired. The forms of the notices were attached to the  
6 Settlement as Appendix E and Appendix F.

7           The Joint Petitioners also agreed to the Rate Impact Calculations for these notices.  
8 Those calculations are discussed in more detail below.

9  
10 **Q. Please discuss adjustments made to the notice calculation as a result of the Company’s**  
11 **2022 base rate case.**

12 **A.** The customer notice calculation attached as **PAWC Exhibit AEE-1 (Revised)**  
13 incorporates the authorized water and wastewater revenues, the allocation of wastewater  
14 revenue requirement to water operations, and the wastewater capital structure from the  
15 2022 base rate case.

16           The Settlement provided that revenues from certain acquisitions were excluded  
17 from the calculation and there was no notice requirement for these recently acquired  
18 customers. Because the Company recently concluded a base rate case, the calculation is  
19 updated to include revenues from all systems that were included in the Company’s 2022  
20 base rate case.

21  
22 **Q. Please summarize the calculation of the potential rate impact shown in the notice to**  
23 **Brentwood’s customers.**

1 A. As shown in **Amended Appendix A-18-d**, the notice to Brentwood customers shows the  
2 following information regarding the potential rate impacts of the acquisition:

<b>Brentwood Wastewater Customers</b>				
Rate Class	Average Usage	Average Monthly Bill at Brentwood's Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,212 gal/month	\$73.96	\$82.10	11.0%
Commercial	22,561 gal/month	\$436.10	\$484.07	11.0%
Industrial	528,207 gal/month	\$10,210.24	\$11,333.37	11.0%

3  
4 The 11.0% increase shown in the chart above is calculated as 100% of the revenue  
5 deficiency after the Act 11 allocation to water customers,<sup>5</sup> divided by the Year One  
6 revenues of the System.<sup>6</sup> The current average monthly bill is calculated using Brentwood's  
7 wastewater rates that will be in effect at Closing (inclusive of ALCOSAN charges) and the  
8 average usage for each customer class as reflected in the filing of PAWC's most recent  
9 base rate case (Docket No. R-2022-3031672).

10 The potential average monthly bill after acquisition is calculated by increasing the  
11 current average monthly bill amounts by the 11.0% increase. This methodology was used  
12 to comply with the Settlement at Docket No. A-2019-3006880 (Exhibit G). Please refer to  
13 **PAWC Exhibit AEE-1 (Revised)** for the calculation of the customer notice.

14  
15 **Q. Please summarize the rate impact calculation in the notice to PAWC wastewater**  
16 **customers.**

---

<sup>5</sup> The allocation of a portion of the wastewater revenue requirement to water customers pursuant to Act 11 of 2012 (66 Pa. C.S. § 1311(c)) is referred to in this testimony as the "Act 11 allocation." For calculating the notice in this case, the Settlement requires PAWC to use the Act 11 allocation from wastewater to water from PAWC's prior base rate case. In PAWC's last base rate case, 33% of the wastewater revenue requirement for 2023 was allocated to water customers under Act 11. See Docket No. R-2022-3031673, Summary Proof of Revenues. The Settlement was approved by Order entered December 8, 2022 ("2022 Rate Case").

<sup>6</sup> For purposes of this analysis, "Year One revenues of the System" includes both projected collection revenues and the treatment charges that PAWC will bill on behalf of ALCOSAN.

1 A. As shown in **Amended Appendix A-18-d**, the notice to PAWC’s existing wastewater  
 2 customers shows the following information regarding the potential rate impacts of the  
 3 acquisition:

<b>PAWC Existing Wastewater Customers</b>				
Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Monthly Bill at PAWC Zone 1 Current Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,212 gal/month	\$106.65	\$106.97	0.3%
Commercial	22,561 gal/month	\$509.46	\$510.99	0.3%
Industrial	528,207 gal/month	\$11,143.19	\$11,176.62	0.3%

4  
 5 The 0.3% increase shown in the chart above is calculated by dividing 100% of the  
 6 revenue deficiency after the Act 11 allocation to water customers by total wastewater  
 7 revenues. The “total wastewater revenues” include PAWC’s wastewater revenues from  
 8 existing customers excluding other operating revenues as well as the Year One revenues  
 9 from the System. This methodology was used to comply with the Settlement at Docket  
 10 No. A-2019-3006880 (Exhibit G). Please refer to **PAWC Exhibit AEE-1 (Revised)** for  
 11 the calculation of the customer notice.

12  
 13 **Q. Please summarize the calculation of the potential rate impact shown in the notice to**  
 14 **PAWC water customers.**

15 A. As shown below, the estimated impact of the Brentwood acquisition on water customers is  
 16 estimated to be 0.00%. As shown on **PAWC Exhibit AEE-1 (Revised)**, the amount of  
 17 increase allocated to water customers through Act 11 is estimated to be \$170,610. When

1 divided by PAWC’s current water revenues of \$781 million,<sup>7</sup> the result is less than 0.00%.  
2 However, in keeping with the Steelton settlement, PAWC is providing the information  
3 below.

4 As shown in **Amended Appendix A-18-d**, the notice to PAWC’s existing water  
5 customers shows the following information regarding the potential rate impacts of the  
6 acquisition:

<b>PAWC Existing Water Customers</b>				
Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Monthly Bill at PAWC Zone 1 Current Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,212 gal/month	\$69.24	\$69.24	0.0%
Commercial	22,561 gal/month	\$371.82	\$371.82	0.0%
Industrial	528,207 gal/month	\$5,985.08	\$5,985.08	0.0%

7  
8 The 0.0% increase shown in the chart above represents the potential impact on  
9 PAWC water customers of the Act 11 allocation to water customers. This allocation to  
10 water customers is divided by PAWC’s applicable water revenues from PAWC’s most  
11 recent base rate case.

12 The current average monthly bill is shown at PAWC’s Zone 1 rates effective  
13 January 28, 2023, and the average usage for each customer class as reflected in the filing  
14 of PAWC’s most recent base rate case (Docket No. R-2022-3031672). The average  
15 monthly bill for PAWC Zone 1 customers after acquisition is calculated by increasing the  
16 average monthly bill amounts by the 0.0% increase, which was calculated as explained  
17 above. This methodology was used to comply with the Settlement at Docket No. A-2019-

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<sup>7</sup> Refer to Exhibit AEE-1.

1 3006880 (Exhibit G). Please refer to **PAWC Exhibit AEE-1 (Revised)** for the calculation  
2 of the customer notice.

3 **Q. Do you have any further comments on the customer notices PAWC is providing in**  
4 **this proceeding?**

5 **A.** Yes. As discussed above, the calculation of estimated potential rate impacts to PAWC and  
6 Brentwood customers was performed in conformance with the Company’s Settlement at  
7 Docket No. A-2019-3006880. Ultimately, any rate impacts of the acquisition will be  
8 determined by the Commission in future base rate proceedings.

9  
10 **LOW-INCOME PROGRAMS**

11 **Q. Please summarize PAWC’s tariffed low income discounts.**

12 **A.** PAWC’s low-income tariff rider provides low-income customers with discounts to fixed  
13 and volumetric charges. PAWC’s low-income discount includes three tiers of discount,  
14 with the discount level dependent on the customer’s percentage of Federal Poverty Level  
15 (“FPL”). The tariff discounts are summarized below.<sup>8</sup>

	Tier 1 (0-50% FPL)	Tier 2 (51-100% FPL)	Tier 3 (101-150% FPL)
<b>Water</b> Service Charge Discount	80%	65%	40%
<b>Water</b> Usage Charge Discount	80%	50%	25%
<b>Wastewater</b> Total Bill Discount	80%	55%	30%

16  
17 **Q. Will Brentwood customers be eligible for these discounts upon acquisition?**

<sup>8</sup> Refer to Tariff Water-PA P.U.C. No. 5, page 17 and Tariff Wastewater PA P.U.C. No. 16, page 16.

1    **A.**    Yes. Because PAWC is already the water provider in Brentwood, any customers enrolled  
2           in the low-income discount for their water service will be automatically enrolled in the  
3           discount for the portion of their bill related to wastewater collection system charges at the  
4           time of Closing. Customers may also apply for ALCOSAN’s low-income grant program  
5           to receive a \$42 quarterly credit towards the portion of their bill related to treatment  
6           services provided by ALCOSAN.

7                        As part of a recent Order in PAWC’s Arrearage Management Program (“AMP”),  
8           the Commission required that a settlement between PAWC and other parties be modified  
9           to include income verification for low-income customers participating in the AMP.<sup>9</sup>  
10          PAWC anticipates that this income verification requirement will also apply to the bill  
11          discount program, and thus, will also apply to Brentwood customers.

12  
13    **Q.**    **Please summarize the current cost of PAWC’s low-income discount programs to its**  
14           **legacy customer base.**

15    **A.**    PAWC’s low-income discount program provides discounts between 30% and 80% of the  
16           water and wastewater bill to customers with an FPL of 150% or less. These discounts have  
17           a small impact on customer’s bills of approximately \$1.30 per month for residential water  
18           customers and approximately \$2.60 per month for residential wastewater customers.<sup>10</sup>

19  
20    **Q.**    **Will the Transaction have a significant impact on PAWC’s low-income discount**  
21           **program costs?**

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<sup>9</sup> Docket No. P-2021-3028195, Order Entered December 28, 2022.  
<sup>10</sup> Cost allocation was not disclosed in the Company’s black box rate case settlement in the Company’s recent base rate proceeding, Docket No. R-2022-3031673, *et al.* The amounts shown in this paragraph are calculated as the discounted revenue divided by the number of residential customers.

1 A. No. Of the 3,974 customers, approximately 334 will be enrolled in the low-income  
2 discount upon Closing. The discounts to these customers will represent approximately 4%  
3 of the revenues of the Brentwood System. When compared to PAWC’s total wastewater  
4 revenue, the discounts to Brentwood customers represents approximately 0.10% of  
5 revenue.

6 The low income discount provides a measurable benefit to the customers who are  
7 enrolled in the program while the impact on non-low income legacy customers is  
8 anticipated to be minimal.

9 **TRANSACTION AND CLOSING COSTS**

10 **Q. Please describe the estimated transaction and closing costs for the Transaction.**

11 A. As set forth in the Commission’s *Final Implementation Order* at Docket No. M-2016-  
12 2543193, transaction and closing costs include the UVE’s appraisal fee and the buyer’s  
13 closing costs, including reasonable attorney fees. In accordance with the *Final*  
14 *Implementation Order* and traditional ratemaking principles, reasonable transaction and  
15 closing costs are not to be decided in this Application proceeding; instead, PAWC must  
16 justify the costs by a “preponderance of the evidence” in a future base rate proceeding.

17 As a practical matter, the exact extent of such costs cannot be known at the time of  
18 filing the Application and will not be finally known until after Closing. The costs depend  
19 on a number of variables, including whether this Application is settled or fully litigated.  
20 PAWC will track such costs and incorporate them into rate base in a future base rate  
21 proceeding as appropriate. Nevertheless, attached to the Application as **Appendix A-10** is  
22 PAWC’s estimate of the anticipated range of transaction and closing costs (approximately  
23 \$510,000 to \$620,000).

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**Post-Acquisition Improvement Costs**

**Q. Please state your understanding of Section 1329 with respect to post-acquisition improvement costs.**

**A.** I am advised by counsel that Section 1329(f) allows “an acquiring public utility’s post acquisition improvements that are not included in a distribution system improvement charge [to] accrue allowance for funds used during construction [“AFUDC”] after the date the cost was incurred until the asset has been in service for a period of four years or until the asset is included in the acquiring public utility’s next base rate case, whichever is earlier.” Section 1329(f) also provides that “[d]epreciation on an acquiring public utility’s post acquisition improvements that have not been included in the calculation of a distribution system improvement charge shall be deferred for book and ratemaking purposes.”

**Q. Does PAWC intend to accrue AFUDC for post-acquisition improvements?**

**A.** Yes. As summarized in the Direct Testimony of PAWC Witness Mr. Daniel Hufton, P.E., PAWC’s Engineering Manager, PAWC Statement No. 2, PAWC will be making post-acquisition improvements to the System. As such, PAWC will likely accrue AFUDC consistent with what is permitted under Section 1329. PAWC will address any claims for AFUDC in the first base rate proceeding in which Brentwood’s assets are included.

**Q. Does PAWC intend to defer depreciation on non-DSIC-eligible post-acquisition improvements for book and ratemaking purposes?**

1 A. Yes. Section 1329(f) permits such deferral of depreciation. The statute appears to allow  
2 deferral without specific Commission approval; however, out of an abundance of caution,  
3 PAWC is specifically petitioning the Commission, as part of this Application proceeding,  
4 for permission to defer the depreciation for book and ratemaking purposes.

5

6

**Authentication of Application Appendices**

7 **Q. Are you familiar with the Application filed by PAWC in this proceeding?**

8 A. Yes, I helped to prepare several of the appendices in support of the Application and I have  
9 reviewed the final version of the Application and the appendices.

10

11 **Q. Please identify which application appendices were prepared by you or under your  
12 supervision and control?**

13 A. **Appendix A-10** is the Company’s estimate of the anticipated range of transaction and  
14 closing costs. The *pro forma* tariff supplement is attached as **Appendix A-12** to the  
15 Application. In addition, based on financial statements provided by Brentwood and on  
16 PAWC’s audited financial statements, the following appendices were prepared: **Appendix**  
17 **C** (balance sheet of Brentwood as of December 31, 2021), **Appendix D** (audited balance  
18 sheet of PAWC as of December 31, 2021), **Appendix E** (income statement of Brentwood  
19 for the 12 months ended December 31, 2021), **Appendix F** (audited income statement of  
20 PAWC for the 12 months ended December 31, 2021), **Appendix G** (*pro forma* balance  
21 sheet of PAWC, giving effect to the transfer), **Appendix H** (*pro forma* consolidated income  
22 statement of PAWC and Brentwood for 12 months) and **Appendix K** (estimated annual  
23 revenues and expenses).

1

2 **Q. Are Appendices A-10 and A-12, Appendices C through H, and Appendix K true and**  
3 **correct to the best of your knowledge, information, and belief?**

4 **A.** Yes.

5

6

**CONCLUSION**

7 **Q. Does this conclude your testimony?**

8 **A.** Yes. However, I reserve the right to supplement my testimony as additional issues and  
9 facts arise during the course of the proceeding. Thank you.

## Borough of Brentwood Wastewater Customers

### Wastewater

Rate Class	Average Usage	Average Monthly Bill at Borough of Brentwood Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,212 gal/month	\$73.96	\$82.10	\$8.14 or 11.0%
Commercial	22,561 gal/month	\$436.10	\$484.07	\$47.97 or 11.0%
Industrial	528,207 gal/month	\$10,210.24	\$11,333.37	\$1,123.13 or 11.0%

## PAWC Current Customers

### Wastewater

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 2022 Rates	Average Monthly Bill at PAWC Zone 1 2022 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,212 gal/month	\$106.65	\$106.97	\$0.32 or 0.3%
Commercial	22,561 gal/month	\$509.46	\$510.99	\$1.53 or 0.3%
Industrial	528,207 gal/month	\$11,143.19	\$11,176.62	\$33.43 or 0.3%

### Water

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 2022 Rates	Average Monthly Bill at PAWC Zone 1 2022 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,212 gal/month	\$69.24	\$69.24	\$0.00 or 0.0%
Commercial	22,561 gal/month	\$371.82	\$371.82	\$0.00 or 0.0%
Industrial	528,207 gal/month	\$5,985.08	\$5,985.08	\$0.00 or 0.0%

**Pennsylvania American Water Company**  
**Acquisition of Wastewater Assets of the Borough of Brentwood**  
**Docket No. A-2021-3024058**

Borough of Brentwood Wastewater

Residential		
	Flat Rate	\$11.87
32.12	1.9330	62.09
		\$73.96

Rate Impact 11.0%  
\$8.14  
Total \$82.10

PAWC - Wastewater

Zone 1 - Residential		
	Service Charge	\$14.30
32.12	2.8750	92.35
		\$106.65

Rate Impact 0.3%  
\$0.32  
Total \$106.97

PAWC - Water

Zone 1 - Residential		
5/8"	Service Charge	\$17.50
32.12	1.6108	51.74
		\$69.24

Rate Impact 0.0%  
\$0.00  
Total \$69.24

Commercial		
	Rate per EDU	\$11.87
225.61	1.9330	436.10
		\$436.10

Rate Impact 11.0%  
\$47.97  
Total \$484.07

Zone 1 - Commercial		
	Service Charge	\$35.00
225.61	2.1030	474.46
		\$509.46

Rate Impact 0.3%  
\$1.53  
Total \$510.99

Zone 1 - Commercial		
1"	Service Charge	\$46.60
160.00	1.5613	249.81
65.61	1.1493	75.41
225.61		
		\$371.82

Rate Impact 0.0%  
\$0.00  
Total \$371.82

Industrial		
	Rate per EDU	\$11.87
5,282.07	1.9330	10,210.24
		\$10,210.24

Rate Impact 11.0%  
\$1,123.13  
Total \$11,333.37

Zone 1 - Industrial		
	Service Charge	\$35.00
5,282.07	2.1030	11,108.19
		11,143.19

Rate Impact 0.3%  
\$33.43  
Total \$11,176.62

Zone 1 - Industrial		
2"	Service Charge	\$224.00
160.00	1.4200	227.20
5,122.07	1.0804	5,533.88
5,282.07		
		5,985.08

Rate Impact 0.0%  
\$0.00  
Total \$5,985.08

**Pennsylvania American Water Company  
Acquisition of Wastewater Assets of the Borough of Brentwood  
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**Estimated Rate Increase**

Revenue Requirement Increase (Attachment page 2)	\$ 664,000
Act 11 Percentage (R-2022-3031672 Summary Proof of Revenues)	33%
Amount of increase allocated to water through Act 11	<u>219,120</u>
Amount of increase allocated to wastewater customers	\$ 444,880

<b>Increase applied to Borough of Brentwood Wastewater Customers</b>	
Revenue Requirement Increase - After Act 11	\$ 444,880
Current Borough of Brentwood Wastewater revenues (collection + treatment)	4,031,000
<b>Estimated Increase to wastewater customers</b>	<b>11.0%</b>

<b>Amount of increase allocated to wastewater customers and applied to the combined revenues of all PAWC wastewater customers and acquired customers:</b>	
Revenue Requirement Increase	\$ 444,880
Current Borough of Brentwood Wastewater revenues (collection + treatment)	4,031,000
PAWC Wastewater Revenues (R-2022-3031673 Proof of Revenues excl. Other Operating Revenues & Contract Sales)	<u>159,681,891</u>
	163,712,891
<b>Estimated Increase to wastewater customers</b>	<b>0.3%</b>

<b>Amount of increase allocated to water customers:</b>	
Revenue Requirement Increase	\$ 219,120
PAWC Water Revenues (R-2022-3031672 Proof of Revenues excl. Other Operating Revenues & Contract Sales)	781,722,135
<b>Estimated Increase to Water Customers</b>	<b>0.0%</b>

<b>Pennsylvania American Water Company R-2022-3031672 Summary Proof of Revenues Act 11 Allocation</b>									
	Water Operations	Wastewater SSS General Operations	Royersford Wastewater Operations	Pottsgrove Wastewater Operations	York Wastewater Operations	CSS Wastewater Operations	Total Wastewater		Total Company
Additional Annual Operating Revenue Before Act 11	\$ 56,408,658	\$ 21,348,733	\$ 1,946,621	\$ 1,347,477	\$ 19,505,813	\$ 37,442,700	\$ 81,591,344		\$ 138,000,002
Act 11 Allocation - WW COS Recovered from Water	26,961,881	(3,598,461)	(1,328,921)	(496,449)	(\$12,512,409)	(9,025,641)	(26,961,881)	33%	\$ -
Additional Annual Operating Revenue	83,370,539	17,750,272	617,700	851,028	6,993,404	28,417,059	54,629,463	67%	138,000,002

**Pennsylvania American Water Company  
Acquisition of Wastewater Assets of the Borough of Brentwood  
Docket No. A-2021-3024058**

**Revenue Requirement Increase**

Rate Base	\$	19,364,443	Appendix A-11
Rate of Return %		7.10%	See Calculations
Rate of Return		<u>1,375,000</u>	
O&M - Collection		373,000	Appendix K
O&M - Treatment		2,216,000	Appendix K
Taxes Other		32,000	Appendix K
Depreciation		322,000	Appendix K
Taxes		377,000	See Calculations
Revenue Requirement		<span style="border: 1px solid black; padding: 2px;">4,695,000</span>	
Borough of Brentwood Wastewater Year-1 - Collection Revenues		1,815,000	Appendix K
Borough of Brentwood Wastewater Year-1 - Treatment Charges		<u>2,216,000</u>	Appendix K
Borough of Brentwood Wastewater Year-1 Revenues - Total		4,031,000	
Revenue Requirement Increase		<u><u>664,000</u></u>	

**Pennsylvania American Water Company**  
**Acquisition of Wastewater Assets of the Borough of Brentwood**  
**Docket No. A-2021-3024058**

**Summary**

<b><u>Revenue Requirement</u></b>	
Rate Base	\$ 19,364,443
Pretax ROR %	9.05%
Pretax ROR	<u>1,752,000</u>
Plus: O&M Expense	373,000
Taxes Other	32,000
Depreciation	<u>322,000</u>
Total Revenue Requirement	<u><u>2,479,000</u></u>
 <b><u>Income Tax Calculation</u></b>	
Revenues	\$ 2,479,000
Less: O&M Expense	373,000
Taxes Other	32,000
Depreciation	322,000
Interest	<u>391,000</u>
SIT Taxable Income	1,361,000
State Income Tax Rate	8.49%
State Income Tax	<u>116,000</u>
FIT Taxable Income	1,245,000
Federal Income Tax Rate	21.00%
Federal Income Tax	<u>261,000</u>
Total Income Taxes	<u><u>377,000</u></u>
 <b><u>Interest</u></b>	
Rate Base	\$ 19,364,443
Weighted Cost of Debt (1.87% + 0.15%)	<u>2.02%</u>
	\$ 391,000

Wastewater	Capital Structure	Cost Rate	Weighted Cost	Revenue Multiplier	Revenue Requirement
Long-Term Debt	42.26%	4.43%	1.87%		1.87%
Wastewater Financing	5.65%	2.57%	0.15%		0.15%
Preferred Stock	0.01%	9.70%	0.00%	1.38326	0.00%
Common Equity	52.08%	9.75%	5.08%	1.38326	7.03%
			<u>7.10%</u>		<u>9.05%</u>

Cost of Equity for Distribution System Improvement Charge (DSIC) 9.75% M-2022-3035196  
Capital Structure based on PAWC's last wastewater base rate case R-2022-3031673 PAWC Statement No. 13-R, Exhibit AEB-13-R, Schedule 13.  
State Income Tax Rate of 8.49% in effect 1/1/2024

**Revenue 'Multiplier**

Statutory State Tax Rate	0.0849
Statutory Federal Tax Rate	0.21
1- State Tax Rate	0.9151
Fed Rate Times (1-State Tax Rate)	0.192171
Effective Tax Rate	0.277071
1-Eff Tax Rate	0.722929
Reciprocal	1.38326

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of the Borough of Brentwood**

**66 Pa. C.S. § 1329**

**Application Filing Checklist – Water/Wastewater**

**Docket No. A-2021-3024058**

18. Rates.
- d. Provide a copy of the notification sent, or which will be sent, to affected customers describing the filing and the anticipated effect on rates.

**AMENDED RESPONSE:**

- d. Attached is a notice that will be sent by PAWC to its water and wastewater customers upon conditional acceptance of the Application. Also, attached is a notice that will be sent to Borough of Brentwood customers.

Please note that both notices include a blank for the due date for protests and notices of intervention. PAWC asks that the Secretarial Letter conditionally accepting the Application indicate the due date for protests and notices of intervention.

## Statewide Onsert

## NOTICE OF PROPOSED WASTEWATER ACQUISITION AND RATE BASE ADDITION (Docket No. A-2021-3024058)

Dear Customer:

On \_\_\_\_\_, 2023, the Pennsylvania Public Utility Commission (“PUC”) conditionally accepted for filing the application of Pennsylvania-American Water Co. (“Pennsylvania-American”) for approval to acquire the Borough of Brentwood (“Brentwood”) wastewater system assets. Brentwood serves approximately 3,980 customers in Allegheny County. Pennsylvania-American’s application also requests that the PUC authorize an addition of \$19,364,443 to Pennsylvania-American’s rate base pursuant to 66 Pa. C.S. § 1329. A utility’s rate base is the value of property used by the utility to provide service to its customers and is one of many components used to establish customer rates.

This acquisition will not immediately, but may in the future, affect water and/or wastewater bills of Pennsylvania-American customers, including Brentwood wastewater customers. Pennsylvania-American is not requesting a rate increase as part of the acquisition. Your current rates will not change as a result of this acquisition until the conclusion of Pennsylvania-American’s first base rate case where Pennsylvania-American requests and receives PUC approval to increase its rates. Based on a non-binding estimate of the potential rate impacts, Pennsylvania-American anticipates that the potential rate impact could be as follows:

PAWC WASTEWATER				
Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Monthly Bill at PAWC Zone 1 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,212 gal/month	\$106.65	\$106.97	\$0.32 or 0.3%
Commercial	22,561 gal/month	\$509.46	\$510.99	\$1.53 or 0.3%
Industrial	528,207 gal/month	\$11,143.19	\$11,176.62	\$33.43 or 0.3%

PAWC WATER				
Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Monthly Bill at PAWC Zone 1 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,212 gal/month	\$69.24	\$69.24	\$0.00 or 0.0%
Commercial	22,561 gal/month	\$371.82	\$371.82	\$0.00 or 0.0%
Industrial	528,207 gal/month	\$5,985.09	\$5,985.08	\$0.00 or 0.0%

# Amended Appendix A-18-d

These amounts could change and will depend on how the PUC chooses to apportion any increase among different types of utility service, rate zones and classes of customers. For Pennsylvania-American customers in a rate zone other than Rate Zone 1, the potential rate impact could vary from the chart above.

## PUC ROLE

The state agency that approves acquisitions and rates for regulated public utilities is the PUC. The PUC will review and investigate the proposed acquisition. After examining the evidence, the PUC may approve, modify or deny the acquisition and may approve, modify or deny the requested addition to rate base.

## ACTIONS YOU CAN TAKE

You can support or challenge Pennsylvania-American's request by:

1. Sending a letter to the PUC. You can tell the PUC why you support or object to the application in your letter. This information can be helpful when the PUC investigates the application. Send your letter to the Pennsylvania Public Utility Commission, Post Office Box 3265, Harrisburg, PA 17105-3265.
2. Attending or presenting testimony at a PUC public input hearing. You can attend or be a witness at a PUC public input hearing. The PUC holds public input hearings if it opens an investigation of Pennsylvania-American's transaction and if there is enough interest in the case. At these hearings, you can present your views in person to the PUC judge and to company representatives. Testimony under oath becomes part of the application case record. The PUC holds these hearings in the service area of the company. For more information, call the PUC at 1-800-692-7380.
3. Filing a protest or a petition to intervene. If you want to be a party to the case, you must file a protest or a petition to intervene. You then have an opportunity to take part in all the hearings about the proposed acquisition. You can receive copies of all materials distributed by the other parties. Protests and petitions to intervene must be filed in accordance with 52 Pa. Code (relating to public utilities) on or before \_\_\_\_\_ . Filings must be made with the Secretary of the Pennsylvania Public Utility Commission at P.O. Box 3265, Harrisburg, PA 17105-3265, with a copy served on Pennsylvania-American's counsel at:

David P. Zambito, Esq.  
Cozen O'Connor  
17 North Second Street, Suite 1410  
Harrisburg, PA 17101

The documents filed in support of the application are available on the PUC's website at [www.puc.pa.gov](http://www.puc.pa.gov), and for inspection and copying at the Office of the Secretary of the PUC between 8 a.m. and 4:30 p.m., Monday through Friday, and at Pennsylvania-American's offices at 852 Wesley Drive, Mechanicsburg, PA 17055. The PUC docket number is A-2021-3024058. For more information, you may contact the PUC's Bureau of Consumer Services at 1-800-692-7380.

Direct Mailing to Brentwood Customers

**NOTICE OF PROPOSED WASTEWATER ACQUISITION AND RATE BASE ADDITION** (Docket No. A-2021-3024058)

Dear Borough of Brentwood Customer:

On \_\_\_\_\_, the Pennsylvania Public Utility Commission (“PUC”) conditionally accepted for filing the application of Pennsylvania-American Water Co. (“Pennsylvania-American”) for approval to acquire the Borough of Brentwood (“Brentwood”) wastewater system assets. Brentwood serves approximately 3,980 customers in Allegheny County. Pennsylvania-American’s application also requests that the PUC authorize an addition of \$19,364,443 to Pennsylvania-American’s rate base pursuant to 66 Pa. C.S. § 1329. A utility’s rate base is the value of property used by the utility to provide service to its customers and is one of many components used to establish customer rates.

This acquisition will not immediately, but may in the future, affect water and/or wastewater bills of Pennsylvania-American customers, including the Brentwood wastewater customers. Pennsylvania-American is not requesting a rate increase as part of the acquisition. Your current wastewater rates will not change until the conclusion of Pennsylvania-American’s first base rate case where Pennsylvania-American requests and receives PUC approval to increase its rates. Based on a non-binding estimate of the potential rate impacts, Pennsylvania-American anticipates that the potential wastewater rate impact could be as follows:

WASTEWATER				
Rate Class	Average Usage	Average Monthly Bill at Borough of Brentwood Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,212 gal/month	\$73.96	\$82.10	\$8.14 or 11.0%
Commercial	22,561 gal/month	\$436.10	\$484.07	\$47.97 or 11.0%
Industrial	528,207 gal/month	\$10,210.24	\$11,333.37	\$1,123.13 or 11.0%

These amounts could change and will depend on how the PUC chooses to apportion any increase among different types of utility service, rate zones and classes of customers and the period of time over which such rate increases could occur.

**PUC ROLE**

The state agency that approves acquisitions and rates for regulated public utilities is the PUC. The PUC will review and investigate the proposed acquisition. After examining the evidence, the PUC may approve, modify or deny the acquisition and may approve, modify or deny the requested addition to rate base.

**ACTIONS YOU CAN TAKE**

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1. Sending a letter to the PUC. You can tell the PUC why you support or object to the application in your letter. This information can be helpful when the PUC investigates the application. Send your letter to the Pennsylvania Public Utility Commission, Post Office Box 3265, Harrisburg, PA 17105-3265.

## Amended Appendix A-18-d

2. Attending or presenting testimony at a PUC public input hearing. You can attend or be a witness at a PUC public input hearing. The PUC holds public input hearings if it opens an investigation of Pennsylvania-American's transaction and if there is enough interest in the case. At these hearings, you can present your views in person to the PUC judge and to company representatives. Testimony under oath becomes part of the application case record. The PUC holds these hearings in the service area of the company. For more information, call the PUC at 1-800-692-7380.
3. Filing a protest or a petition to intervene. If you want to be a party to the case, you must file a protest or a petition to intervene. You then have an opportunity to take part in all the hearings about the proposed acquisition. You can receive copies of all materials distributed by the other parties. Protests and petitions to intervene must be filed in accordance with 52 Pa. Code (relating to public utilities) on or before \_\_\_\_\_ . Filings must be made with the Secretary of the Pennsylvania Public Utility Commission at P.O. Box 3265, Harrisburg, PA 17105-3265, with a copy served on Pennsylvania-American's counsel at:

David P. Zambito, Esq.  
Cozen O'Connor  
17 North Second Street, Suite 1410  
Harrisburg, PA 17101

The documents filed in support of the application are available on the PUC's website at [www.puc.pa.gov](http://www.puc.pa.gov), and for inspection and copying at the Office of the Secretary of the PUC between 8 a.m. and 4:30 p.m., Monday through Friday, and at Pennsylvania-American's offices at 852 Wesley Drive, Mechanicsburg, PA 17055. The PUC docket number is A-2021-3024058. For more information, you may contact the PUC's Bureau of Consumer Services at 1-800-692-7380.

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of the Borough of Brentwood**

**66 Pa. C.S. § 1329**

**Application Filing Checklist – Water/Wastewater  
Docket No. A-2021-3024058**

19. Cost of Service.
- d. Provide calculations quantifying the projected revenues and expenses for the acquisition.

**AMENDED RESPONSE:**

- d. The projected revenues and expenses for the acquisition are enclosed as **Amended Appendix A-19-d**.

**Amended Appendix A-19-d**

# Amended Appendix A-19-d

Pennsylvania-American Water Company  
Estimated Annual Revenues and Expenses of New Service Area  
Year 1  
(Dollars in thousands)

Operating Revenues - Collection	\$	1,815
Charges for Treatment		2,216
Operating Expenses		
Operation and Maintenance - Collection		373
Operation and Maintenance - Treatment		2,216
Depreciation and Amortization		322
General Taxes and Other		32
Total Operating Expenses		<u>2,943</u>
Operating income		1,088
Other Income/(Expenses)		
Other Income/(Expense), Net		
Interest Expense, Net		(508)
Total Other Expenses		<u>(508)</u>
Income Before Income Taxes		580
Provision for Income Taxes		111
Net Income	\$	<u><u>469</u></u>