



February 21, 2024

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VIA ELECTRONIC FILING

Ms. Rosemary Chiavetta, Secretary
Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

In re: Application of Pennsylvania-American Water Company under Section 1102(a) of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1102(a), for approval of (1) the transfer, by sale, of substantially all of the Sadsbury Township Municipal Authority's assets, properties and rights related to its wastewater collection and conveyance system to Pennsylvania-American Water Company, and (2) the right of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in portions of Sadsbury Township, Pennsylvania, Lancaster County, Pennsylvania

Docket No. A-2023-3042058

Dear Secretary Chiavetta:

On behalf of Pennsylvania-American Water Company, I am filing the attached Joint Petition for Approval of Unanimous Settlement of All Issues between Pennsylvania-American Water Company, Sadsbury Township Municipal Authority and the Office of Consumer Advocate.

Should you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink that reads "EK Fure".

Erin K. Fure

cc: The Honorable Katrina Dunderdale, Administrative Law Judge (*via electronic mail*)
All Parties on the attached Certificate of Service (*via electronic mail*)

**BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

Application of Pennsylvania-American Water Company :
under Section 1102(a) of the Pennsylvania Public Utility :
Code, 66 Pa. C.S. § 1102(a), for approval of (1) the :
transfer, by sale, of substantially all of the Sadsbury :
Township Municipal Authority’s assets, properties and : Docket No. A-2023-3042058, *et al.*
rights related to its wastewater collection and :
conveyance system to Pennsylvania-American Water :
Company, and (2) the right of Pennsylvania-American :
Water Company to begin to offer or furnish wastewater :
service to the public in portions of Sadsbury Township, :
Pennsylvania, Lancaster County, Pennsylvania :

CERTIFICATE OF SERVICE

I hereby certify that I served the above-referenced pleading upon the persons and in the manner indicated below, which service satisfies the requirements of 52 Pa. Code §1.54 (relating to service by a party).

SERVICE VIA ELECTRONIC MAIL ON FEBRUARY 21, 2024

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Respectfully Submitted,



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Attorneys for
Pennsylvania-American Water Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**ADMINISTRATIVE LAW JUDGE
KATRINA L. DUNDERDALE**

Application of Pennsylvania-American Water Company :
under Section 1102(a) of the Pennsylvania Public Utility :
Code, 66 Pa. C.S. § 1102(a), for approval of (1) the :
transfer, by sale, of substantially all of the Sadsbury :
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conveyance system to Pennsylvania-American Water :
Company, and (2) the right of Pennsylvania-American :
Water Company to begin to offer or furnish wastewater :
service to the public in portions of Sadsbury Township, :
Pennsylvania, Lancaster County, Pennsylvania :

**JOINT PETITION FOR APPROVAL OF
UNANIMOUS SETTLEMENT OF ALL ISSUES**

I. INTRODUCTION

Pennsylvania-American Water Company (“PAWC”), the Sadsbury Township Municipal Authority (“STMA”) and the Office of Consumer Advocate (“OCA”) (singularly a “Petitioner” and, collectively, the “Joint Petitioners”) hereby join in this “Joint Petition for Approval of Unanimous Settlement of All Issues” (“Settlement”) ¹ and respectfully request that the Honorable Administrative Law Judge Katrina L. Dunderdale (the “ALJ”) recommend approval of, and the

¹ The only other party to this proceeding, the Office of Small Business Advocate, does not oppose the Settlement.

Pennsylvania Public Utility Commission (“Commission” or “PUC”) approve, this Settlement without modification.

In support of the Settlement, the Joint Petitioners state the following:

II. PROCEDURAL HISTORY

1. PAWC, STMA² and Sadsbury Township³ entered into an Asset Purchase Agreement on January 5, 2023 by which PAWC will purchase all the assets, properties, and rights of STMA which are owned and used in connection with the wastewater collection and conveyance system (“System”) in Sadsbury Township, Lancaster County.

2. On August 3, 2023, PAWC filed the instant Application (“Application”), asking the Commission to approve its acquisition of the System pursuant to Sections 507 and 1102(a) of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 507 and 1102(a). In the Application, PAWC also requests the Commission to grant PAWC the right to offer or furnish wastewater service to the public in portions of Sadsbury Township, Lancaster County, Pennsylvania.

3. On August 24, 2023, Sharon E. Webb, Esquire filed a Notice of Appearance, a Protest, a Notice of Intervention, a Public Statement and a Verification on behalf of the OSBA.

4. On September 5, 2023, Erin L. Gannon, Esquire filed a Protest and Public Statement on behalf of the OCA.

5. On September 5, 2023, STMA filed a Petition to Intervene.

6. The Prehearing Conference was held on September 11, 2023. At the September 11, 2023 Prehearing Conference, the parties requested that, in lieu of setting a litigation schedule,

² Formerly known as Sadsbury Township Sewer Authority.

³ Sadsbury Township is a party to the APA only for the purposes of Section 6.1(g) (“Municipal Ordinances”), Section 6.7 (“Act 537 Plan”), Section 8.1(f) (“Act 537 Plans”), Section 8.2(e) (“Act 537 Plans”), and Section 11.2 (“Successors and Assigns”) of the APA.

a status conference be scheduled in forty-five days to allow the parties time to exchange information informally and work cooperatively to narrow the issues and attempt to resolve the matter. At the September 11, 2023 Prehearing Conference, the ALJ granted STMA's Petition to Intervene.

7. A status conference was held on November 2, 2023 at which time the parties requested an additional thirty days to continue discussions and work toward a resolution of the matter.

8. On November 13, 2023, Jacob D. Guthrie, Esquire filed a Notice of Appearance on behalf of the OCA.

9. A status conference was held on December 5, 2023 at which time the parties represented to the ALJ that they had reached a settlement in principle.

III. SETTLEMENT TERMS

Approval of Application

10. The Joint Petitioners agree that the Commission should approve PAWC's acquisition of the System currently owned by STMA and PAWC's right to begin to offer, render, furnish, or supply wastewater services in the areas served by the System, as well as any other necessary approvals or certificates for the transaction, subject to approval of all of the following conditions and without modification.

Tariff

11. The *pro forma* tariff supplement attached to the Application as Appendix D shall be permitted to become effective immediately upon closing of the transaction ("Closing"). In addition, PAWC shall be authorized to implement all other miscellaneous fees and charges, and

the rules and regulations regarding conditions of PAWC's wastewater service, as reflected in PAWC's prevailing wastewater tariff, to become effective upon Closing.

Distribution System Improvement Charge ("DSIC")

12. The DSIC provisions of PAWC's effective tariff will apply to customers in the System no later than the first base rate case in which the System is included, pursuant to Paragraph 22 of the Joint Petition for Settlement of Rate Investigation approved in Docket No. R-2022-3031673. Additionally, PAWC will not seek to recover System-related investments in its DSIC until PAWC applies the DSIC to System customers.

Rates

13. Except as explicitly agreed upon in this Settlement, nothing contained herein or in the Commission's approval of the Application shall preclude any Joint Petitioner from asserting any position or raising any issue in other PAWC proceedings. This includes but is not limited to OCA's reservation of rights to address and make other proposals for System rates in PAWC's pending and future rate cases.

14. PAWC will not seek a "substantial public interest" exception to the requirement of 66 Pa. C.S. § 1327(e) for this System and will pass through to customers any difference between the depreciated original cost of the System and the purchase price as an addition to income that offsets expenses included in revenue requirement.

15. PAWC will treat costs incurred for System wastewater treatment, including but not limited to fees and charges pursuant to service agreements with Salisbury Township and service agreements by and among the Borough of Christiana, Christiana Borough Authority, and Sadsbury Township as Operations and Maintenance expenses to be recovered in PAWC base rates, subject to Commission review and approval.

16. Any claim by PAWC to recover transaction and closing costs associated with the System acquisition will not include costs incurred by STMA. The OCA reserves its rights to challenge the reasonableness, prudence, and basis for PAWC's transaction and closing cost claims in the rate filing where they are claimed.

Low Income Program Outreach

17. Within the first billing cycle following Closing, PAWC shall provide a bill insert to System customers regarding PAWC's low-income programs and customer payment arrangement programs. The bill insert shall include, at a minimum, a description of the available low-income programs, eligibility requirements for participation in the programs, and PAWC's contact information.

18. Within the first 30 days of Closing, PAWC shall provide a welcome letter to System customers that includes information about bill payment options; identifies locations where customers can pay in-person for no additional fee, which are reasonably proximate to the areas served by the System; and provides the information listed in Paragraph 17 above about the Company's low-income programs and customer payment arrangement programs.

Approval of Section 507 Agreements⁴

19. Pursuant to 66 Pa. C.S. § 507, the Commission shall issue Certificates of Filing or approval for:

a. the Asset Purchase Agreement By and Between the Sadsbury Township Municipal Authority and Sadsbury Township as Seller, and Pennsylvania-American Water Company, as Buyer, Dated as of January 5, 2023;

⁴ The OCA does not join in this Section but does not oppose PAWC's request.

b. Agreement By and Among the Borough of Christiana, Christiana Borough Authority, Township of Sadsbury and Sadsbury Township Sewer Authority Dated as of November 11, 1997, as amended May 23, 2001; and

c. Agreement By and Among Township of Salisbury and Sadsbury Township Sewer Authority as of June 19, 2001 as amended July 19, 2022.

Other Necessary Approvals

20. The Commission shall issue any other approvals or certificates appropriate, customary, or necessary under the Pennsylvania Public Utility Code to carry out the transactions contemplated in the Application in a lawful manner.

Standard Settlement Conditions

21. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in the Settlement without modification. If the Commission modifies the Settlement, any Petitioner may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an Order modifying the Settlement. The Joint Petitioners acknowledge and agree that the Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding.

22. This Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceedings. If the Commission does not approve the Settlement and the proceedings continue, the Joint Petitioners reserve their respective procedural rights, including the right to present additional testimony and to conduct full cross-examination, briefing and argument. The Settlement is made without any admission against, or prejudice to, any position which any

Petitioner may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

23. The Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any Petitioner's position with respect to any issues raised in these proceedings. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

24. The Joint Petitioners have prepared Proposed Findings of Fact (Attachment 4), Proposed Conclusions of Law (Attachment 5), and Proposed Ordering Paragraphs (Attachment 6). The Joint Petitioners further agree that the facts agreed to in the Proposed Findings of Fact are sufficient to find that the Settlement is in the public interest.

25. Each Petitioner has prepared a Statement in Support of Settlement setting forth the bases upon which the Petitioner believes the Settlement to be in the public interest.

26. If the ALJ recommends approval of the Settlement without modification, the Joint Petitioners will waive their rights to file Exceptions.

IV. REQUEST FOR RELIEF

WHEREFORE, Pennsylvania-American Water Company, the Sadsbury Township Municipal Authority and the Office of Consumer Advocate, by their respective counsel, respectfully request that:

(a) The Honorable Administrative Law Judge Katrina L. Dunderdale recommend approval of, and the Commission approve, this Joint Petition for Unanimous Settlement of All Issues as submitted, including all terms and conditions thereof, without modification.

[Signatures appear on next page.]

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Attachments:

1. Statement in Support of Pennsylvania-American Water Company
2. Statement in Support of Sadsbury Township Municipal Authority
3. Statement in Support of the Office of Consumer Advocate
4. Proposed Findings of Fact
5. Proposed Conclusions of Law
6. Proposed Ordering Paragraphs

Attachment 1
Statement in Support of
Pennsylvania-American Water Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Administrative Law Judge
Katrina L. Dunderdale**

In re: Application of Pennsylvania-American Water :
Company under Section 1102(a) of the Pennsylvania :
Public Utility Code, 66 Pa. C.S. § 1102(a), for approval :
of (1) the transfer, by sale, of substantially all of the : Docket Nos. A-2023-
Sadsbury Township Municipal Authority’s assets, : 3042058, *et al*
properties and rights related to its wastewater collection :
and conveyance system to Pennsylvania-American :
Water Company, and (2) the right of Pennsylvania- :
American Water Company to begin to offer or furnish :
wastewater service to the public in portions of :
Sadsbury Township, Pennsylvania, Lancaster County, :
Pennsylvania.

**STATEMENT OF PENNSYLVANIA-AMERICAN WATER
COMPANY IN SUPPORT OF THE JOINT PETITION FOR
APPROVAL OF UNANIMOUS SETTLEMENT OF ALL ISSUES**

Pennsylvania-American Water Company (“PAWC”) files this Statement in Support of the Joint Petition for Approval of Unanimous Settlement of All Issues (“Settlement”)¹, entered into by PAWC, the Office of Consumer Advocate (“OCA”), and Sadsbury Township Municipal Authority (“STMA”) (singularly, a “Joint Petitioner” and collectively, the “Joint Petitioners”) in the above-captioned proceeding. PAWC respectfully requests that the Honorable Administrative Law Judge Katrina L. Dunderdale (the “ALJ”) recommend approval of, and that the Pennsylvania

¹ The only other party to this proceeding, the Office of Small Business Advocate (“OSBA”) does not oppose the Settlement.

Public Utility Commission (“Commission”) approve, the Settlement, including all terms and conditions thereof, without modification.

I. INTRODUCTION

The Settlement pertains to the application (“Application”) filed by PAWC pursuant to Section 1102(a) of the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. § 1102(a), requesting (among other things) that the Commission issue Certificates of Public Convenience to PAWC for the transfer to PAWC, by sale, of substantially all of the assets, properties and rights of STMA (the “Transaction”), related to STMA’s wastewater collection and conveyance system (the “System”).

The Settlement, if approved, will resolve all of the issues raised in this proceeding. The Settlement is in the best interest of STMA and its existing customers, PAWC and its existing customers, and the public-at-large. It is in the public interest and, accordingly, should be approved.

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that the parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully-litigated proceeding. *See* 52 Pa. Code § 69.401. In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm’n v. York Water Co.*, Docket No. R-00049165 (Order entered October 4, 2004); *Pa. Pub. Util. Comm’n v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).

As an initial matter, the fact that the Settlement resolves all issues is, in and of itself, strong evidence that the Settlement is reasonable and in the public interest – particularly given the diverse

interests of the Joint Petitioners and the active role that they have taken in this proceeding. The Settlement was achieved through the hard work and perseverance of the Joint Petitioners. They have repeatedly demonstrated their good faith and willingness to cooperate to resolve this case.

It should be noted that the Joint Petitioners, and their counsel and experts, have considerable experience in acquisition proceedings. Their knowledge, experience and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus on all the issues. The Joint Petitioners, their counsel and experts fully explored all the issues in this case.

Since no hearings have been held in this matter, the Joint Petitioners have stipulated to facts that provide the evidentiary foundation for the Settlement. A Commission order must be supported by substantial evidence, which is such evidence that a reasonable mind might accept as adequate to support a conclusion. *Norfolk & Western Ry. Co. v. Pa. Pub. Util. Comm'n*, 489 Pa 109, 413 A.2d 1037 (1980). The Joint Stipulation provides the substantial evidence necessary for the ALJ to recommend approval of, and for the Commission to approve, the Settlement.

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners and satisfies the various requirements of the Code. For these reasons, and the reasons set forth below, the Settlement is in the public interest and should be approved without modification.

II. THE SETTLEMENT IS IN THE PUBLIC INTEREST

The Joint Petitioners have agreed to a settlement of all issues in this proceeding. This includes issues arising under Sections 1103(a) and 507 of the Code. 66 Pa. C.S. §§ 1103(a) and 507.

A. Section 1103 Approvals

1. Fitness

PAWC must demonstrate that it is technically, financially, and legally fit to own and operate the System. *Seaboard Tank Lines, Inc. 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 certificated public utility, PAWC enjoys a rebuttable presumption that it possesses the requisite fitness. *South Hills Movers, Inc. v. Pa. Pub. Util. Comm'n*, 601 A.2d 1308, 1310 (Pa. Cmwlth. 1992). No party challenged PAWC's fitness. Therefore, the ALJ should find that PAWC is technically, financially and legally fit.

2. Public Benefit

PAWC must demonstrate that the Transaction and PAWC's ownership/operation of the System 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 affirmative public benefit test is a "net benefits assessment" requiring a showing that, on net, the public is better off because of the transaction than it would have been in the absence of the transaction. *Cicero v. Pa. Pub. Util. Comm'n*, 300 A.3d 1106, *allocatur pending*, (Pa. Cmwlth. 2023).

The Transaction, with the conditions described in the Settlement, benefits all of the stakeholder groups impacted by the Transaction. The Transaction benefits members of the public-at-large in that the Transaction promotes the Commission's policy favoring regionalization and consolidation of water and wastewater systems. Application, ¶¶ 22.b and 22.e.

The Transaction benefits STMA in the same way that it benefits all other members of the public-at-large. In addition, the Transaction has specific benefits for STMA:

- STMA will receive the consideration agreed to pursuant to the Asset Purchase Agreement (“APA”) it entered into with PAWC. Application, ¶¶ 8, 13.

The Transaction benefits STMA’s existing customers in the same way that it benefits all other members of the public-at-large. In addition, the Transaction has specific benefits for STMA’s existing customers:

- The STMA System will become a Commission-regulated utility, and its customers will gain the protection of the Code, the Commission, the Bureau of Investigation and Enforcement (“I&E”), OCA, and the OSBA.
- Customers will have access to PAWC’s proven and enhanced customer service, including its customer assistance programs, customer dispute resolution process, extended call hours, additional bill payment options, and enhanced customer information and education programs. Joint Stipulation of Fact (“Stipulation”), Appendix A, ¶¶ 16-20.
- Under PAWC ownership, STMA’s existing customers would become eligible for PAWC’s *bona fide* service applicant program for existing customers, found in Section M of PAWC’s Wastewater Tariff. Stipulation, Appendix A, ¶ 15.
- PAWC plans to invest \$1,531,000 in improvements in the System over the next six years, which would not occur in the absence of the Transaction as STMA does not have the funding to pursue these projects. Stipulation, Appendix A, ¶¶ 33-35.
- PAWC can draw upon a broader range of engineering and professional experience, in managing the System than STMA. Recordkeeping will improve under PAWC ownership. STMA does not have complete access to records such as historical data concerning customer accounts, system mapping, and infrastructure condition. Stipulation, Appendix A, ¶¶ 12-14.
- The Transaction will promote the public policy goal of improving and maintaining public infrastructure.

The Settlement contains additional public benefits for STMA’s existing customers, in that it requires PAWC to provide information to STMA’s customers regarding its low-income programs within 30 days of PAWC’s ownership of the System and requires PAWC to pass through

to customers any difference between the depreciated original cost of the System and the purchase price as an addition to income that offsets expenses included in revenue requirement. Settlement ¶¶ 14, 17-18.

The Transaction benefits PAWC's existing wastewater customers in the same way that it benefits all other members of the public-at-large. In addition, the Transaction has specific benefits for PAWC's existing customers:

- The Transaction will have no immediate impact on the rates paid by PAWC's existing customers. Application, ¶ 23.
- The Transaction will benefit PAWC's existing customers because it will add new customers to PAWC's customer base, who can share the cost of operating the entire PAWC system, thereby stabilizing or reducing per-customer costs over the long term. Application, ¶ 21. Based on the purchase price of the System, the average purchase price per existing customer for STMA is \$3,944. Stipulation, Appendix A, ¶ 39.

In short, as modified by the terms and conditions in the Settlement, the Transaction has affirmative public benefits of a substantial nature for every impacted group. These benefits clearly outweigh any alleged detriments. Accordingly, the ALJ and the Commission should find that the Settlement affirmatively promotes the service, accommodation, convenience, or safety of the public in some substantial way.

3. Rates

PAWC's current wastewater Rate Zone 1 unmetered rates per EDU are \$106 a month; STMA's current, unmetered rates are \$385 per EDU per quarter (\$128.33 per month). Stipulation, Appendix A, ¶¶ 26-27. In its pending base rate case at Docket No. R-2023-3043190, PAWC has proposed to (1) maintain the current flat rate of \$128.33 per EDU per month for customers in the STMA System and (2) continue to include the costs for wastewater treatment in base rates. Stipulation, Appendix A, ¶ 27; Settlement, ¶ 13. In terms of rates, the Settlement is in

the public interest because it reserves the other Joint Petitioner's rights to address and make other proposals for System rates in PAWC's pending and future rate cases. Settlement, ¶ 13. Furthermore, the Settlement commits PAWC to pass through to customers the difference between the purchase price and the depreciated original cost of the System as an addition to income, which offsets expenses included in revenue requirement. Settlement, ¶ 14.

4. Distribution System Improvement Charge

In order to qualify for a distribution system improvement charge ("DSIC") recovery, a utility must submit a long-term infrastructure investment plan ("LTIIP") to, and receive approval from, the Commission. The Commission has approved PAWC's most recent wastewater LTIIP at Docket No. P-2023-3038874, which did not include the System. The Transaction, as modified by the Settlement, is in the public interest because the Settlement includes consumer safeguards. The Settlement prohibits PAWC from including System-related investments in its DSIC until it collects the DSIC from System customers, which protects existing PAWC customers from fully funding System-related improvements. Settlement, ¶ 12. The Settlement additionally prohibits PAWC from collecting a DSIC from System customers until PAWC files a compliance tariff supplement that incorporates the System into PAWC's DSIC tariff. *Id.* The Settlement established a deadline for PAWC to file the compliance tariff supplement. *Id.* The Transaction, as modified by the DSIC provisions in the Settlement, is reasonable and in the public interest and should therefore be approved.

5. Transaction and Closing Costs

The Settlement is in the public interest because it makes clear that the OCA reserves its rights to litigate its positions regarding the reasonableness, prudence, and basis for PAWC's transaction and closing cost claims fully in the rate case where these costs are claimed. Settlement,

¶ 16. Additionally, the Settlement makes clear that any claim by PAWC to recover transaction and closing costs will not include costs incurred by STMA. Settlement, ¶ 16.

B. Section 507 Approvals

Section 507 of the Code requires that contracts between a public utility and a municipal corporation (except for contracts to furnish service at regular tariff rates) be filed with the Commission at least 30 days before the effective date of the contract. The Commission approves the contract by issuing a certificate of filing, unless it decides to institute proceedings to determine whether there are any issues with the reasonableness, legality, or any other matter affecting the validity of the contract.

In the Application, PAWC sought Commission approval of the Asset Purchase Agreement (“APA”), as well as a service agreements with Christiana Borough Authority and Borough of Christiana and with the Township of Salisbury, which PAWC will assume at closing. Approval of these agreements is necessary for PAWC to continue to provide service to all customers presently served by the System.

The Settlement is in the public interest because it establishes that none of the other Joint Petitioners objects to the Commission’s approval of these agreements pursuant to Section 507. The Commission should accordingly issue a Certificate of Filing for, or otherwise approve, the APA and the service agreements.

III. CONCLUSION

Through cooperative efforts and the open exchange of information, the Joint Petitioners have arrived at a settlement that resolves all issues in the proceeding in a fair and equitable manner.

The Settlement is the result of detailed examination of the Transaction, informal discovery responses, evidence that was entered into the record, and extensive settlement negotiations. A fair and reasonable compromise has been achieved in this case, as is evidenced by the fact that the parties to the proceeding have either agreed to or not opposed the resolution of the issues. PAWC fully supports the Settlement and urges the ALJ and the Commission to approve it without modification.

WHEREFORE, Pennsylvania-American Water Company respectfully requests that the Honorable Administrative Law Judge Katrina L. Dunderdale recommend approval of, and that the Commission approve, the Settlement, including all terms and conditions thereof, without modification, and enter an order consistent with the Settlement.

Respectfully submitted,



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Dated: February 21, 2024

Counsel for
Pennsylvania-American Water Company

Attachment 2

Statement in Support of

Sadsbury Township Municipal Authority

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

In re: Application of Pennsylvania-American Water :
Company under Section 1102(a) of the Pennsylvania :
Public Utility Code, 66 Pa C.S. § 1102(a), for approval :
of (1) the transfer, by sale, of substantially all of the :
Sadsbury Township Municipal Authority’s assets, :
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Water Company, and (2) the rights of Pennsylvania- :
American Water Company to begin to offer or furnish :
wastewater service to the public in portions of Sadsbury :
Township, Pennsylvania, Lancaster County, :
Pennsylvania :

**STATEMENT OF THE SADBURY TOWNSHIP MUNICIPAL AUTHORITY IN
SUPPORT OF THE JOINT PETITION FOR APPROVAL OF UNANIMOUS
SETTLEMENT OF ALL ISSUES**

TO ADMINISTRATIVE LAW JUDGE DUNDERDALE:

Sadsbury Township Municipal Authority (“STMA” or the “Authority”), by and through its attorneys, jointly submit this statement in support of the Joint Petition for Approval of Unanimous Settlement of All Issues (“Settlement”) submitted to the Pennsylvania Public Utility Commission (“Commission”) by Pennsylvania-American Water Company (“Pennsylvania-American” or the “Company”) on behalf of Pennsylvania-American, the Authority, and the Office of Consumer Advocate (“OCA”) (collectively, the “Joint Petitioners”).

I. Introduction

These proceedings concern the application of Pennsylvania-American Water Company (“Pennsylvania-American”), dated August 3, 2023, for approval to acquire STMA’s wastewater collection and conveyance system (the “System”) and begin serving the Authority’s customers, pursuant to section 1102(a) of the Pennsylvania Public Utility Code (the “Proposed Transaction”). On February 21, 2024, the Joint Petitioners filed the Settlement proposing a resolution of all issues in this proceeding. The Authority supports the Settlement and, therefore, respectfully request that

Administrative Law Judge Katrina Dunderdale recommend approval of, and the Commission approve, the Proposed Transaction and Settlement without modification.

II. Settlement – Legal Principles

Pursuant to 52 Pa. Code § 5.231(a), it is the stated policy of the Commission to encourage parties to resolve contested proceedings through settlement. The Commission has further stated that “the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding.” 52 Pa. Code § 69.401. For example, settlements lessen the time and expense of litigating a case and, therefore, directly benefit all interested parties.

As such, where all active parties in a proceeding have reached a settlement, the principal issue for Commission consideration is whether the agreement is in the public interest. *See, e.g., Pa. Pub. Util. Comm’n v. C. S. Water and Sewer Assoc.*, 74 Pa. P.U.C. 767 (1991) and *Pa. Pub. Util. Comm’n v. Philadelphia Electric Co.*, 60 Pa. P.U.C. 1 (1985). Further, the Pennsylvania Supreme Court has explained that in the context of a utility merger, the issuance of a certificate of public convenience requires the Commission to find affirmatively that public benefit will result from the merger. *See generally City of York v. Pennsylvania Public Utility Commission*, 295 A.2d 825 (Pa. 1972).

Here, the Settlement proposes the resolution of all issues in this proceeding, and the Joint Petitioners all agree that it is in the public interest. As stated above, Commission approval of the Joint Petition will not only minimize litigation and administrative burden of all parties but will also further the public interest by allowing the Proposed Transaction to move forward thereby fostering the Commission’s stated goal of regionalizing wastewater systems within the Commonwealth.

The Authority supports the Settlement and, therefore, respectfully request that Administrative Law Judge Katrina Dunderdale recommend approval of, and that the Commission approve, the Proposed Transaction and Settlement without modification.

III. Section 1102/1103 Standard

Pennsylvania-American is seeking a Certificate of Public Convenience from the Commission to acquire property used or useful in public service, as required under 66 Pa.C.S. § 1102(a)(1) and 1102(a)(3). The Commission will issue a Certificate of Public Convenience pursuant to Section 1102 when the Commission finds 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).

The Pennsylvania courts have interpreted this provision to require a showing that the Proposed Transaction will “affirmatively promote the ‘service, accommodation, convenience, or safety of the public’ in some substantial way.” *See, e.g., City of York*, 295 A.2d at 828 (quoting 66 Pa.C.S. § 1103). More specifically, the Pennsylvania Supreme Court explained that the Commission is not required to secure legally binding commitments or to quantify benefits where this may be impractical, burdensome, or impossible; rather, the Commission properly applies a preponderance of the evidence standard to make fact-based determinations (including predicted ones informed by expert judgment) concerning certification matters. *Popowsky v. Pa. Pub. Util. Comm’n*, 937 A.2d 1040, 1055–1056 (Pa. 2007).

Here, Pennsylvania-American not only has the requisite technical, legal, and financial fitness to own and operate the System and serve the acquired customers, but this particular Proposed Transaction will affirmatively benefit the public as set forth in more detail below.

A. Pennsylvania-American’s Fitness to Provide Wastewater Service

When considering a transaction such as the one presently at issue before the Commission, the party receiving the assets and service obligation must be technically, legally, and financially fit. *Joint Application of Peoples Natural Gas Co. LLC, Peoples TWP LLC, and Equitable Gas Co., LLC*, Docket No. A-2013-2353647, 309 P.U.R.4th 213 (2013). Here, it is undisputed that Pennsylvania-American has the requisite technical, financial, and legal fitness to own and operate the System.

B. Substantial Affirmative Public Benefits of the Proposed Transaction

As stated above, Pennsylvania-American must demonstrate that the Proposed Transaction will “affirmatively promote the ‘service, accommodation, convenience, or safety of the public’ in some substantial way.” *See, e.g., City of York*, 295 A.2d at 828 (quoting 66 Pa.C.S. § 1103). The Authority respectfully submits that the Proposed Transaction, as well as the Settlement, meet this standard as there are numerous benefits to the acquired STMA customers will experience that the same customers would otherwise not experience absent approval of the Proposed Transaction.

At present, the System serves approximately 233 residential and 28 commercial customers in the Township. *See* Joint Stipulation of Fact, ¶5. However, currently, the Authority does not have a building for operations or any employees. *See id.* at ¶¶10–11. In previous years, STMA customers’ *only* option for paying their wastewater bill is to send cash or a check to a P.O. box. *Id.* at ¶ 11. In fact, the Authority outsources all billing and accounting services for wastewater service. *Id.* at ¶11. Similarly, the Authority does not possess complete records with historical data regarding its wastewater customers’ data, the System’s mapping, or infrastructure condition. *Id.* at ¶13. Finally, the Authority does not have any low-income assistance program and no plans to

create one. *Id.* at ¶20. In other words, the Authority customers are currently without any meaningful customer service and wastewater operators for their wastewater service.

Conversely, if the Proposed Transaction is approved, the acquired Authority customers will have access to Pennsylvania-American's wastewater engineers, system operators, and other wastewater professionals to not only keep records of customer accounts and the infrastructure but to also provide much-needed customer service including but not limited to dispute resolution, customer information and education programs, low-income assistance programs, and expanded bill pay options. *See id.* at ¶¶14, 17, 19, 21. Moreover, Pennsylvania-American plans to invest \$1,531,000 improvements to the System over the next six years that would otherwise not occur as the Authority does not have the funding to invest into its System. *Id.* ¶¶35–37; *see also id.* at ¶38 (explaining that the Authority currently has \$1,058,000 of debt it used to initially install the System but has since refinanced numerous times).

As illustrated above, there is no dispute that Pennsylvania-American has the requisite technical, legal, and financial fitness to own and operate the System and that the Proposed Transaction will provide a substantial public benefit to the System and the acquired Authority customers. Similarly, the Settlement negotiated by the Joint Petitioners provides additional benefits to those already set forth in Pennsylvania-America's Application and summarized above. The substantial affirmative public benefits from the Settlement will be discussed in section C below.

C. Additional Substantial Affirmative Public Benefits from the Settlement

In addition to the numerous benefits established from the inception of the Proposed Transaction, the Joint Petitioners negotiated a Settlement that provides even more substantial affirmative benefits. These benefits include, but are not limited to, the following:

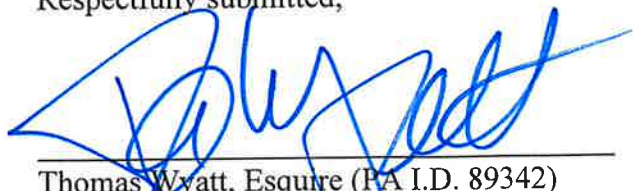
- Pennsylvania-American’s Distribution System Improvement Charge (“DSIC”) provisions in the current *pro forma* tariff will apply to the acquired STMA customers no later than the first base rate case in which the System is included. Additionally, Pennsylvania-American will not seek to recover any System-related investments in its DSIC until the Company applies the DSIC to System customers. *See Settlement*, ¶12.
- Joint Petitioners’ reserve their rights to address and make additional proposals for the rates applied to the acquired STMA customers in Pennsylvania-American’s pending and future rate cases. *See id.* at ¶¶13–16.
- Within thirty days of Closing, Pennsylvania-American will provide a welcome letter to the acquired STMA customers that includes pertinent information including, the additional bill payment options, the low-income programs (eligibility requirements, the Pennsylvania-American contact information, and other customer payment arrangement programs. *See id.* at ¶¶17–18.

Accordingly, the Authority respectfully submits that the Settlement adds even more benefits to the public than that which existed in Pennsylvania-American’s application alone.

IV. Conclusion

As set forth in this Statement, Pennsylvania-American not only has the requisite technical, legal, and financial fitness to own and operate the system and serve the acquired customers, but this particular Proposed Transaction and the Joint Petitioners’ Settlement provides numerous substantial affirmative benefits to the public in accordance with the requirements of the Public Utility Code. As a result, the Authority respectfully submits that the Commission approve the Settlement without modification.

Respectfully submitted,



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Authority*

Dated: February 21, 2024

Attachment 3
Statement in Support of
the Office of Consumer Advocate

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Pennsylvania-American Water :
Company under Section 1102(a) of the :
Pennsylvania Public Utility Code, 66 Pa.C.S. :
1102(a), for Approval of (1) the transfer, by sale, of :
Substantially All of the Sadsbury Township : Docket No. A-2023-3042058
Municipal Authority’s Assets, Properties and :
Rights Related to its Wastewater Collection and :
Conveyance system to Pennsylvania-American :
Water Company, and (2) the Right of Pennsylvania- :
American Water Company to Begin to Offer or :
Furnish Wastewater Service to the Public in :
Portions of Sadsbury Township, Lancaster County, :
Pennsylvania :

**OCA STATEMENT IN SUPPORT OF JOINT PETITION FOR
APPROVAL OF UNANIMOUS SETTLEMENT OF ALL ISSUES**

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Approval of Unanimous Settlement of All Issues (Settlement) respectfully requests that the terms and conditions of the Settlement be approved without modification by the Pennsylvania Public Utility Commission (Commission).

I. INTRODUCTION

On August 3, 2023, Pennsylvania-American Water Company (PAWC) filed an Application under Section 1102(a) of the Public Utility Code, 66 Pa. C.S. § 1102, for approval of the purchase of substantially all of the assets of Sadsbury Township Municipal Authority (STMA) and the right of PAWC to immediately offer wastewater service to the public in the area previously served by STMA. On August 24, 2023, the Office of Small Business Advocate (OSBA) filed a Protest and Notice of Intervention in response to the Application. On August 30, 2023, parties received notice

that a Prehearing Conference was scheduled for September 11, 2023. Also on August 30, 2023, Administrative Law Judge (ALJ) Katrina L. Dunderdale issued a Prehearing Order directing the parties to provide prehearing memoranda by 4:00 p.m. on September 8, 2023. The OCA filed a Protest on September 5, 2023.

On September 11, 2023, ALJ Dunderdale conducted a prehearing conference, during which the parties requested that no litigation schedule be set and, instead, the parties would reconvene in approximately 45 days, during which time the parties would engage in formal discovery and begin settlement negotiations. That day, ALJ Dunderdale issued the Initial Telephonic Status Conference Notice, scheduling a status conference for November 2, 2023. On October 19, 2023, PAWC filed a Motion for Continuance, requesting an additional 30 days before the next status conference, which was denied on October 24, 2023. At the November 2, 2023 Initial Telephonic Status Conference, the parties requested an additional 30 days to continue settlement negotiations and informal discovery. The Second Telephonic Status Conference was held on December 5, 2023, at which the parties provided updates on settlement negotiations. The Third Telephonic Status Conference was held on January 16, 2024, where the parties represented that they had reached a settlement in principle. The OCA and PAWC joined in the Settlement filed on February 21, 2024. OSBA does not oppose the Settlement.

II. THE SETTLEMENT IS IN THE PUBLIC INTEREST

A. Approval of the Application, Settlement ¶ 10

The OCA submits that the terms and conditions of the proposed Settlement provide a reasonable resolution of the concerns raised in the OCA's protest. Those concerns included whether the acquisition satisfies the criteria for approval under Section 1103(a) of the Public Utility Code and *City of York v. Pa. PUC*, 295 A.2d 825, 828 (Pa. 1973) and whether conditions

should be imposed to ensure the public interest standard is met. The OCA also identified areas where more information was needed to assess the reasonableness of the proposed transaction, including whether PAWC would seek an acquisition adjustment under Section 1327, whether the costs of wastewater treatment by the Christiana Borough Authority and the Township of Salisbury are recovered in the STMA rates that PAWC proposes to adopt at closing, and how the Company will charge for the costs of treatment. OCA Protest at 2-4.

As the Settlement was reached prior to submission of testimony, the Settlement is supported by 41 stipulated facts. The additional information provided by the Joint Stipulation of Facts (Joint Stipulation) supplements the Company's filing and helps to complete the evidentiary record on which the Commission will evaluate the proposed transaction. With the benefit of this fuller record, the OCA supports PAWC's acquisition of STMA, as modified and conditioned by the terms of Settlement discussed below.

As set forth in the Joint Stipulation, there are some ways in which service for STMA customers may improve under PAWC's ownership. For example:

- STMA does not have complete access to records such as historical data regarding customer accounts, system mapping, and infrastructure condition. Recordkeeping will improve under the ownership of PAWC, as a PUC-regulated wastewater utility. The ability to have historical data regarding customer accounts and infrastructure is likely to positively impact dispute resolution, repairs, maintenance, and compliance with state and federal mandates. Joint Stipulation ¶¶ 12, 14.
- Current STMA customers may pay their bills through cash or check, mailed to a Post Office box maintained by STMA or, since January 2024, delivered in-person to a member of Township staff. As PAWC customers, the acquired customers will have additional bill payment options. Joint Stipulation ¶¶ 17, 18.
- Current information shows that the existing STMA facilities are in condition to provide adequate service and STMA has no history of PaDEP violations. Joint Stipulation ¶¶ 30, 32. However, PAWC plans to make improvements that are not contemplated or budgeted by STMA, including conducting a condition based assessment/Geographic Information System survey of the collection system, installing safety and security improvements, installing Supervisory Control and Data Acquisition improvements, and performing pump replacement, installing new

mains and laterals, replacing valves and manholes. Joint Stipulation ¶¶ 33, 34. These investments may positively impact the service provided to STMA customers.

- Further, even after making these investments, based on the purchase price and proposed rates, PAWC estimates the STMA system will have an annual revenue sufficiency in excess of cost of service. Joint Stipulation ¶ 41. This is due, in part, to the reasonableness of the purchase price. PAWC's analysis of original cost and accumulated depreciation of the STMA system shows the depreciated original cost of the assets is greater than the purchase price. *Id.* ¶ 37. The other factor is that current STMA rates are higher than current PAWC wastewater Rate Zone 1 rates. Joint Stipulation ¶¶ 25-27.
- The average purchase price per existing customer for the STMA is \$3,944, based on the purchase price. The average net plant in service per existing PAWC wastewater customer is \$12,271, based on projections in PAWC's last base rate case at Docket No. R-2022-3031673. Joint Stipulation ¶ 39, 40. This indicates the acquisition may have a downward impact on the cost for serving all customers, albeit small given the number of customers acquired (251) versus the number of existing wastewater customers (97,585). Application ¶¶ 6, 7.

Additional support for finding the Settlement in the public interest is discussed below, in the context of specific terms of Settlement.

B. Tariff, Settlement ¶ 11

While PAWC will adopt STMA's current base rates for service, as discussed in Section D below, PAWC proposes that its own miscellaneous fees and charges will replace or eliminate those currently charged by STMA. Settlement ¶ 11. As such, the STMA customers will benefit from a lower return check fee and elimination of tapping fees (\$2,505 per EDU for collection and 7,495 per EDU for capacity) and meter read fees (\$200 per quarter). Joint Stipulation ¶¶ 24, 26.

C. DSIC and LTIP, Settlement ¶ 12

Under the terms of the settlement, PAWC will propose to apply its DSIC tariff provisions to STMA in its first base rate case incorporating the STMA system. In addition, PAWC will not include investments related to the STMA system in its DSIC until PAWC applies the DSIC to those customers. Settlement ¶ 12. This requirement protects PAWC's existing customers by

helping to ensure that they will not pay for projects in the STMA service area through their DSIC rates until STMA customers are contributing toward the costs.

D. Rates, Settlement ¶¶ 13-16

As discussed above, PAWC's analysis shows the depreciated original cost of the system is \$1,935,612, or \$945,612 more than the purchase price. Joint Stipulation ¶ 37. Under the Settlement, PAWC commits that it will not seek an adjustment under Section 1327 such that the amortized benefit of the purchase price lower than depreciated original cost will flow to ratepayers. The addition to income will offset expenses included in revenue requirement. Settlement ¶ 14.

PAWC's commitment for recovering costs incurred for wastewater treatment is another important term of Settlement. Because the STMA system is collection only, PAWC will take on the existing STMA agreement for treatment service with the Borough of Christiana, Christiana Borough Authority and Township of Sadsbury, as well as the STMA agreement for treatment service with the Township of Salisbury. Application ¶ 2. The Settlement provides that PAWC will seek to recover those fees and charges as Operation and Maintenance expenses to be recovered in PAWC base rates. Settlement ¶ 15. This is consistent with how PAWC recovers wastewater treatment costs for its existing collection-only systems and would keep those costs subject to Commission oversight and approval of the justness and reasonableness of the costs passed on to customers in base rates, versus the alternative of passing through rates set by a non-regulated entity. This arrangement also allows for low-income customers to receive customer assistance for the entirety of the wastewater bill – not only collection.

While PAWC proposes to adopt current STMA rates existing at the time of closing (Application ¶ 24), Paragraph 13 of the Settlement reserves the OCA's right to make other proposals for rates for the STMA system in PAWC's pending and future base rate proceedings, a

flexibility essential for the OCA to consider what rates are just, reasonable and duly consider cost of service and affordability for those customers. Further, in Paragraph 16, PAWC commits that it will not claim transaction and closing costs incurred by STMA in any claim to recover transaction and closing costs for the system, which reduces the total expenses that existing and acquired customers will have to pay for the acquisition. Also in Paragraph 16, the OCA reserves its ability to challenge PAWC's claimed transaction and closing. This is in the public interest because it allows for a full review of the transaction and closing costs when a claim is made.

E. Low-Income Program Outreach, Settlement ¶¶ 17-18

Currently, STMA customers do not have access to programs to assist low-income customers to pay their monthly wastewater bills. Joint Stipulation ¶ 19. PAWC has programs for low-income bill discounts, hardship grants, and (in the near future) arrearage management. Joint Stipulation ¶ 20. During the first billing cycle following Closing, PAWC will provide STMA customers with a bill insert providing information regarding its customer assistance programs and eligibility requirements for the programs. Settlement ¶ 17. Further, Paragraph 18 provides that within 30 days of the closing of the sale, PAWC will send a welcome letter that contains information about its customer assistance programs, as well as bill payment options for current STMA customers, including locations for in-person payments. PAWC currently maintains seven in-person payment locations within 15 miles of customers living in the STMA service area and does not charge any fee for in-person payments at these locations. Joint Stipulation ¶ 18. Unless customers know about these programs and payment options, however, their existence will not provide a benefit. Thus, PAWC's commitment to timely provide this important information to STMA customers is in the public interest.

III. CONCLUSION

For the foregoing reasons, the Office of Consumer Advocate submits that the terms and conditions of the Settlement should be approved.

Respectfully Submitted,



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Dated: February 21, 2024

4854-0646-1843

Attachment 4

Proposed Findings of Fact

JOINT PETITIONERS' PROPOSED FINDINGS OF FACT

The Parties

1. Pennsylvania-American Water Company (“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 is furnished by PAWC to the public in a service territory encompassing more than 400 communities across the Commonwealth with a combined population of over 2,400,000. (Joint Stipulation of Fact, Appendix A, ¶ 2).

2. Sadsbury Township Municipal Authority (“STMA”) is a municipal authority which owns, maintains, and operates the wastewater collection system (the “System”) that serves approximately 223 residential and 28 commercial customers in Sadsbury Township, Lancaster County, Pennsylvania. (Joint Stipulation of Fact, Appendix A, ¶ 1).

3. The Office of Consumer Advocate (“OCA”) is a Commonwealth agency created by Act 161 of 1976 to represent the interests of consumers before the Pennsylvania Public Utility Commission (“Commission” or “PUC”). 71 P.S. §§ 309-1 *et seq.* (Joint Stipulation of Fact, Appendix A, ¶ 3).

4. The Office of Small Business Advocate (“OSBA”) is a Commonwealth agency created by Act 181 of 1988 to represent the interests of small business before the Commission. 73 P.S. §§ 399.41 - 399.50. (Joint Stipulation of Fact, Appendix A, ¶ 4).

STMA’s Wastewater System

5. STMA owns, maintains and operates the wastewater collection and conveyance

system (the “System”) providing wastewater service to approximately 223 residential and 28 commercial customers in Sadsbury Township, Lancaster County (“Township”). (Joint Stipulation of Fact, Appendix A, ¶ 5).

6. The System receives wastewater treatment under the terms set forth in the service agreements STMA has entered into with Christiana Borough Authority and Borough of Christiana (together, “Christiana”) and the Township of Salisbury (“Salisbury”). (Joint Stipulation of Fact, Appendix A, ¶ 6).

The Asset Purchase Agreement

7. PAWC and STMA have entered into an Asset Purchase Agreement (“APA”) by which PAWC will acquire the System for \$990,000 subject to certain conditions (the “Transaction”), including but not limited to the receipt of all necessary governmental approvals, including approvals from the Commission, the Pennsylvania Department of Environmental Protection (“PaDEP”) and the Township. (Joint Stipulation of Fact, Appendix A, ¶ 7).

The Application

8. On August 3, 2023, PAWC filed an Application at Docket No. A-2023-3043058 asking the Commission to approve its acquisition of the System under Sections 507 and 1102(a) of the Public Utility Code, 66 Pa C.S. § 507 and § 1102(a). Furthermore, in the Application, PAWC is requesting the right to offer or furnish wastewater service to the public in portions of Sadsbury Township, Lancaster County, Pennsylvania. (Joint Stipulation of Fact, Appendix A, ¶ 8).

9. PAWC provided notice regarding the proposed sale of the System by publication in LNP and Lancaster Online on September 29, 2023 and October 6, 2023. Since September 23,

2020, the STMA Board Meeting agendas have listed the proposed sale as an agenda item thirteen (13) times. (Joint Stipulation of Fact, Appendix A, ¶ 9).

PAWC's Legal, Financial, and Technical Fitness

10. PAWC is a currently certificated public utility. (Joint Stipulation of Fact, Appendix A, ¶ 2).

Current Operation of the System under STMA Ownership

11. STMA currently does not have a building for operations. (Joint Stipulation of Fact, Appendix A, ¶ 10).

12. STMA has no employees; billing and accounting services are outsourced by STMA. (Joint Stipulation of Fact, Appendix A, ¶ 11).

13. STMA does not have complete access to records such as historical data regarding customer accounts, system mapping, and infrastructure condition. (Joint Stipulation of Fact, Appendix A, ¶ 12).

14. Currently, STMA customers may pay their bills through cash or check, mailed to a Post Office box maintained by STMA or since January 2024, delivered in-person to a member of Township staff.. There are no other available means by which an STMA customer may pay for their wastewater service. (Joint Stipulation of Fact, Appendix A, ¶ 17).

15. STMA does not have a low-income customer assistance program and has no plans to create one. (Joint Stipulation of Fact, Appendix A, ¶ 19).

16. STMA's current rates and fees were adopted by resolution dated October 21, 2020 (Resolution A3-2020). (Joint Stipulation of Fact, Appendix A, ¶ 23).

17. At the time the Application was filed, STMA did not currently have a Water Quality Management (“WQM”) permit for its Pumping Stations #1 or #2, which flows into the Christiana Borough Sewage Treatment Plant. STMA submitted two applications to the PaDEP in July 2023, requesting WQM permits for each pumping station. WQM permits were issued for each pumping station on December 29, 2023. (Joint Stipulation of Fact, Appendix A, ¶ 31).

18. The STMA System has no history of PaDEP violations. (Joint Stipulation of Fact, Appendix A, ¶ 30).

19. STMA’s current charges are as follows:

STMA Charges per Resolution A3-2020	
Return Check Fee	\$25 (in addition to bank fees)
Connection Fee	Actual Cost of Connection
Customer Facilities Fee	Actual Cost of the Meter and Associated Facilities Plus Costs to Inspect the Installation of the Meter and Install the Remote Meter
Tapping Fee	\$2,505 Per EDU for Collection Part \$7,495 Per EDU for Capacity Part
Failure to Notify STMA of Sale of Property Within 45 Days of Sale	\$500
Meter Read Fee	\$200 Per Quarter

(Joint Stipulation of Fact, Appendix A, ¶ 24).

20. The annual fees and charges assessed to STMA pursuant to the service agreements with Christiana and Salisbury vary by year:

		2022	2021	2020
Christiana		\$82,195.51	\$61,909.66	\$132,642.53
Salisbury		\$30,733.31	\$20,805.07	\$47,830.01
Total		\$112,928.82	\$82,714.73	\$180,472.54

(Joint Stipulation of Fact, Appendix A, ¶ 28).

21. STMA does not provide any free or unbilled service; all entities receiving wastewater collection service from STMA are billed in accordance with Resolution A3-2020. (Joint Stipulation of Fact, Appendix A, ¶ 22).

22. The Agreement between Salisbury and STMA states that prior to October 31 of each year, Salisbury will advise STMA of any proposed maintenance, repairs or replacement of Salisbury’s facilities that may impact calculation of the service fees and charges. Neither PAWC nor STMA have been informed of any plans by Salisbury that will impact calculation of the service fee and charges for 2023 or subsequent years. (Joint Stipulation of Fact, Appendix A, ¶ 29).

23. Appendix F to the Application references long-term debt of \$1,058,000. STMA incurred that debt to initially install its system and has refinanced the debt many times. (Joint Stipulation of Fact, Appendix A, ¶ 36).

Operation of the System under PAWC Ownership

24. PAWC employs many engineers, system operators, and other professionals in close proximity to the System. In managing the System post-acquisition, PAWC can also rely on experts across the footprint of American Water, the largest water and wastewater company in the country. (Joint Stipulation of Fact, Appendix A, ¶ 13).

25. Recordkeeping will improve under the ownership of PAWC, as a PUC-regulated

wastewater utility. The ability to have historical data regarding customer accounts and infrastructure will improve service to customers in areas such as dispute resolution, repairs, maintenance, and compliance with state and federal mandates. (Joint Stipulation of Fact, Appendix A, ¶ 14).

26. Prospective customers in the acquired territory will become eligible for PAWC’s bona fide service applicant program for existing customers, found in Section M of PAWC’s Wastewater Tariff. PAWC has experience managing growth and attracting development opportunities. (Joint Stipulation of Fact, Appendix A, ¶ 15).

27. The STMA fees will be eliminated under PAWC ownership and the PAWC fees will be applicable to the acquired customers, as listed below:

Current PAWC Tariff	
Return Check Fee	\$20
Capacity Reservation Fee	\$4,000 Per EDU (when applicable)
Service Line Inspection Fee	\$50
Service Reconnection and Discontinuance Fee	\$30 (Regular Hours) Cost (Non-Regular Hours)
Wastewater Plant, Residential Septage, and Commercial Waste Disposal Fee	Paid by Private Contractors to Dispose of Private Residential Septage and Commercial Wastes

(Joint Stipulation of Fact, Appendix A, ¶ 24).

28. As PAWC customers, the acquired customers will have access to PAWC’s extended customer service and call service hours, as well as PAWC’s customer information and education programs. (Joint Stipulation of Fact, Appendix A, ¶ 16).

29. As PAWC customers, the acquired customers will have additional bill payment

options, including continuing options for in-person payment. There are two zip codes for STMA's service territory. PAWC currently maintains seven in-person payment locations within 15 miles of STMA customers living in zip code 17527 and four in-person payment locations for customers living in zip code 17509. PAWC does not charge any fee for in-person payment at these locations. (Joint Stipulation of Fact, Appendix A, ¶ 18).

30. PAWC offers low-income customer assistance programs, including a bill discount program and hardship grant program, and a newly approved arrearage management plan. (Joint Stipulation of Fact, Appendix A, ¶ 20). PAWC does not have an estimate of the number of STMA customers who would be eligible for PAWC's low-income assistance program. (Joint Stipulation of Fact, Appendix A, ¶ 21).

31. STMA's current, unmetered rates of \$385 per EDU per quarter (the equivalent of \$128.33 per month) include the annual fees for wastewater treatment charged to STMA under its service agreements with Christiana and Salisbury. Current PAWC wastewater Rate Zone 1 unmetered rates per EDU are \$106 per month. In its pending base rate case at Docket No. R-2023-3043190, PAWC has proposed to (1) continue including the costs of wastewater treatment in base rates and (2) maintain the current flat rate of \$128.33 per EDU per month for customers in the STMA System. (Joint Stipulation of Fact, Appendix A, ¶¶ 25-27).

32. PAWC plans the following improvements to the STMA for the first six years of ownership: (1) conducting a condition based assessment/Geographic Information System ("GIS") survey of the collection system, (2) installing safety and security improvements, (3) installing Supervisory Control and Data Acquisition ("SCADA") improvements, (4) performing pump replacements, (5) constructing wastewater Distribution System Improvement Charge ("DSIC") projects consistent with the condition-based assessment and PAWC's Long-Term Infrastructure

and Improvement Plan (“LTIP”), (6) installing new mains and laterals, and (7) replacing valves and manholes. PAWC estimates costs for these improvements to total \$1,531,000. These investments are not planned or contemplated by STMA and STMA does not have the funding to pursue such improvements. (Joint Stipulation of Fact, Appendix A, ¶¶ 33-35).

33. PAWC has performed an analysis of the original cost and accumulated depreciation of the STMA System, which shows the depreciated original cost of the assets is \$1,935,612, or \$945,612 more than the purchase price. After closing, PAWC will file with the Commission an original cost study to reflect the original cost and accumulated depreciation as of the closing date. (Joint Stipulation of Fact, Appendix A, ¶ 37).

34. In its pending base rate case at Docket No. R-2023-3043189, PAWC has proposed a negative utility plant acquisition adjustment that will be recorded as a regulatory liability for the STMA acquisition. PAWC proposes to amortize over 10 years the difference between the \$990,000 purchase price and the depreciated cost of the assets as an addition to income, which offsets expenses included in the revenue requirement. (Joint Stipulation of Fact, Appendix A, ¶ 38).

35. Based on the purchase price of the System and projected capital investment, PAWC estimates that the System will have an annual revenue sufficiency of \$43,000 in excess of cost of service. (Joint Stipulation of Fact, Appendix A, ¶ 41).

36. Based on the purchase price of the System, the average purchase price per existing customer for the STMA System is \$3,944. The average net plant in service per existing PAWC wastewater customer as of December 31, 2023, based on projections in PAWC’s base rate case at Docket No. R-2022-3031673 is \$12,271. (Joint Stipulation of Fact, Appendix A, ¶¶ 39-40).

Attachment 5
Proposed Conclusions of Law

JOINT PETITIONERS' PROPOSED CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter of, and the parties to, these application proceedings. 66 Pa. C.S. §§ 1102 and 1103.

2. Pennsylvania-American Water Company (PAWC") has the burden of proof in these proceedings. 66 Pa. C.S § 332(a).

3. Commission policy promotes settlements. 52 Pa. Code § 5.231.

4. A settlement lessens the time and expense that the parties must expend litigating a case and, at the same time, conserves precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully-litigated proceeding. 52 Pa. Code § 69.401.

5. In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C.S. Water & Sewer Assocs.*, 74 Pa. PUC 767 (1991). The instant settlement is in the public interest.

6. 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) ("Procedure to obtain certificates of public convenience").

7. A certificate of public convenience is required for "any public utility to begin to offer, render, furnish or supply within this Commonwealth service of a different nature or to a different territory than that authorized" 66 Pa. C.S. § 1102(a)(1).

8. A certificate of public convenience is required for “any public utility . . . to acquire from . . . any person or corporation, including a municipal corporation, by any method or device whatsoever . . . the title to, or possession or use of, any tangible or intangible property used or useful in the public service.” 66 Pa. C.S. § 1102(a)(3).

9. An applicant for a certificate of public convenience must demonstrate that it is technically, financially, and legally fit to own and operate the acquired public utility assets. *Seaboard Tank Lines v. Pa. Pub. Util. Comm’n*, 502 A.2d 762, 764 (Pa. Cmwlth. 1985); *Warminster Twp. Mun. Auth. v. Pa. Pub. Util. Comm’n*, 138 A.2d 240, 243 (Pa. Super. 1958). PAWC has demonstrated that it is technically, financially and legally fit.

10. The fitness of a currently certificated public utility is presumed. *See e.g., South Hills Movers, Inc. v. Pa. Pub. Util. Comm’n*, 601 A.2d 1308, 1310 (Pa. Cmwlth. 1992).

11. An applicant for a certificate of public convenience must demonstrate that the transaction 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).

12. The affirmative public benefit test is a “net benefits assessment.” This requires a showing that on net the public is better off because of the transaction than it would have been in the absence of the transaction. *Cicero v. Pa. Pub. Util Comm’n*, 300 A.3d 1106 (Pa. Cmwlth. 2023), *pet. for alloc. pending*. Where there are known harms, the transaction must have benefits that differ substantially from the benefits already being provided by the existing system operator to support approving the transaction. *Id.*

13. In granting a certificate of public convenience, the Commission may impose such conditions as it may deem to be just and reasonable. 66 Pa. C.S. § 1103(a).

14. A contract between a municipality and a public utility (other than a contract to furnish service at regular tariff rates) must be filed with the Commission at least 30 days before the effective date of the contract. The Commission may approve it by issuing a certificate of filing or institute proceedings to determine whether there are any issues with the reasonableness, legality, or any other matter affecting the validity of the contract. 66 Pa. C.S. § 507.

15. The settlement and its proposed terms and conditions are in the public interest and, therefore, should be approved without modification.

Attachment 6
Proposed Ordering Paragraphs

JOINT PETITIONERS' PROPOSED ORDERING PARAGRAPHS

1. That the Honorable Administrative Law Judge Katrina L. Dunderdale recommend Approval of, and the Commission approve, the Joint Petition for Approval of Unanimous Settlement of All Issues as submitted, including all terms and conditions thereof, without modification.

2. That the Application filed by PAWC in this matter on August 3, 2023, as amended by the Settlement, be approved.

3. That the Commission issue Certificates of Public Convenience under 66 Pa. C.S. §§ 1102(a) and 1103(a) evidencing Commission approval of (i) the transfer, by sale, of substantially all of the assets, properties and rights related to the wastewater collection and conveyance system (the "System") owned by STMA to PAWC, and (ii) the right of PAWC to begin to offer, render, furnish and supply wastewater service in the areas served by the wastewater collection and conveyance system owned by STMA.

4. That the Commission permit PAWC to issue compliance tariff supplements, consistent with the *pro forma* tariff supplement attached to the Application as Appendix D, including all rates, rules and regulations regarding conditions of PAWC's wastewater service as revised herein, to become effective immediately upon Closing.

5. That the Commission not permit PAWC to include System-related investments in its distribution system improvement charge ("DSIC") until PAWC collects a DSIC from System customers. The DSIC provisions of PAWC's effective tariff will apply to customers in the System no later than the first base rate case in which the System is included, pursuant to Paragraph 22 of the Joint Petition for Settlement of Rate Investigation approved in Docket No. R-2022-3031673.

6. That the Commission permit PAWC to claim transaction and closing costs associated with the acquisition of the System in its first base rate case that includes the System assets. The Joint Petitioners reserve their rights to litigate their positions fully in future rate cases when this issue is ripe for review. The Joint Petitioners' assent to this term should not be construed to operate as their preapproval of PAWC's request.

(a) Any claim by PAWC to recover transaction and closing costs associated with the Transaction will not include costs incurred by STMA.

7. That the Commission, pursuant to 66 Pa. C.S. § 507, issue Certificates of Filing or approvals for the following agreements between PAWC and a municipal corporation:

(a) The Asset Purchase Agreement By and Between the Sadsbury Township Municipal Authority and Sadsbury Township as Seller, and Pennsylvania-American Water Company, as Buyer, Dated as of January 5, 2023;

(b) Agreement By and Among the Borough of Christiana, Christiana Borough Authority, Township of Sadsbury and Sadsbury Township Sewer Authority, Dated as of November 11, 1997, as amended May 23, 2001; and

(c) Agreement By and Among Township of Salisbury and Sadsbury Township Sewer Authority, Dated as of June 19, 2001, as amended July 19, 2022.

8. That the Commission direct PAWC, in the first base rate case that includes the STMA's System's assets:

(a) PAWC shall not be permitted to seek a "substantial public interest" exception to the requirement of 66 Pa. C.S. § 1327(e) for this System and PAWC shall pass through to customers any difference between the depreciated original cost of the System and the purchase price as an addition to income that offsets expenses included in revenue requirement.

(b) PAWC shall treat costs incurred for System wastewater treatment, including but not limited to fees and charges pursuant to service agreements with the Borough of Christiana, Christiana Borough Authority, Township of Sadsbury and Sadsbury Township Sewer Authority, as Operations and Maintenance expenses to be recovered in PAWC base rates, subject to Commission review and approval.

(c) Except as explicitly agreed upon in the Settlement, nothing contained in the Settlement or in the Commission's approval of the Application shall preclude any of the parties from asserting any position or raising any issue in other PAWC proceedings. This includes but is not limited to OCA's reservation of rights to address and make other proposals for System rates in PAWC's pending and future rate cases.

9. That the Commission direct PAWC, within the first billing cycle following Closing, to include a bill insert to System customers regarding its low income programs and customer payment arrangement programs. The bill insert shall include, at a minimum, a description of the available low income programs, eligibility requirements for participation in the programs, and PAWC's contact information.

10. That the Commission direct PAWC to send the welcome letter within the first 30 days of closing and to also include information about payment options (including low-income programs, eligibility requirements, customer payment arrangement programs and PAWC contact information), as well as identification of locations where customers can pay in-person for no additional fee, which are reasonably proximate to the areas served by the System.

11. That the Commission issue any other approvals or certificates appropriate, customary, or necessary under the Pennsylvania Public Utility Code to carry out the transactions contemplated in the Application in a lawful manner.