

**Application of Pennsylvania-American Water Company for the Acquisition of
the Wastewater Treatment Plant and Collection System Owned and Operated by
Elizabeth Borough Municipal Authority (“EBMA”)**

Docket No. A-2023-3038717

66 Pa. C.S. § 1329

Application Filing Checklist – Water/Wastewater

11. State the ratemaking rate base as required in 66 Pa.C.S. § 1329 and specify whether it is based on either the fair market value determined by the valuation experts or the asset purchase price.

RESPONSE: As noted in Appendix A-6, the negotiated purchase price for the acquired assets is \$28,000,000 and the average of the appraisals of the buyer’s Utility Evaluation Expert (“UVE”) and the seller’s UVE is \$28,438,507. As discussed further below, PAWC’s ratemaking rate base is based on its purchase price, which PAWC is voluntarily reducing by approximately \$29,000 to be consistent with the Commission’s Final Supplemental Implementation Order (“FSIO”) entered July 2, 2024 at Docket No. M-2016-2543193.

The FSIO established a Reasonable Review Ratio (“RRR”) to be used as a guidepost for analyzing and evaluating the overall prudence of Section 1329 applications. The initial RRR was published by the Commission as 1.68 in the *Report on the Reasonableness Review Ratio For the Year Ended 12.31.2023* dated August 2, 2024 at Docket No. M-2024-3050303. The differential between PAWC’s purchase price and the average depreciated original cost of the system multiplied by the RRR is approximately \$29,000. Accordingly, PAWC is only seeking approval to record \$27,971,178 (the average depreciated original cost multiplied by the RRR) on its books as its ratemaking rate base.