

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held September 12, 2024

Commissioners Present:

Stephen M. DeFrank, Chairman, Statement
Kimberly Barrow, Vice Chair
Ralph V. Yanora
Kathryn L. Zerfuss
John F. Coleman, Jr.

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 : A-2023-3042058
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 :

ORDER

BY THE COMMISSION:

We adopt as our action the Recommended Decision of Administrative Law Judge
Katrina L. Dunderdale dated August 5, 2024;

THEREFORE,

IT IS ORDERED:

1. That the Amended Joint Petition for Approval of Unanimous Settlement of All Issues submitted by Pennsylvania-American Water Company, the Sadsbury Township Municipal Authority and the Office of Consumer Advocate filed on May 23, 2024, at Docket No. R-2023-3042058, including all terms and conditions, be approved without modification.

2. That the Application filed by Pennsylvania-American Water Company, on August 3, 2023, be granted, subject to the modifications set forth in the Amended Joint Petition for Approval of Unanimous Settlement of All Issues filed on May 23, 2024, and as modified thereby.

3. That a Certificate of Public Convenience be issued pursuant to Section 1102(a)(3) of the Public Utility Code, 66 Pa.C.S. § 1102(a)(3), evidencing Commission approval of the right of Pennsylvania-American Water Company to acquire the wastewater collection and conveyance system assets of the Sadsbury Township Municipal Authority in Lancaster County, Pennsylvania, and the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply wastewater service in the areas served by the wastewater collection and conveyance system owned by Sadsbury Township Municipal Authority.

4. That within ten days after closing of the acquisition, Pennsylvania-American Water Company shall file notice of closing of the transaction with the Commission at this docket.

5. That within ten days after closing of the acquisition, Pennsylvania-American Water Company shall file with the Commission at this docket compliance tariff supplements, consistent with the pro forma tariff supplement attached to the Application, filed on August 3, 2023, as Appendix D, including all rates, rules and regulations regarding conditions of the wastewater service to be provided by Pennsylvania-American Water Company, as revised by

the Amended Joint Petition for Approval of Settlement of All Issues submitted by Pennsylvania-American Water Company, the Sadsbury Township Municipal Authority and the Office of Consumer Advocate filed at this docket and to become effective immediately upon closing.

6. That the Commission deny permission for Pennsylvania-American Water Company to include Sadsbury Township Municipal Authority-related investments in its Distribution System Improvement Charge until Pennsylvania-American Water Company collects a Distribution System Improvement Charge from Sadsbury Township Municipal Authority customers, and that the Distribution System Improvement Charge provisions of Pennsylvania-American Water Company's effective tariff will apply to Sadsbury Township Municipal Authority customers no later than the first base rate case in which the Sadsbury Township Municipal Authority System assets are included.

7. That the Commission permit Pennsylvania-American Water Company to claim transaction and closing costs associated with the acquisition of the System in its first base rate case that includes the System assets, except that Pennsylvania-American Water Company shall not be permitted to recover transaction and closing costs incurred by Sadsbury Township Municipal Authority. The Commission shall permit the Joint Petitioners to reserve the right to litigate their positions fully in future rate cases when this issue is ripe for review and the assent of the Joint Petitioners to this term will not be construed to operate as a preapproval of Pennsylvania-American Water Company's request.

8. That the Commission, pursuant to 66 Pa.C.S. § 507, issue Certificates of Filing or approvals for the following agreements between Pennsylvania-American Water Company and a municipal corporation:

(a) The Asset Purchase Agreement By and Between the Sadsbury Township Municipal Authority, f/k/a the Sadsbury Township Sewer Authority, and Sadsbury Township, 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, Sadsbury Township and Sadsbury Township Sewer Authority, Dated as of November 11, 1997, as amended May 23, 2001; and

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

9. That the Commission direct Pennsylvania-American Water Company, in the first base rate case that includes the Sadsbury Township Municipal Authority's system's assets as follows:

(a) Pennsylvania-American Water Company 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 Pennsylvania-American Water Company 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) Pennsylvania-American Water Company 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, Sadsbury Township and Salisbury Township as Operations and Maintenance expenses to be recovered in Pennsylvania-American Water Company's 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 Pennsylvania-American Water Company proceedings. This includes but is not limited to the Office of Consumer Advocate's reservation of rights to address and make other proposals for System rates in Pennsylvania-American Water Company's pending and future rate cases.

10. That the Commission direct Pennsylvania-American Water Company, 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 Pennsylvania-American Water Company's contact information.

11. That the Commission direct Pennsylvania-American Water Company 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 Pennsylvania-American Water Company 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.

12. That nothing in the Commission's Order shall be construed as an approval or determination of costs or expenses for the purposes of just or reasonable rates or to exempt Pennsylvania-American Water Company from obtaining all necessary permits, licenses, and approvals from other federal, state, and local government agencies having jurisdiction.

13. 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.

14. That upon receipt of notice of closing of the acquisition, the Secretary's Bureau shall mark the proceeding at Docket No. A-2023-3042058 as closed.

BY THE COMMISSION,

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

Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: September 12, 2024

ORDER ENTERED: September 12, 2024