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Application of |  
Appalachian Utilities, |  
Inc. for a Certificate of |  
Public Convenience, |  
and |  
Joint Application of |  
Pennsylvania-American |  
Water Company and |  
Appalachian Utilities, |  
Inc. Pursuant to Section |  
1102 of the Public Utility |  
Code |  
|  
Initial Call-in |  
Telephonic Hearing

Docket Nos.:  
A-2024-3046068  
A-2024-3046084  
A-2024-3046092

Pages 36 - 79

Judge's Chambers  
Piatt Place  
301 5th Avenue  
Suite 220  
Pittsburgh, PA

Wednesday, October 2, 2024  
Commencing at 11:34

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A-2024-3046092

Hearing Date: October 2, 2024

NUMBER

FOR IDENTIFICATION

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Appalachian Utilities, Inc. :  
for a Certificate of Public Convenience :  
Evidencing the Pennsylvania Public Utility :  
Commission’s Approval of the Transfer of 40% :           Docket No.    A-2024-3046068  
of Outstanding and Issued Stock in Appalachian :  
Utilities, Inc. :  
: :  
: :  
: :

Joint Application of Pennsylvania-American :  
Water Company and Appalachian Utilities, Inc., :           Docket No.    A-2024-3046084  
Pursuant to Section 1102 of the Public Utility :  
Code, for approval of (1) the transfer to :                                A-2024-3046092  
American Water Works Company, Inc., by :  
merger, of all property of Appalachian Utilities, :  
Inc. used and useful in the public service; (2) :  
the transfer to Pennsylvania-American Water :                                (CONSOLIDATED)  
Company by merger, of all property of :  
Appalachian Utilities, Inc. used or useful in the :  
public service, (3) the right of Pennsylvania :  
American Water Company to begin to offer, :  
render, furnish and supply water service to the :  
public in the Borough of Avis and Townships of :  
Pine Creek and Dunnstable, Clinton County, :  
Pennsylvania, and (4) the abandonment by :  
Appalachian Utilities, Inc. of all water service. :

**Appalachian Utilities, Inc. Hearing Exhibit No. 1 (List of Evidence)**

1. Appalachian Utilities, Inc. (“AUI”) Statement No. 1, the Direct Testimony of Frank R. Sargent, Jr., President,
  - a. Cover page plus 7 pages of Q&A.
  - b. Appalachian Exhibit FRS-1, Cover page plus 34 pages containing the application and supporting schedules for the transfer of 40% of the stock of AUI contingent upon approval of the Joint Merger Application.

2. Appalachian Utilities, Inc. (“AUI”) Statement No. 1-R, the Rebuttal Testimony of Frank R. Sargent, Jr. President
  - a. Cover page plus 8 pages of Q&A.
  
3. Appalachian Utilities, Inc. (“AUI”) Statement No. 1-RJ, the Rejoinder Testimony of Frank R. Sargent, Jr. President.
  - a. Cover page plus 9 pages of Q&A.
  - b. AUI Exhibit RJ-1, Cover Sheet and 11 pages containing the Profit and Loss Statement and Balance Sheet of AUI for January 1-September17, 2024.
  - c. AUI Exhibit RJ-2, 6 pages PENNVEST “Apply for PENNVEST” informational document, Cover Sheet and 6 Pages.
  - d. AUI Exhibit RJ-3, PENNVEST Annual Report for 2022-2023, Cover Sheet and 80 Pages.

Respectfully submitted,

/s/ Thomas J. Sniscak  
Todd S. Stewart, Esquire  
Thomas J. Sniscak, Esquire  
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*Counsel for Appalachian Utilities Inc.*

Date: October 2, 2024

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Appalachian Utilities, Inc. :  
for a Certificate of Public Convenience :  
Evidencing the Pennsylvania Public Utility :  
Commission’s Approval of the Transfer of 40% :  
of Outstanding and Issued Stock in Appalachian :  
Utilities, Inc. :

Docket No. A-2024-3046068

Joint Application of Pennsylvania-American :  
Water Company and Appalachian Utilities, Inc., :  
Pursuant to Section 1102 of the Public Utility :  
Code, for approval of (1) the transfer to :  
American Water Works Company, Inc., by :  
merger, of all property of Appalachian Utilities, :  
Inc. used and useful in the public service; (2) :  
the transfer to Pennsylvania-American Water :  
Company by merger, of all property of :  
Appalachian Utilities, Inc. used or useful in the :  
public service, (3) the right of Pennsylvania :  
American Water Company to begin to offer, :  
render, furnish and supply water service to the :  
public in the Borough of Avis and Townships of :  
Pine Creek and Dunnstable, Clinton County, :  
Pennsylvania, and (4) the abandonment by :  
Appalachian Utilities, Inc. of all water service. :

Docket No. A-2024-3046084

A-2024-3046092

(CONSOLIDATED)

**DIRECT TESTIMONY  
OF  
FRANK R. SARGENT, JR., PRESIDENT, APPALACHIAN UTILITIES, INC.**

July 11, 2024

1 **Q: Please state your name for the record.**

2 A: Frank R. Sargent, Jr. I am the President, Director and Sole Shareholder (I presently own  
3 100% of the stock) of Appalachian Utilities, Inc. (“Appalachian”).

4 **Q: What is your business address?**

5 A: 1674 Park Avenue, Lock Haven, PA 17745; corporate business address: 2265 Bear Pen  
6 Hollow Rd., Lock Haven PA 17745

7 **Q: Please describe AUI.**

8 A: Appalachian has been a regulated public utility corporation since October 26, 1995,  
9 organized and existing under the laws of the Commonwealth of Pennsylvania, engaged in  
10 treating, storing, supplying, distributing, and providing water service to approximately,  
11 1,456 customers of which 1,353 are residential, 83 are commercial, 3 are industrial, 7 are  
12 public, 9 are fire protection and are within Avis Borough, Pine Creek Township, and  
13 Dunnstable Township, Clinton County (“System”).

14 **Q: Can you provide some historical context for this case?**

15 A: Appalachian purchased the Chatham Water Company from Woolrich, Inc., on December  
16 6, 1995. At the time we purchased the company, it was not in compliance with the Safe  
17 Drinking Water Act and was facing daily fines from the Department of Environmental  
18 Protection (“DEP”) for non-compliance. We borrowed \$1.3 million and used it to complete  
19 a major system upgrade. DEP granted us an extension until the end of 1996 to bring the  
20 system into compliance and by mid-October of that year, we had finished the work. Within  
21 a few months the water quality complaints ceased. Appalachian has since undertaken a leak  
22 detection and abatement program which, when initially completed, reduced daily water

1 consumption from 1.3 million gallons per day to 300,000 gallons per day. That program  
2 continues to this day.

3 **Q: What is the purpose of your testimony in this consolidated proceeding?**

4 A: As suggested by the question, this consolidated proceeding has two distinct but related  
5 purposes or steps. The first is to approve the transfer of 40% of Appalachian's stock to Kyle  
6 Gallagher, which would occur or "close" before and contingent upon approval of the  
7 second step; namely, the transactions stated in the Joint Application for American and  
8 PAWC to acquire Appalachian via merger.

9 **Q: Why are you selling the Company?**

10 A: There are several reasons. I plan to retire as soon as the transactions underlying this  
11 proceeding are complete. Before retiring, however, I wanted to ensure that the Company  
12 we have shepherded for almost 30 years, is in good hands and will continue to provide the  
13 excellent service that we have managed all these years. Selling to American and PAWC  
14 satisfies that want. My other goal is to reward the loyalty and dedication of a key and  
15 outstanding employee of Appalachian, Mr. Kyle Gallagher, who is the Co-Director and  
16 Operations Manager of Appalachian, by transferring to him, 40% of the shares of  
17 Appalachian stock prior to the sale of the Company. There are also other reasons for selling,  
18 which I will discuss, such as how to best address future challenges and financial realities.

19 **Q: Do you plan to remain with Appalachian, post-merger?**

20 A: No. I plan to retire, but as I said above, wanted to make sure that the system and operations  
21 were in a position to continue to improve and manage the challenges that lie ahead so as to  
22 promote great service to customers.

1 **Q: What will Mr. Gallagher's position or role with the system and operations be post-**  
2 **merger?**

3 A: To provide continuity during the transition, after closing Mr. Gallagher will become an  
4 employee of Pennsylvania American Water and he will continue to provide management  
5 and services to the former Appalachian system. He has intimate knowledge of the system.

6 **Q: Have you requested approval of the stock transfer to Mr. Gallagher of 40% of the**  
7 **stock of Appalachian as part of this consolidated proceeding?**

8 A: Yes, and the Application is incorporated into my testimony by reference and is attached  
9 hereto as Appalachian Exhibit FRS-1.

10 **Q: You stated that the merger would make Appalachian better able to deal with future**  
11 **challenges, please explain what you mean?**

12 A: Becoming part of the PAWC family will give Appalachian access to a broader range of  
13 expertise in the water industry and will bring the resources of an industry leader to meet  
14 the needs and challenges of the future, including PAWC's superior financial strength. As a  
15 small water company, Appalachian has experienced increased difficulty in raising the  
16 necessary capital to allow for the continual improvement of the water system. A water  
17 system is not static, it requires constant repair and improvement, in addition to addressing  
18 increases in operations expense and complexity. Being able to bring the buying power and  
19 greater financial wherewithal of PAWC to bear on these sorts of expenses will ensure that  
20 the Appalachian system continues to provide quality service. The merger will bring  
21 Appalachian customers into the PAWC customer base, providing greater stability and the  
22 ability to share system costs over a greater number of customers. This increased base will

1 stabilize per-customer costs over the long term. The many benefits of the merger are  
2 discussed in the testimony of the PAWC witnesses.

3 **Q: You stated that Appalachian is facing increased operating costs and costs of capital,**  
4 **are there plans for a rate case?**

5 A: Appalachian is long overdue for a rate case -- its last case was filed in 2015. Rate cases  
6 are very expensive for a small company as it goes through the same process as large  
7 companies. Since that 2015 rate case, there has been substantial inflation in virtually every  
8 facet of what we do. It also is true that rate requests are not always successful in obtaining  
9 the necessary increase. Rather than seek a rate increase, however, which would have  
10 benefited Appalachian's sole shareholder, our Company decided that because of the  
11 merger/sale, we would defer. Basically, our customers have benefitted by receiving service  
12 at 2015 rates instead of rates based on increased costs since that time.

13 **Q: Are there specific new costs that Appalachian is facing or are costs increasing across**  
14 **the board?**

15 A: Both. For example, there is a requirement that all water companies complete a service line  
16 inventory and post the results on a website. Without the merger, Appalachian would have  
17 no choice but to seek a rate increase to address the cost of new employee we would have  
18 to hire to address that single issue and the new software and training that would also be  
19 required, if we can hire a qualified individual at all. That rate increase would likely be  
20 followed shortly by another, because the service line inventory is only the beginning, and  
21 we will eventually need to inventory every piece of pipe in our system. Overall, the cost  
22 and complexity of everything we do is increasing.

1 **Q: You state that your costs are going up, can you provide some examples?**

2 A: Certainly. We have seen increases in cost for everything from services to vehicles. Some  
3 examples of costs that have increased are: Labor, Vehicles, Equipment of all types, vehicle  
4 maintenance, electricity, water treatment products, parts for water line maintenance and  
5 repair, insurance, fuel, taxes, sampling/testing costs, and not surprisingly, the costs of  
6 subcontractors when we use them, to name a few.

7 **Q: How does the merger change this, since PAWC is subject to the same circumstances?**

8 A: The difference is that PAWC has economies of scale that we do not. They can centralize  
9 an inventory system and lower the per unit cost, they buy products (chemicals, etc.) in bulk  
10 that we could never imagine. The same is true for services, and PAWC has its own lab,  
11 which saves money on testing. Also, PAWC has a much greater ability to attract and retain  
12 qualified personnel, which will become more of an issue as we move forward and more of  
13 our business becomes technology oriented.

14 **Q: Has it been more and more challenging to operate the system and comply with**  
15 **increasing regulatory requirements?**

16 A: Yes, it has. Finding and retaining qualified people and having enough staff to address all  
17 the responsibilities at peak times can be a challenge for a small company.

1 **Q. What impact, if any, will the merger have on this situation?**

2 A. PAWC has specialized staff to manage each of the segments of the business. We do not.  
3 As a result, the level of service will increase and the short staff situations the system  
4 currently faces will be gone. In short, PAWC has more operational and management assets  
5 than we do and that will provide greater benefits to customers.

6 **Q: Will the rate impact of these increases of the costs and duties you mentioned**  
7 **previously be significant or insignificant to Appalachian's ratepayers if there is no**  
8 **acquisition by PAWC.**

9 A: It will be significant if we remain a small company. First, we have not filed for a rate  
10 increase since 2015 and costs have gone up dramatically since then and we would need a  
11 rate case or emergency rate relief almost immediately. Second, that increase, including the  
12 need for at least one new employee would be spread over the very small base of 1,456  
13 customers. This is in contrast to PAWC being able to spread costs over a comparatively  
14 huge number of customers as Appalachian's eventually become part of PAWC's system  
15 rates. Simply put, a larger company like PAWC provides greater economies of scope and  
16 scale and risk sharing over a much larger group for customers. It is best not only in the  
17 short run, but also in the long run. These are significant affirmative benefits that  
18 Appalachian does not have on a forward- going basis.

19 **Q: Does the Pennsylvania Public Utility Commission ("Commission") have a position on**  
20 **the regionalization of smaller water systems?**

21 A: Yes, the Commission issued a policy statement (52 Pa. Code § 69.721). The policy  
22 statement recognizes, promotes and concludes that regionalization of smaller water  
23 systems will result in greater environmental and economic benefits to customers.

1           The Commission believes that further consolidation of water and  
2           wastewater systems within this Commonwealth may, with  
3           appropriate management, result in greater environmental and  
4           economic benefits to customers. The regionalization of water and  
5           wastewater systems through mergers and acquisitions will allow the  
6           water industry to institute better management practices and achieve  
7           greater economies of scale.<sup>1</sup>

8   **Q:    What are you asking the Administrative Law Judges and Commission to do?**

9   A:    Approve both the Appalachian Application to transfer 40% of its stock to Kyle Gallagher  
10       and the Transactions described in the Joint Application as stated in the Applications and in  
11       my testimony above.

12 **Q:    Does this conclude your testimony?**

13 A:    Yes, at this time.

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<sup>1</sup> 52 Pa. Code § 69.721

# **Appalachian Exhibit FRS-1**



Commonwealth of Pennsylvania  
**Pennsylvania Public Utility Commission**  
 Harrisburg, PA 17105-3265  
**EFILING - FILING DETAIL**

<b>Date Created</b>	<b>Filing Number</b>
2/2/2024	2548577

Your filing has been electronically received. Upon review of the filing for conformity with the Commission's filing requirements, a notice will be issued acknowledging acceptance or rejection (with reason) of the filing. The matter will receive the attention of the Commission and you will be advised if any further action is required on your part.

The date filed on will be the current day if the filing occurs on a business day before or at 4:30 p.m. (EST). It will be the next business day if the filing occurs after 4:30 p.m. (EST) or on weekends or holidays.

**Representing:** Appalachian Utilities, Inc.

**Case Description:**

**Transmission Date:** 2/2/2024 2:13 PM

**Filed On:** 2/2/2024 2:13 PM

**eFiling Confirmation Number:** 2548577

**Filing Fee:** \$350.00

**ePay Confirmation Number:** 058540

File Name	Document Type	Upload Date
Appalachian Utilities Stock Transfer Application (final).pdf	Application for Stock Transfer	2/2/2024 2:13:22 PM

For filings exceeding 250 pages, the PUC is requiring that filers submit one paper copy to the Secretary's Bureau within three business days of submitting the electronic filing online. Please mail the paper copy along with copy of this confirmation page to Secretary, Pennsylvania Public Utility Commission, 400 North Street, Harrisburg PA 17120 a copy of the filing confirmation page or reference the filing confirmation number on the first page of the paper copy.

**No paper submission is necessary for filings under 250 pages.**

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February 2, 2024

*VIA E-Filing*

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street – Second Floor North  
Harrisburg, PA 17120

RE: Application of Appalachian Utilities, Inc. for a Certificate of Public Convenience Evidencing the Pennsylvania Public Utility Commission's Approval of the Transfer of 40% of Outstanding and Issued Stock in Appalachian Utilities, Inc.; Docket No. A-2024-\_\_\_\_\_

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission (Commission) is Appalachian Utilities, Inc.'s (Appalachian) Application for a Certificate of Public Convenience for approval to transfer by sale a non-controlling 40% of Outstanding and Issued Stock of Appalachian from its sole and presently 100% stockholder to its employee Operations Manager. The \$350 fee for filing this Application is being paid online.

This application is filed as a preliminary and related first step toward the ultimate pending sale and merger, subject to Commission approval, of Appalachian into the American Water Works companies and ultimately transfer of service of Appalachian's customers to Pennsylvania American Water Company. That merger will be the subject of a separate and concurrently filed related Joint Application between the American Water Works and Appalachian. **Consequently, Appalachian requests that this related application be considered and approved before and in coordination with the Commission's consideration of the Joint Merger Application.**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
February 2, 2024  
Page 2

Thank you for your assistance in this matter. If you should have any questions, please feel free to contact me at [tjsniscak@hmslegal.com](mailto:tjsniscak@hmslegal.com) or Todd Stewart at [tsstewart@hmslegal.com](mailto:tsstewart@hmslegal.com).

Very truly yours,

A handwritten signature in blue ink that reads "Thomas J. Sniscak". The signature is written in a cursive style with a prominent horizontal line under the first letter of the first name.

Thomas J. Sniscak  
Todd S. Stewart

*Counsel for Appalachian Utilities, Inc.*

TJS/das  
Enclosure

cc: Per Certificate of Service  
Erin K. Fure, Esquire  
Frank Sargent

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Appalachian Utilities, Inc. :  
for a Certificate of Public Convenience :  
Evidencing the Pennsylvania Public Utility : Docket No. A- \_\_\_\_\_  
Commission's Approval of the Transfer of 40% :  
of Outstanding and Issued Stock in Appalachian :  
Utilities, Inc. :

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

**I. INTRODUCTION**

By this Application, Appalachian Utilities, Inc (“Appalachian Utilities” or the “Company”) seeks, pursuant to Section 1102(a) of the Public Utility Code, 66 Pa.C.S. § 1102(a) and the Pennsylvania Public Utility Commission’s (“Commission”) Statement of Policy, 52 Pa. Code § 69.901, a certificate of public convenience evidencing the Commission’s approval of the transfer by sale of title to 40% which is a minority of the issued and outstanding stock of Appalachian Utilities, a public utility providing water service in Pennsylvania, from present 100% majority stockholder Mr. Frank R. Sargent, Jr., President, Director and current Sole Shareholder of Appalachian Utilities (“Seller”), to Mr. Kyle Gallagher, Co-Director, and Operations Manager of Appalachian Utilities (“Buyer”). **Approval is requested, prior to and in coordination with a related Joint Application for a certificate of public convenience to merge Appalachian Utilities into American Water Works Company, Inc. and its merger subsidiary AUC Acquisitions Company, and ultimately to operating and certificated subsidiary Pennsylvania-American Water Company (“PAWC”) (American Water Works Company, Inc., AUC Acquisitions Company, and PAWC collectively “American Water”) which will be filed at or about the same time the instant Application is filed.** Given this, Appalachian Utilities requests that the Commission review and approve the above-captioned Application *before* and in

conjunction with the aforementioned Joint Merger Application of Appalachian Utilities with American Water and ultimately to its subsidiary Pennsylvania-American Water Company (“PAWC”).

## II. THE APPLICANT AND COUNSEL OF RECORD FOR APPLICANT

1. The complete name and address of the Applicant is:

Appalachian Utilities, Inc.  
2265 Bear Pen Hollow Rd.  
Lock Haven, PA 17745  
(legal corporate address, not mailing address)  
Mailing address:  
1674 Park Avenue, Lock Haven, Pennsylvania 17745

2. The name, address, and telephone number of the attorneys for Appalachian Utilities is:

Thomas J. Sniscak  
Todd S. Stewart  
Hawke McKeon & Sniscak LLP  
100 North Tenth Street  
Harrisburg, PA 17101  
E-mail: [tjsniscak@hmslegal.com](mailto:tjsniscak@hmslegal.com)  
[tsstewart@hmslegal.com](mailto:tsstewart@hmslegal.com)

Voice: (717) 236-1300

3. Appalachian Utilities is a Pennsylvania corporation certificated on October 26, 1995, by the Commission as a public utility providing water service and currently serves approximately 1,456 customers in the Borough of Avis and Townships of Pine Creek and Dunnstable, located in Clinton County, Pennsylvania.

4. Seller is the President, Co-Director, and Sole Shareholder of Appalachian Utilities and presently holds 100% of the Company’s stock.

5. Buyer is an employee, a Co-Director, and the operations manager of Appalachian Utilities.

### **III. THE PROPOSED TRANSACTION**

6. Provided as **Attachment 1**<sup>1</sup> hereto is a copy of the Stock Purchase Agreement between Seller and Buyer (“Agreement”). The Agreement sets forth the terms and conditions under which Seller will transfer 40% of the outstanding shares of Appalachian Utilities to Buyer (the “Proposed Transaction”). Under the terms of the Agreement, Seller will remain the beneficial holder of 60% of the outstanding shares, the largest voting interest, in Appalachian Utilities. In that respect, majority “control” of the Company will remain with President Mr. Frank Sargent Jr.

7. The Agreement to sell shares to Mr. Gallagher has been consented to by the Sole Shareholder and the Directors of Appalachian Utilities. Provided as **Attachment 2** hereto is a true and correct copy of the Written Consent of Sole Shareholder and Directors approving the transfer, subject to Commission approval, of 400 shares of common stock in Appalachian Utilities to Buyer.

### **IV. FINANCIAL AND TECHNICAL FITNESS OF APPALACHIAN UTILITIES TO PROVIDE SERVICE**

8. All Appalachian Utilities’ documents filed with the Commission including its annual reports, tariffs, its certificate of public convenience, securities certificates, affiliated interest agreements and other regulatory reports or approvals are incorporated herein by reference. Provided as **Attachment 3** are the December 31, 2022, Balance Sheet and Profit and Loss Statement for Appalachian Utilities.

9. As a previously certificated (on October 26, 1995) public utility, Appalachian Utilities’ fitness is presumed by law to be continuing.<sup>2</sup> The Proposed Transaction will not result

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<sup>1</sup>All Attachments are incorporated and hereby made part of this Application.

<sup>2</sup> For example, the Commission recognized this longstanding legal principle in *Application of Pennsylvania-American Water Co.*, Docket No. A-2022-3037047 (Order entered November 16, 2023) (“An existing certificate holder is entitled to a continuing presumption regarding its fitness ....”).

in any change in the legal, financial, and technical fitness of Appalachian Utilities to provide service. The Proposed Transaction between Mr. Sargent and Mr. Gallagher does not seek a change to the entity providing service to customers or the facilities used to provide such service. The Seller will remain the beneficial holder of the largest voting interest and thus control in Appalachian Utilities.

**V. NO ADVERSE EFFECT OF THE PROPOSED TRANSFER ON SERVICE OR FINANCIAL AND MANAGERIAL FITNESS**

10. The Sale of 40% of the stock to Mr. Gallagher will have no adverse effect on Appalachian Utilities' service to customers or upon its financial and managerial fitness.

**VI. NO ADVERSE EFFECT OF THE PROPOSED TRANSFER ON RATES**

11. The Proposed Transfer will have no adverse effect on the rates set forth in Appalachian Utilities' Commission-approved tariff.

**XI. THE PROPOSED TRANSFER IS IN THE PUBLIC INTEREST AND BENEFITS THE GENERAL PUBLIC AND CUSTOMERS**

12. The Application's Proposed Stock Transfer to Mr. Gallagher involves no change to Appalachian Utilities' control, name, day-to-day operations, terms of service, rates, or current management employees of Appalachian Utilities. As such, the transfer will be transparent to Appalachian Utilities' customers. The Proposed Transfer merely effectuates Seller's desire and intent to transfer 40% of his shares of stock in Appalachian Utilities to Buyer for his dedication and work for the Company, and to do so immediately prior to Appalachian Utilities acquisition by American Water. Therefore, for this and all reasons stated above, the Proposed Transfer is in the public interest and is a step to promote the consolidation of a small public utility water company into a large public utility water company PAWC, and Appalachian Utilities hereby incorporates

by reference the affirmative benefits identified by PAWC in the Joint Application of Appalachian Utilities and American Water. As an additional benefit, Appalachian's Mr. Gallagher has extensive knowledge of the water system and currently has a managerial position offer from American Water to remain in his current position. Mr. Gallagher intends to accept the offer from American Water for the benefit of the water system and the community through the proposed merger and well into the future. Moreover, Mr. Gallagher's expertise and intimate knowledge of the system and its operation coupled with American Water's and PAWC's operational expertise and greater financial wherewithal will benefit the public generally and Appalachian's customers.

WHEREFORE, for all the foregoing reasons, Appalachian Utilities, Inc. requests that the Commission issue a certificate of public convenience evidencing its approval of the transfer by sale of 40% of the issued and outstanding stock of Appalachian Utilities, Inc., a public utility providing water service in Pennsylvania, from Mr. Frank Sargent, Jr., Sole Shareholder of Appalachian Utilities, Inc., to Mr. Kyle Gallagher and do so immediately before its action on the related Joint Application of American Water and Appalachian Utilities, Inc.

Respectfully submitted,



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Thomas J. Sniscak, Esq.  
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Todd S. Stewart, Esq.  
Attorney I.D. No. 75556  
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[tsstewart@hmslegal.com](mailto:tsstewart@hmslegal.com)

Dated: February 2, 2024

*Attorneys for Appalachian Utilities, Inc.*

**ATTACHMENTS**

**ATTACHMENT 1: STOCK PURCHASE AGREEMENT**

**ATTACHMENT 2: WRITTEN CONSENT OF SOLE SHAREHOLDER & DIRECTORS**

**ATTACHMENT 3: BALANCE SHEET CALENDAR YEAR 2022**

**ATTACHMENT 4: PROFIT & LOSS STATEMENT CALENDAR YEAR 2022**

**ATTACHMENT 1**

**STOCK PURCHASE AGREEMENT**

## STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "**Agreement**") is entered into as of October 30, 2023, by and between Frank R. Sargent Jr. ("**Seller**"), and Kyle Gallagher ("**Buyer**").

### Background

Seller owns 100% of the outstanding shares of Appalachian Utilities, Inc., a Pennsylvania corporation (the "**Company**"). Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, 40% of the outstanding shares of the Company (the "**Company Shares**"), on the terms and conditions of this Agreement.

### Agreement

NOW THEREFORE, in consideration of the foregoing background, which is incorporated herein by reference, and of the representations, warranties, covenants, and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, intending to be legally bound, the parties hereby agree as follows:

## **ARTICLE I** **SALE AND PURCHASE OF SHARES**

1.1 Sale of Shares and Purchase Price. In accordance with the terms, and subject to the conditions of this Agreement, Seller hereby sells, assigns, transfers, and delivers to Buyer all of Seller's right, title, and interest in and to the Company Shares, and Buyer hereby purchases from Seller all of the Company Shares, effective as of the date determined by Seller following satisfaction or waiver of all conditions in Article II of this Agreement ("Closing Date"). The total purchase price for the Company Shares shall be \$400.00 (the "**Purchase Price**"). Buyer shall pay the Purchase Price to Seller in immediately available funds.

## **ARTICLE II** **CONDITIONS**

2.1 Conditions Precedent to the Obligations of the Buyer to Close. The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver of each of the following conditions on or before the Closing Date:

(a) Share Certificate. Seller shall have delivered a stock certificate evidencing the Company Shares, with duly executed stock powers attached.

(b) Representations and Warranties of the Seller. The representations and warranties of Seller contained in this Agreement shall be true and correct on and as of the Closing Date as though such representations and warranties were made on the Closing Date.

(c) Performance of Covenants and Agreements. Seller shall have performed and complied with all covenants, agreements, and conditions required to be performed by or complied with by the Seller, in accordance with the terms and conditions of this Agreement.

(d) Further Assurances. Buyer shall have received such further instruments and documents as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained and the performance of all conditions to the consummation of such transactions.

2.2 Conditions Precedent to the Obligation of the Seller to Close. The obligations of Seller to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver of each of the following conditions on or before the Closing Date:

(a) Purchase Price. Buyer shall have paid the Purchase Price to Seller in accordance with Section 1.1.

(b) Pennsylvania Public Utility Commission Approval. Seller shall have received Pennsylvania Public Utility Commission ("Commission") approval of the transactions contemplated by this Agreement, pursuant to the Merger Agreement defined in Paragraph 4.4 of this Agreement. This condition is not subject to waiver.

(c) Representations and Warranties of the Buyer. The representations and warranties of Buyer contained in this Agreement shall be true and correct on and as of the Closing Date as though such representations and warranties were made on the Closing Date.

(d) Performance of Covenants and Agreements. Buyer shall have performed and complied with all covenants, agreements, and conditions required to be performed by or complied with by Buyer, in accordance with the terms and conditions of this Agreement.

(e) Further Assurances. Seller shall have received such further instruments and documents as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained and the performance of all conditions to the consummation of such transactions.

### **ARTICLE III** **REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller hereby makes the following representations and warranties to the Buyer, each of which is true and correct on the date hereof and shall be true and correct on the Closing Date:

3.1 Share Ownership. All of the Company Shares are duly authorized, validly issued, fully paid, and non-assessable. No third-party has any call right, redemption right, purchase option, or other right to or interest in the Company Shares.

3.2 Title to Shares. Seller is the sole record and beneficial owner of the Company Shares and has full right and title to the Company Shares and the full and unrestricted right, power, and authority to sell, assign, transfer, and deliver the Company Shares to Buyer in accordance with this Agreement.

3.3 Agreement Authorized. The execution and delivery of this Agreement does not, and the consummation by Seller of the transactions contemplated herein will not conflict with or result in a breach of any of the terms, conditions, or provisions of, or constitute a default under the Articles of Incorporation or the Bylaws of the Company.

3.4 Valid and Binding Obligation. Seller has the right, power, and authority to enter into and to perform the obligations under this Agreement, including having received the Commission approval set forth in Paragraph 2.2(b) of this Agreement. This Agreement constitutes a valid, binding, and enforceable obligation of the Seller.

3.5 Survival of Representations and Warranties. The representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement.

#### **ARTICLE IV** **REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer hereby makes the following representations and warranties to Seller, each of which is true and correct on the date hereof and shall be true and correct on the Closing Date:

4.1 Valid and Binding Obligation. Buyer has all requisite power and authority to execute and deliver this Agreement, to carry out its obligations hereunder, and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by Buyer and constitutes a valid, legal, and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

4.2 Investigation. Buyer is aware of and familiar with the business, operations, financial condition, and prospects of the Company, and has had access to such information concerning the foregoing, the Company, and the Company Shares as Buyer deems necessary to enable it to make an informed investment decision concerning the purchase of the Company Shares.

4.3 Investment. Buyer acknowledges that the Company Shares being purchased and sold under this Agreement are not registered under the Securities Act of 1933, as amended, or any state securities or blue-sky laws or regulations and, as a result thereof, are subject to substantial restrictions on transfer, and that no registration is contemplated. Buyer represents and warrants that (a) Buyer has such knowledge and experience in business and financial matters that Buyer is capable of evaluating the merits and risks of the investment in the Company Shares; (b) the Company Shares purchased are being acquired for investment and not with an intent to distribute or resell and (c) Buyer is able to bear the substantial economic risks of the investment in the Company Shares for an indefinite period and is able to bear the economic risk of losing Buyer's entire investment in the Company Shares. Buyer has had the opportunity to review this Agreement and discuss the purchase of the Company Shares with any agents of his choosing, including his attorney and accountant, and has done so to the extent of his desire. Buyer understands that Seller is relying on Buyer's representations in this Section 4.3 in entering into this Agreement.

4.4 Acknowledgement of Merger Agreement. Buyer acknowledges that the Company entered into a Merger Agreement by and among Company, Seller, American Water Works Company, Inc., a Delaware corporation ("**Parent**"), and AUC Acquisitions Company, a Pennsylvania corporation ("**Merger Sub**"), dated September 22, 2023 (the "**Merger Agreement**"), under which Parent will acquire the Company through a statutory merger of Merger Sub with and into the Company. Buyer acknowledges that the Company is bound by the terms of the Merger Agreement and is aware of and familiar with the terms of the Merger Agreement and accompanying transaction documents. Buyer acknowledges that the Stock Consideration established in the Merger Agreement may have substantial tax consequences for Buyer related to Buyer's purchase of the Company Shares. Buyer further acknowledges that he will also be bound by the terms of the Merger Agreement, as a shareholder of

the Company, upon the execution of this Agreement. Buyer has had the opportunity to have the Merger Agreement reviewed by counsel and agents of Buyer's choosing to the full extent of his desire.

4.5 Survival of Representations and Warranties. The representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement.

**ARTICLE V**  
**COVENANTS AND AGREEMENTS**

5.1 Tax Matters. Seller and Buyer agree to cooperate in good faith in filing all tax returns related to the transactions contained herein. Each party will be responsible for filing any individual tax returns relating to their ownership of shares in the Company.

5.2 Good Faith Efforts. Buyer and Seller shall utilize their respective good faith efforts to carry out the intents and purposes of this Agreement, to cure or correct any unintentional deviations from this Agreement, and to accomplish any of the undertakings in this Agreement.

**ARTICLE VI**  
**MISCELLANEOUS**

6.1 Entire Agreement; Modification. This Agreement contains the entire agreement and understanding between the parties with respect to the subject matter hereof and any and all prior agreements or understandings between the parties on the same subject are hereby rescinded and made null and void by mutual agreement. This Agreement may be modified, revised, or amended only by a written instrument signed by each of the parties.

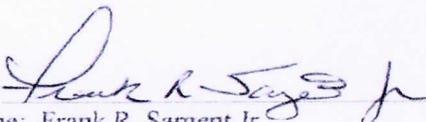
6.2 Governing Law. This Agreement and any controversy arising out of or relating to this Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania.

6.3 Heirs, Successors and Assigns. The covenants, terms, provisions, and agreements herein contained shall be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and permitted assigns.

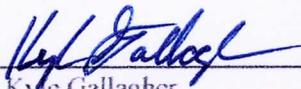
[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties to this Agreement have caused their signatures to be set forth below as of the date first above written.

**SELLER:**

By:   
Name: Frank R. Sargent Jr.

**BUYER:**

By:   
Name: Kyle Gallagher

**ATTACHMENT 2**

**WRITTEN CONSENT OF  
SOLE SHAREHOLDER & DIRECTORS**

**WRITTEN CONSENT OF THE  
SOLE SHAREHOLDER AND DIRECTORS  
OF  
APPALACHIAN UTILITIES, INC.  
a Pennsylvania Corporation**

The undersigned, constituting the Sole Shareholder and Directors of Appalachian Utilities, Inc., a Pennsylvania corporation (the "**Corporation**"), do hereby waive any notice requirements pursuant to the provisions of the Pennsylvania Business Corporation Law of 1988, as amended, and hereby adopts the following resolutions, consent to the actions taken by virtue thereof, and direct that such actions shall, in all respects, be as effective as if such resolutions were adopted and such actions were taken at a special meeting of the Sole Shareholder duly called and held as of the 30<sup>th</sup> day of October, 2023:

**WHEREAS**, the Corporation and the Sole Shareholder have entered into that certain Stock Purchase Agreement, dated as of October 30, 2023 (the "**Stock Purchase Agreement**"), pursuant to which the Sole Shareholder has agreed to sell, and Kyle Gallagher ("**Gallagher**") has agreed to purchase from the Sole Shareholder, a total of Four Hundred (400) shares of common stock in the Corporation; and

**WHEREAS**, the Sole Shareholder and Directors deem it appropriate and in the best interest of the Corporation to agree to the terms of the Stock Purchase Agreement, and to consummate the transfer of shares contemplated therein.

**NOW THEREFORE, BE IT RESOLVED**, that the Sole Shareholder and Directors, on behalf of the Corporation, have had an opportunity to review the Stock Purchase Agreement; and

**BE IT FURTHER RESOLVED**, that the Sole Shareholder and Directors have fully reviewed, fully understand, and agree to all terms of the Stock Purchase Agreement, and further understands all ramifications of agreeing thereto; and

**BE IT FURTHER RESOLVED**, that the Stock Purchase Agreement is hereby ratified and approved by the Sole Shareholder and Directors; and

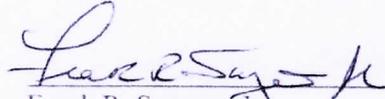
**BE IT FURTHER RESOLVED**, that Frank R. Sargent Jr., as President of the Corporation, is hereby authorized to execute any documentation required by the Stock Purchase Agreement, on behalf of the Corporation and to take all required actions contemplated by the Stock Purchase Agreement on behalf of the Corporation; and

**BE IT FURTHER RESOLVED**, that these resolutions are intended to be as broad as legally permissible so that no further resolutions will be necessary to carry out the transactions and matters contemplated herein.

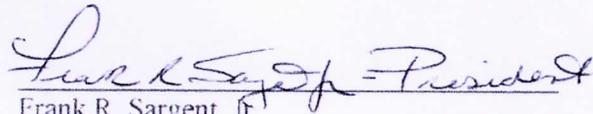
[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the undersigned have executed this Written Consent on the date first set forth above.

**SOLE SHAREHOLDER OF APPALACHIAN  
UTILITIES, INC.**

  
\_\_\_\_\_  
Frank R. Sargent, Jr.

**DIRECTOR OF APPALACHIAN UTILITIES,  
INC.**

  
\_\_\_\_\_  
Frank R. Sargent, Jr.

**DIRECTOR OF APPALACHIAN UTILITIES,  
INC.**

  
\_\_\_\_\_  
Kyle Gallagher

**ATTACHMENT 3**

**BALANCE SHEET CALENDAR YEAR 2022**

## Appalachian Utilities Inc.

## Balance Sheet

As of December 31, 2022

	<u>Dec 31, 22</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
130.0 · Credit Card Transfer -	-0.09
131 · Cash	
131.2 · Cash in Bank	
131.21 · Dime Bank Checking - 1683	7,275.08
<b>Total 131.2 · Cash in Bank</b>	<b>7,275.08</b>
131 · Cash - Other	100.00
<b>Total 131 · Cash</b>	<b>7,375.08</b>
132 · Special Deposits	
132.1 · Dime Bank Savings - 5558	155,969.37
<b>Total 132 · Special Deposits</b>	<b>155,969.37</b>
<b>Total Checking/Savings</b>	<b>163,344.36</b>
<b>Accounts Receivable</b>	
141 · Customers Accounts Receivable	158,555.58
142 · Other Accounts Receivable	
142.2 · Bad Check fee	20.00
142 · Other Accounts Receivable - Other	82.16
<b>Total 142 · Other Accounts Receivable</b>	<b>102.16</b>
<b>Total Accounts Receivable</b>	<b>158,657.74</b>
<b>Total Current Assets</b>	<b>322,002.10</b>
<b>Fixed Assets</b>	
101 · Utility Plant in Service	
301 · Organization	39,064.87
303 · Land and Land Rights	
303.2 · Source of Supply, Land	24,129.83
303.4 · Trnsm & Dist Land/Rway	20,000.00
303.5 · Land & Lnd Rights Office-Garage	4,698.67
<b>Total 303 · Land and Land Rights</b>	<b>48,828.50</b>
304 · Structures and Improvements	
304.2 · Source of Supply, Stru	6,837.97
304.3 · Purfication Buildings	12,255.45
304.4 · Power & Pumping Struct	14,873.99
304.5 · Office Buildings	131,698.99
<b>Total 304 · Structures and Improvements</b>	<b>165,666.40</b>
307 · Wells and Springs	218,875.46

## Appalachian Utilities Inc.

## Balance Sheet

As of December 31, 2022

	<u>Dec 31, 22</u>
<b>311 · Pumping Equipment</b>	
311.1 · Well#5 Pump & Motors	19,326.19
311.2 · Electric Pump Equip	46,637.23
311.3 · Well # 4 pump&motor	7,720.61
311 · Pumping Equipment - Other	8,666.53
<b>Total 311 · Pumping Equipment</b>	<u>82,350.56</u>
<b>330 · Distribution Reservoirs &amp; Stand</b>	
330.4 · Distrib. Res. & Stand	280,092.43
<b>Total 330 · Distribution Reservoirs &amp; Stand</b>	<u>280,092.43</u>
<b>331 · Transmission &amp; Distribution Mai</b>	
331.4 · Mains & Accessories	944,737.02
331.41 · Mains & Accessories (OT)	2,356.01
331 · Transmission & Distribution Mai - Other	33,698.94
<b>Total 331 · Transmission &amp; Distribution Mai</b>	<u>980,791.97</u>
<b>333 · Services</b>	
333.4 · Services	373,461.44
333.41 · Services (OT)	857.50
333 · Services - Other	14,804.57
<b>Total 333 · Services</b>	<u>389,123.51</u>
<b>334 · Meters &amp; Meter Installations</b>	
334.1 · Customer Meters	4,730.44
334.4 · Meters	310,300.53
334.41 · Meters (OT)	28.73
334 · Meters & Meter Installations - Other	90,667.47
<b>Total 334 · Meters &amp; Meter Installations</b>	<u>405,727.17</u>
<b>335 · Hydrants</b>	
335.4 · Fire Hydrants	26,813.80
335 · Hydrants - Other	6,341.05
<b>Total 335 · Hydrants</b>	<u>33,154.85</u>
<b>339 · Other Plant &amp; Misc Equipment</b>	
339.2 · Other Power Pump Equip	299.00
339.3 · Purfication System	55,693.41
339.4 · GIS Mapping	22,008.33
339 · Other Plant & Misc Equipment - Other	32,160.87
<b>Total 339 · Other Plant &amp; Misc Equipment</b>	<u>110,161.61</u>
<b>340 · Office Furniture &amp; Equipment</b>	
340.5 · Office Furn and Equip	23,631.09
340.6 · DIVERSIVIED BILLING SYSTEM	7,690.00
340 · Office Furniture & Equipment - Other	519.29
<b>Total 340 · Office Furniture &amp; Equipment</b>	<u>31,840.38</u>

## Appalachian Utilities Inc.

## Balance Sheet

As of December 31, 2022

	<u>Dec 31, 22</u>
<b>341 · Transportation Equipment</b>	
<b>341.5 · Transportation Equip</b>	
341.56 · 2012 Ford F550 Super Duty Dump	42,235.47
341.57 · 2022 Ram Truck	53,562.50
341.5 · Transportation Equip - Other	<u>135,984.04</u>
<b>Total 341.5 · Transportation Equip</b>	<u>231,782.01</u>
<b>Total 341 · Transportation Equipment</b>	231,782.01
<b>343 · Tools, Shop &amp; Garage Equipment</b>	
343.00 · Shop Equipment	86,011.74
343.1 · POW-R-MOLE VM810 LOCATOR	3,506.00
343.2 · LRG TAP MACHINE-Mueller CL-12	7,000.00
343.3 · Hydraulic Operator	3,885.79
343.4 · Portable Fuel Drum	787.07
343.5 · HYDLC POWER PACK FOR TAP MACHNE	1,892.62
343.6 · Colorimeter	2,903.42
343.8 · 2021 POLARIS 4 WHLR	28,934.95
343 · Tools, Shop & Garage Equipment - Other	<u>1,090.55</u>
<b>Total 343 · Tools, Shop &amp; Garage Equipment</b>	136,012.14
<b>346 · Communication Equipment</b>	
346.5 · Communication Equip	<u>34,835.21</u>
<b>Total 346 · Communication Equipment</b>	34,835.21
<b>347 · Miscellaneous Equipment</b>	
347.5 · Miscellaneous Equip	<u>86,012.33</u>
<b>Total 347 · Miscellaneous Equipment</b>	86,012.33
<b>348 · Other Tangible Plant</b>	
348.5 · Stores, Shop & Garage Bldgs	<u>7,343.41</u>
<b>Total 348 · Other Tangible Plant</b>	<u>7,343.41</u>
<b>Total 101 · Utility Plant in Service</b>	3,281,662.81
<b>108 · Accumulated Depreciation</b>	
108.1 · Accum Depr - Plant in Service	<u>-1,604,995.80</u>
<b>Total 108 · Accumulated Depreciation</b>	-1,604,995.80
<b>114 · Utility Plant Acquisition Adjus</b>	<u>-145,683.30</u>
<b>Total Fixed Assets</b>	1,530,983.71
<b>Other Assets</b>	
<b>135 · Temporary Cash Investments</b>	
135.1 · Cash Investments - CD	33,446.07
135.2 · Other Investments - Vanguard	<u>3,287.64</u>
<b>Total 135 · Temporary Cash Investments</b>	36,733.71

## Appalachian Utilities Inc.

## Balance Sheet

As of December 31, 2022

	<u>Dec 31, 22</u>
<b>162 · Prepayments</b>	
162.1 · Prepaid Fed Corp Tax	15,801.00
162.2 · Prepaid PA CNI Tax	1,720.00
<b>Total 162 · Prepayments</b>	<u>17,521.00</u>
<b>186 · Miscellaneous Deffered Debits</b>	
186.1 · Deferred Rate Case Expense	1,772.25
186.3 · Deferred Regulatory Assets	
186.31 · SRBC	54,969.00
186.3 · Deferred Regulatory Assets - Other	5,595.95
<b>Total 186.3 · Deferred Regulatory Assets</b>	<u>60,564.95</u>
<b>Total 186 · Miscellaneous Deffered Debits</b>	62,337.20
<b>271.1 · Customer Contribution</b>	<u>-93,530.94</u>
<b>Total Other Assets</b>	23,060.97
<b>TOTAL ASSETS</b>	<b><u>1,876,046.78</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
231 · Accounts Payable	7,200.02
<b>Total Accounts Payable</b>	<u>7,200.02</u>
<b>Other Current Liabilities</b>	
241 · Misc Current & Accrued Liab	
241.0 · Payroll Liabilities	
241.4 · SUTA Payroll Taxes Payable	55.02
241.5 · Local Payroll Taxes Payable	150.61
<b>Total 241.0 · Payroll Liabilities</b>	<u>205.63</u>
<b>Total 241 · Misc Current &amp; Accrued Liab</b>	205.63
<b>Total Other Current Liabilities</b>	<u>205.63</u>
<b>Total Current Liabilities</b>	7,405.65
<b>Long Term Liabilities</b>	
232 · Notes Payable	
232.3 · SHEFFIELD FINANCIAL	10,823.35
232.4 · 2012 FORD F550 DUMP	21,437.50
232.5 · 2022 RAM 2500 TRK	38,764.95
<b>Total 232 · Notes Payable</b>	<u>71,025.80</u>

## Appalachian Utilities Inc.

## Balance Sheet

As of December 31, 2022

	<u>Dec 31, 22</u>
233 · A/P-DIVERSIFIED TECH-	1,877.72
Total Long Term Liabilities	<u>72,903.52</u>
Total Liabilities	80,309.17
Equity	
214 · Appropriated Retained Earnings	1,193,445.79
32000 · Retained Earnings	552,124.61
414 · Utility Property Retirement	6,528.72
Net Income	<u>43,638.49</u>
Total Equity	<u>1,795,737.61</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u><u>1,876,046.78</u></u></b>

**ATTACHMENT 4**

**PROFIT & LOSS STATEMENT  
CALENDAR YEAR 2022**

## Appalachian Utilities Inc.

## Profit &amp; Loss

January through December 2022

	<u>Jan - Dec 22</u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
<b>400 · Operating Revenue</b>	
<b>461 · Metered Water Revenue</b>	
461.1 · Metered Water Residential	569,581.05
461.2 · Metered Water Commercial	109,346.57
461.3 · Metered Water Industrial	1,565.86
461.4 · Metered Water Public	7,944.32
461.6 · Metered Water Revenue Other	3,882.00
<b>Total 461 · Metered Water Revenue</b>	<u>692,319.80</u>
<b>462 · Fire Protection</b>	
462.1 · Public Fire Protection	5,817.78
462.2 · Private Fire Protection	6,864.48
462.3 · Hydrant Charge Individual	17,804.34
<b>Total 462 · Fire Protection</b>	<u>30,486.60</u>
<b>470 · Interest Penalty</b>	9,287.85
<b>471 · Miscellaneous Service Revenue</b>	
471.1 · Turn on Charge	600.00
<b>Total 471 · Miscellaneous Service Revenue</b>	<u>600.00</u>
<b>Total 400 · Operating Revenue</b>	732,694.25
<b>419 · Interest &amp; Dividend Income</b>	698.97
<b>421 · Non-Utility Income</b>	
421.2 · Return Check Charge	60.00
421.3 · Credit Card % increase	0.03
421 · Non-Utility Income - Other	6,000.00
<b>Total 421 · Non-Utility Income</b>	<u>6,060.03</u>
<b>Total Income</b>	<u>739,453.25</u>
<b>Gross Profit</b>	739,453.25
<b>Expense</b>	
<b>401 · Operating Expense</b>	
401.1 · PA One Calls	390.73
401.2 · Maintenance of Mains	22,075.51
401.3 · Maintenance of Services	15,488.92
401.4 · Avis/Woolrich Reservoir maint.	1,170.75
401.5 · Water Treatment Expenses	1,061.27
401.6 · Shop Mntce & Supply	3,474.90
401.7 · WELL MAINTENANCE	780.00
<b>Total 401 · Operating Expense</b>	<u>44,442.08</u>
<b>403 · Depreciation Expense</b>	65,561.49

## Appalachian Utilities Inc.

## Profit &amp; Loss

January through December 2022

	<u>Jan - Dec 22</u>
<b>408 · Taxes Other than Income</b>	
408.10 · Public Utility General Assessme	4,744.00
<b>Total 408 · Taxes Other than Income</b>	4,744.00
<b>408.11 · Property Taxes</b>	5,320.00
<b>409 · Income Taxes</b>	
409.10 · Federal Income Taxes-Op Income	-21.00
409.11 · PA CNI Income Taxes-Op Income	-3.00
<b>Total 409 · Income Taxes</b>	-24.00
<b>427 · Interest Expense</b>	1,777.66
<b>471.01 · Turn on</b>	
471.011 · Emergency call out	57.90
471.012 · Emergency Call Out (OT)	121.66
471.01 · Turn on - Other	214.90
<b>Total 471.01 · Turn on</b>	394.46
<b>601 · Salaries &amp; Wages Employees</b>	
<b>601.1 · Source of Supply &amp; Exp – Operat</b>	
601.11 · Operation Labor	5,805.41
601.111 · Operation Labor (OT)	685.95
601.12 · Pumping Labor	4,596.00
601.121 · Pumping Labor (OT)	2,373.90
<b>Total 601.1 · Source of Supply &amp; Exp – Operat</b>	13,461.26
<b>601.2 · Source of Supply &amp; Exp – Maint.</b>	
601.21 · Maintenance of Reservoirs	1,304.99
601.22 · Maintenance of Wells & Spri	530.75
601.23 · Maintenance of Structures &	499.97
601.24 · Maintenance of Pumping Equip	286.89
<b>Total 601.2 · Source of Supply &amp; Exp – Maint.</b>	2,622.60
<b>601.3 · Water Treatment Exp – Operat</b>	
601.31 · Purification & Lab Labor	10,200.58
601.311 · Purifctn & Lab Labor OT	3,001.95
<b>Total 601.3 · Water Treatment Exp – Operat</b>	13,202.53
<b>601.4 · Water Treatment Exp – Maint.</b>	
601.41 · Maintnce of Structure & Imprvmt	1,376.32
601.411 · Maint of Structures & Imp OT	17.38
601.42 · Maintnce of Purification Equip	1,421.37
<b>Total 601.4 · Water Treatment Exp – Maint.</b>	2,815.07

## Appalachian Utilities Inc.

## Profit &amp; Loss

January through December 2022

	<u>Jan - Dec 22</u>
601.5 · Trans. & Dist. Exp – Operat	
601.51 · Maps & Records	2,776.69
601.511 · Maps & Records (OT)	882.13
601.54 · Operation of Lines/Hydrants	1,426.89
601.55 · Maintenance of misc equip	3,241.00
601.56 · PA One Calls	5,337.63
601.561 · PA One Calls (OT)	28.95
	<hr/>
Total 601.5 · Trans. & Dist. Exp – Operat	13,693.29
601.6 · Trans. & Dist. Exp – Maint.	
601.61 · Remove & Resetting of Meters	387.63
601.62 · Maintenance of Mains	3,583.51
601.621 · Maintenance of Mains (OT)	309.83
601.63 · Maintenance of Services	5,354.37
601.631 · Maintenance of Services (OT)	98.55
	<hr/>
Total 601.6 · Trans. & Dist. Exp – Maint.	9,733.89
601.7 · Customer Accounts Exp	
601.71 · Meter Readings	2,354.13
601.72 · Collections	259.34
601.73 · Service on Customer's Premise	8,546.79
601.731 · Srvce on Customer's Premise OT	61.80
	<hr/>
Total 601.7 · Customer Accounts Exp	11,222.06
601.8 · Admin & General Exp	
601.81 · Mntnce of Struct & imp offic	1,165.07
	<hr/>
Total 601.8 · Admin & General Exp	1,165.07
Total 601 · Salaries & Wages Employees	67,915.77
603 · Salaries & Wages - Officers...	
603.1 · Source of Supply & Exp – Operat	
603.11 · Operation Labor	22,398.48
603.12 · Pumping Labor	8,178.57
	<hr/>
Total 603.1 · Source of Supply & Exp – Operat	30,577.05
603.3 · Water Treatment Exp – Operat	
603.31 · Purification & Laboratory Labor	30,840.22
	<hr/>
Total 603.3 · Water Treatment Exp – Operat	30,840.22
603.4 · Water Treatment Exp – Maint.	
603.41 · Maintenance of Structures & Imp	481.61
603.42 · Maintenance of Purification Lab	335.14
	<hr/>
Total 603.4 · Water Treatment Exp – Maint.	816.75

## Appalachian Utilities Inc.

## Profit &amp; Loss

January through December 2022

	<u>Jan - Dec 22</u>
<b>603.5 · Trans. &amp; Dist. Exp – Operat</b>	
603.51 · Maps & Records	2,379.02
603.55 · Maintenance of miscellaneous Eq	2,677.75
603.56 · PA One Calls	820.79
	<hr/>
<b>Total 603.5 · Trans. &amp; Dist. Exp – Operat</b>	5,877.56
<b>603.6 · Trans. &amp; Dist. Exp – Maint.</b>	
603.61 · Removing & Resetting of Meters	712.46
603.62 · Maintenance of Mains	2,878.06
603.63 · Maintenance of Services	2,268.13
	<hr/>
<b>Total 603.6 · Trans. &amp; Dist. Exp – Maint.</b>	5,858.65
<b>603.7 · Customer Accounts Exp</b>	
603.71 · Meter Readings	2,585.29
603.72 · Collections	2,534.40
603.73 · Service on Customer's Premise	2,665.00
	<hr/>
<b>Total 603.7 · Customer Accounts Exp</b>	7,784.69
<b>603.8 · Admin &amp; General Exp</b>	
603.81 · Maint. of Structures & Imp offc	2,643.99
603.82 · General Office Salaries	41,257.70
603.83 · Regulatory Compliance	17,334.28
	<hr/>
<b>Total 603.8 · Admin &amp; General Exp</b>	61,235.97
<b>Total 603 · Salaries &amp; Wages - Officers...</b>	142,990.89
<b>604 · Employee Pensions &amp; Benefits</b>	
604.1 · Health insurance	71,584.72
604.2 · Pension	26,233.87
604.3 · Holiday Pay	5,684.31
604.4 · Paid Vacation	13,996.96
604.5 · Paid Sick Time	3,505.37
604.6 · Bonus	21,350.00
	<hr/>
<b>Total 604 · Employee Pensions &amp; Benefits</b>	142,355.23
<b>615 · Purchased Power</b>	
615.1 · Operations Source of Supply	
615.11 · Well No. 4	3,508.61
615.12 · Well No. 5 & 6	24,343.37
	<hr/>
<b>Total 615.1 · Operations Source of Supply</b>	27,851.98
<b>615.5 · Operations Trans. &amp; Dist.</b>	
615.51 · Booster Pump	2,857.53
615.52 · Avis Reservoir	348.38
	<hr/>
<b>Total 615.5 · Operations Trans. &amp; Dist.</b>	3,205.91

## Appalachian Utilities Inc.

## Profit &amp; Loss

January through December 2022

	<u>Jan - Dec 22</u>
<b>615.8 · Admin. &amp; General Expenses</b>	
615.81 · Woolrich Office	1,050.20
<b>Total 615.8 · Admin. &amp; General Expenses</b>	<u>1,050.20</u>
<b>Total 615 · Purchased Power</b>	32,108.09
<b>618 · Chemicals</b>	
618.3 · Operations Water Treatment	21,601.91
618.6 · Maintenance Trans. & Dist.	275.00
<b>Total 618 · Chemicals</b>	<u>21,876.91</u>
<b>620 · Materials &amp; Supplies</b>	
620.2 · Maintenance Source of Supply	52.77
620.6 · Maintenance Trans. & Dist.	106.20
620.8 · Admin. & General Expenses	0.00
<b>Total 620 · Materials &amp; Supplies</b>	<u>158.97</u>
<b>632 · Contracted services-Accounting</b>	
632.1 · Quick Books-Graves Accounting	563.13
632.2 · Accountant-Herbein & Company	5,300.00
<b>Total 632 · Contracted services-Accounting</b>	<u>5,863.13</u>
<b>633 · Contracted services-Legal</b>	
633.8 · Admin. & General Expenses	
633.81 · Hawke, McKeon & Sniscak	0.00
<b>Total 633.8 · Admin. &amp; General Expenses</b>	<u>0.00</u>
<b>Total 633 · Contracted services-Legal</b>	0.00
<b>635 · Contracted services-Testing</b>	
635.3 · Operations Water Treatment	2,295.00
635.6 · Maintenance Trans. & Dist.	1,485.00
<b>Total 635 · Contracted services-Testing</b>	<u>3,780.00</u>
<b>636 · Contractual Services - Other</b>	
636.8 · Admin & General Expenses	
636.68 · MCAFEE INTEL SECURITY	164.19
636.81 · Presque Isle Office Contract	36,822.48
636.83 · Norton Internet Security	614.36
636.84 · Solutions for Small Business	3,760.50
636.85 · Quickbooks contract	1,523.90
636.86 · Diversified Technology corp	974.78
636.87 · munibilling contract	1,538.30
636.88 · Website-EIG Domain.com	63.76

## Appalachian Utilities Inc.

## Profit &amp; Loss

January through December 2022

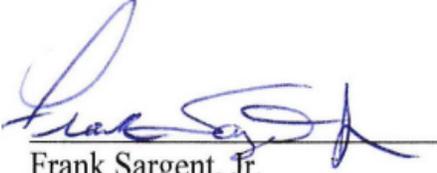
	<u>Jan - Dec 22</u>
636.89 · Website - WIX.COM	254.00
636.8 · Admin & General Expenses - Other	<u>247.00</u>
Total 636.8 · Admin & General Expenses	45,963.27
Total 636 · Contractual Services - Other	45,963.27
636.871 · PCMA - USAGE REPORT	-1,020.25
642 · Rental of Equipment	
642.6 · Maintenance Trans. & Dist.	<u>417.83</u>
Total 642 · Rental of Equipment	417.83
643 · Maintnce of Misc Equip	2,639.71
650 · Transporation Expense	
650.1 · Operations Source of Supply	2,105.68
650.2 · Vehicle Maintenance	11,502.02
650.3 · Operations Water Treatment	2,105.72
650.4 · Maintenance Water Treatment	2,105.74
650.5 · Operations Trans.& Dist.	2,105.70
650.6 · Maintenance Dist. & Trans.	2,105.74
650.7 · Customer Account Expenses	2,105.71
650.8 · Maintenance of Vehicles-PR	1,849.24
650.81 · Maintnce of Vehicles PR	<u>3,285.15</u>
Total 650 · Transporation Expense	29,270.70
656 · Insurance-Vehicle	5,762.00
657 · Insurance-General Liability	11,078.00
658 · Insurance-Work Comp	7,552.00
659 · Insurance-Other	2,600.00
66000 · Payroll Tax Expense	22,681.44
675.1 · Membership Dues	
675.11 · Operator licenses	102.32
675.1 · Membership Dues - Other	<u>4,095.00</u>
Total 675.1 · Membership Dues	4,197.32
675.13 · Educaton	2,682.12
675.14 · Meals	514.93
675.3 · Communication Services	
675.31 · Phone	6,840.46
675.32 · Internet	<u>1,589.70</u>
Total 675.3 · Communication Services	8,430.16
675.4 · Bank Charges	501.97

**Appalachian Utilities Inc.**  
**Profit & Loss**  
 January through December 2022

	Jan - Dec 22
<b>675.6 · Office Expense and Utilities</b>	
675.62 · Sewer	460.35
675.63 · Water	214.14
675.64 · Trash	1,692.25
675.65 · Office Heat	1,886.21
675.66 · Stamps & Envelopes	353.67
675.67 · General Office Supply Expense	1,761.47
675.68 · Office Maintenance Expense	1,062.14
<b>Total 675.6 · Office Expense and Utilities</b>	7,430.23
675.7 · Uniforms	729.88
675.9 · Mailing	4,836.87
<b>Total Expense</b>	695,532.86
<b>Net Ordinary Income</b>	43,920.39
<b>Other Income/Expense</b>	
<b>Other Expense</b>	
416 · Jobbing	
416.11 · Bulk Water - Anadarko	19.30
416.14 · Avis Boro Sewer Collections	262.60
416.15 · Pine Creek Township Collections	0.00
<b>Total 416 · Jobbing</b>	281.90
<b>Total Other Expense</b>	281.90
<b>Net Other Income</b>	-281.90
<b>Net Income</b>	43,638.49

## VERIFICATION

I, Frank Sargent, Jr., President of Appalachian Utilities, Inc., hereby state that the facts set forth in the foregoing Application and its Attachments are true and correct to the best of my knowledge, information, and belief, and that I expect to be able to prove the same at a hearing in this matter. This verification is made subject to the penalties of 18 Pa.C.S. §4904 relating to unsworn falsification to authorities.



Frank Sargent, Jr.  
President  
Appalachian Utilities, Inc.

Dated: February 2, 2024

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

**SERVICE BY EMAIL ONLY:**

Patrick Cicero, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
5th Floor Forum Place  
Harrisburg, PA 17101  
[ra-oca@paoca.org](mailto:ra-oca@paoca.org)

Allison Kaster, Director  
PA Public Utility Commission  
Bureau of Investigation and Enforcement  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120  
[akaster@pa.gov](mailto:akaster@pa.gov)

NazAarah Sabree  
Small Business Advocate  
Pennsylvania Office of Small Business Advocate  
555 Walnut Street, 1<sup>st</sup> Floor  
Forum Place  
Harrisburg, PA 17101  
[ra-sba@pa.gov](mailto:ra-sba@pa.gov)



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Thomas J. Sniscak, Esq.  
Todd S. Stewart, Esq.

Dated: February 2, 2024

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Appalachian Utilities, Inc. :  
for a Certificate of Public Convenience :  
Evidencing the Pennsylvania Public Utility : Docket No. A-2024-3046068  
Commission’s Approval of the Transfer of 40% :  
of Outstanding and Issued Stock in Appalachian :  
Utilities, Inc. :

Joint Application of Pennsylvania-American :  
Water Company and Appalachian Utilities, Inc., : Docket No. A-2024-3046084  
Pursuant to Section 1102 of the Public Utility : A-2024-3046092  
Code, for approval of (1) the transfer to :  
American Water Works Company, Inc., by :

merger, of all property of Appalachian Utilities, : (CONSOLIDATED)  
Inc. used and useful in the public service; (2) the :  
transfer to Pennsylvania-American Water :  
Company by merger, of all property of :  
Appalachian Utilities, Inc. used or useful in the :  
public service, (3) the right of Pennsylvania :  
American Water Company to begin to offer, :  
render, furnish and supply water service to the :  
public in the Borough of Avis and Townships of :  
Pine Creek and Dunnstable, Clinton County, :  
Pennsylvania, and (4) the abandonment by :  
Appalachian Utilities, Inc. of all water service. :

**REBUTTAL TESTIMONY**

**OF**

**FRANK R. SARGENT, JR., PRESIDENT, APPALACHIAN UTILITIES, INC.**

August 30, 2024

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 A. My name is Frank Sargent, Jr. and my business address is:

3 Appalachian Utilities, Inc.

4 2265 Bear Pen Hollow Rd.

5 Lock Haven, PA 17745

6 (legal corporate address, not mailing address)

7 Mailing address:

8 1674 Park Avenue, Lock Haven, Pennsylvania 17745

9 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

10 A. I am employed by Appalachian Utilities, Inc. (“AUI”) as its President, I also am presently  
11 the sole shareholder and will remain the majority shareholder but at 60% instead of 100%  
12 until closing of the acquisition.

13 **Q. HAVE YOU SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

14 A. Yes, I submitted direct testimony identified as AUI Statement No. 1.

15 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

16 A. My rebuttal testimony responds to the Direct Testimony of Morgan N. DeAngelo, who  
17 submitted testimony on behalf of the Office of Consumer Advocate (“OCA”) and the Direct  
18 Testimony by Kevin C. Higgins who submitted testimony on behalf of the Pennsylvania  
19 Office of Small Business Advocate (“OSBA”). The primary focus of my rebuttal will be  
20 Ms. DeAngelo’s testimony. In particular I address her failure to consider relevant and  
21 controlling facts when rendering her opinion of the future viability of AUI absent a merger.  
22 I also address Mr. Higgins, who injects issues that are not ripe and are speculative as to  
23 what the Commission may or may not do in setting just and reasonable rates in a future

1 rate case including what the Commission may conclude qualifies or does not qualify for  
2 rate base.

3 **Q. What are the specific issues to which you respond?**

4 A. The first issue raised by Ms. DeAngelo, on page 6 of her testimony, is that rates for AUI  
5 will increase if AUI customers were to be charged Pennsylvania-American Water Company  
6 (“PAWC”) rates. Such a statement is misleading, lacks context, and ignores financial  
7 realities. First, the rates will not change unless and until there is a rate case, post-merger.  
8 So, to suggest what rates AUI customers would be charged, if and when rates are increased,  
9 is pure speculation and ignores that the Commission is obligated to set “just and  
10 reasonable” rates based upon the record in any future rate filing. More importantly,  
11 however, Ms. DeAngelo’s testimony ignores what should be an obvious fact: absent a  
12 merger, AUI’s rates will need to be substantially increased immediately. In 2023 AUI had  
13 negative net income of \$-90,185.90. In my Direct Testimony and that of PAWC witness,  
14 Mr. Guntrum (PAWC St. 2, pp. 4-17), we point out on top of our revenue deficiency,  
15 significant costs for improvements in operations, utility plant and other areas that will  
16 require substantial investment if AUI is to remain viable, and those are just capital  
17 investments, and do not consider the necessary increase in costs to AUI if it were to remain  
18 a stand-alone utility with no economies of scale for purchasing or for special outside vendor  
19 services, because we have a customer base of less than 1,500. These include compliance  
20 with the Lead and Copper Rule Revisions (“LCRR”) and other regulatory requirements.  
21 Specifically with regard to the LCRR, the **service line inventory** is extremely important  
22 to DEP and needs to be completed very soon or Appalachian will see the threat of daily  
23 fines. In order to physically observe about 1,000 service lines or more, we will need to use

1 a vac truck. If it were possible to do 6 services a day, and that is very optimistic, it comes  
2 out to about 167 days of work dedicated just to that DEP requirement. Also, I'll need  
3 another employee to be on these job sites, and we don't currently have the manpower. A  
4 local vac truck is currently \$3,700 per day, so over the next couple years I'll need about  
5 \$700,000 for this project alone to avoid DEP fines.

6 This is just one of many regulatory requirements that will demand considerable time, effort  
7 and expense and demonstrates why AUI will need to hire additional staff and incur  
8 significant costs.

9 **Q. Have you calculated what level of rates AUI would need to be sustainable?**

10 A. No, but it is not hard to know it will be massive based on experience and realities. As I  
11 discuss later below, we cannot with our current finances fund very expensive rate studies  
12 which at best would be hypothetical. My experience over many years of managing water  
13 companies tells me that the improvements or modernization that need to be done and the  
14 large amount of money AUI would need to spend—which it does not have—to file a rate  
15 case, and to eventually get an increase, would likely not guarantee future sustainability and  
16 low rates to our very small customer base. For now, those dollars are better spent keeping  
17 the business operating and afloat while we transfer our utility and customers to a premier  
18 public utility water company that has been certificated a huge number of times as shown  
19 in PAWC's testimony including a number of acquisitions.

1 **Q. On pages 8 and 9 of her testimony, Ms. DeAngelo states that your desire to retire does**  
2 **not establish an affirmative benefit, do you agree?**

3 A. Her statement is an overreach, and she confuses the issue of whether the many stated  
4 affirmative benefits outweigh the detriments she concocts or speculates. First, I plan to  
5 retire, and her straining to take away the right of a primary owner of a utility to retire and  
6 to sell the system at a real world price to a superior water utility sets up what amounts to a  
7 regulatory “Hotel California,” like the song, where “you can never leave.” I plan to retire,  
8 and that is not negotiable, and this is America, and I’d hope folks have the right to retire if  
9 they so desire. What she prefers in terms of essentially forced continuation of AUI, is an  
10 attempt to invade managerial discretion and deny fundamental business rights, and AUI  
11 ceasing to exist and my retiring is neither a detriment nor proof of anything that supports  
12 denial of the Applications. After examining and discussing with PAWC its financial,  
13 technical and managerial fitness and its prior successful acquisitions of water companies,  
14 I negotiated with PAWC for a sales price that not only considers the depreciated book value  
15 of the system, but which considers the actual value of the system, and which constitutes a  
16 fair price that recognizes that value, beyond the depreciated value of the physical plant, is  
17 financial reality. Ms. DeAngelo’s recommendation that AUI hire new leadership and  
18 continue to own the system, with all respect due, is an opinion that doesn’t understand the  
19 realities of the financial, management and operational requirements and the multiple hats I  
20 wear in these areas as sole owner. I am not willing to assemble, and presumably pay, a  
21 board of directors or to hire a manager, at a rate and cost that I am sure would exceed what  
22 I am now paid for these multiple functions, and to resort to getting value from my  
23 ownership through dividends (that I have not taken – ever) particularly when the company’s

1 finances and profitability are far less than good. My plan is and always has been to leave  
2 the business entirely when I am ready to retire, not be forced to continue my ownership  
3 forever. My age and the seemingly never-ending increases in regulatory requirements  
4 along with inflation make now the right time for a transition of AUI's rights and property  
5 and obligations to a PAWC. That is a substantial benefit in my mind, to our customers and  
6 to the system, because major improvements must be made, and a merger is the best way to  
7 accomplish what needs to be done. Ms. DeAngelo's invitation to essentially confiscate my  
8 business rights and those of the company, by limiting my right to sell the company, is a  
9 regulatory "bridge too far" and should be rejected. In sum, her type of thinking is bad  
10 public policy and contrary to the Commission's longstanding policy statement promoting  
11 consolidation of water utilities particularly small ones like mine and ultimately to our  
12 customers—none of whom protested the applications.

13 **Q. Is AUI viable today and will it be viable in twelve months?**

14 A. At this moment, AUI is just getting by, but we have not been able to make major upgrades  
15 that will be needed to comply with regulatory requirements (lead pipe inventory, etc.), and  
16 we know we have operational issues that need to be addressed, to name a few. There is no  
17 possible way that AUI can address these challenges without a huge rate increase, which  
18 will be needed immediately absent the merger, and which imposes its own costs and time  
19 burdens that takes management away from doing their "regular" jobs. As to whether AUI  
20 can remain viable in the future, it remains a significant uphill battle for AUI to obtain the  
21 large increases necessary to get rates to cover cost of service, and to secure a reliable source  
22 of capital. So, to answer the question directly – I seriously doubt AUI can remain viable  
23 absent a merger, and the facts do not suggest that it will. That is why AUI has chosen to

1 be acquired while it is still able to provide adequate service--to spare its customers and the  
2 company the problems and detriments that will certainly arise in the very near future if  
3 there is no change.

4 **Q. Is AUI furnishing adequate, efficient, safe and reasonable service and facilities?**

5 A. Again, this is a question of time horizon. Today we are providing adequate, safe and  
6 reliable service, but we have had some instances in the recent past where we were  
7 struggling to do so, and DEP issued some notices of violation, and we strained to resolve  
8 the issues and to restore compliance without it escalating to litigation. With our small size  
9 and staff, we cannot be everywhere at once and have to prioritize doing immediate need  
10 tasks and do others when we can. However, as resources become scarcer and operations  
11 become more expensive (due to inflation across the board, among other things), it is almost  
12 inevitable that we will continue to have issues to solve moving forward. Our net income  
13 for 2023 was in the negative: \$-90,185.90. AUI is at a turning point, with the need for  
14 substantial capital in the immediate future but does not have the best ability to secure it due  
15 to its very small size and general circumstances. Without the proposed merger, AUI is  
16 almost certain to face such issues, considering the hundred thousand dollars or so we'd  
17 need for rate case lawyers, consultants, accounting, let alone the engineering, planning,  
18 approvals, and costs of facilities and other equipment and systems to undertake the type of  
19 projects identified in Joint Applicants' direct testimony and to get rate relief and other  
20 regulatory approvals to do the improvements. And what would be the result if we could  
21 do this? The answer is a massive rate increase for our small number of customers. I  
22 continue to disagree that, if PAWC did the things it has said it will do to upgrade service  
23 and the system, it is a detriment to ratepayers when the Commission is obligated to set

1 “just and reasonable rates.” The fact that a party to these application proceedings may not  
2 like just and reasonable rates that are set by the PUC in the future does not equal a  
3 “detriment” to these applications.

4 **Q. Do you agree with OCA Witness Morgan N. DeAngelo and OSBA witness Kevin C.**  
5 **Higgins’ recommendations to decide rate case claims that might be made in future**  
6 **rate cases in this present Chapter 11 Application proceeding?**

7 A. No. First, it is not ripe to decide, and nor can speculation cure that. Indeed, OSBA witness  
8 Mr. Higgins correctly admits the speculative nature of his objection to the merger on an  
9 acquisition premium basis at page 3 lines 20-22 of his Direct Testimony stating: “*If* the  
10 Commission approves the merger *and PAWC seeks to include an acquisition premium*  
11 *associated with Appalachian in a subsequent rate case....*” (Emphasis added). The reality  
12 is no claim for rate base has been made in this application proceeding which is not a rate  
13 case where rate determinations are made. Thus, *if* such claim is made in a rate case *in the*  
14 *future* it should be determined by the Commission *in the future* based on that future filing,  
15 and a record developed then--not in a past non-rate case application proceeding. I have  
16 faith that the Commission, in any future rate proceeding, when and if a claim for the  
17 premium is made, will make a decision saying what is in or out of rate base and set, as its  
18 obligation (which even OCA and OSBA must agree), is to determine “just and reasonable”  
19 rates. Both OCA and OSBA can make the same argument they make here as to rate base  
20 in any future rate case *when and if* it is filed and *if* it includes a claim for an acquisition  
21 premium, under the appropriate rate case record developed and decided at that future time.  
22 Also, what the Commission decides in the future rate case is not a “detriment” as OCA  
23 claims and as OSBA implies by making a rate case adjustment in this non-rate case. The

1           apparent attempt to inject Section 1327 issues into this case is premature, and a waste of  
2           time, resources and drives up the cost of this proceeding for all, while delaying the  
3           transaction from happening and improvements being realized and implemented, including  
4           the \$6 million in improvements PAWC can do, that we are uncertain we can, and in any  
5           event, we certainly could not do so now as quickly as PAWC could.

6   **Q.    Do you have anything further you wish to add?**

7   A.    Not at this time, and this concludes my Rebuttal testimony.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Appalachian Utilities, Inc. :  
for a Certificate of Public Convenience :  
Evidencing the Pennsylvania Public Utility : Docket No. A-2024-3046068  
Commission's Approval of the Transfer of 40% :  
of Outstanding and Issued Stock in Appalachian :  
Utilities, Inc. :

Joint Application of Pennsylvania-American :  
Water Company and Appalachian Utilities, Inc., : Docket No. A-2024-3046084  
Pursuant to Section 1102 of the Public Utility : A-2024-3046092  
Code, for approval of (1) the transfer to :  
American Water Works Company, Inc., by :

merger, of all property of Appalachian Utilities, : (CONSOLIDATED)  
Inc. used and useful in the public service; (2) :  
the transfer to Pennsylvania-American Water :  
Company by merger, of all property of :  
Appalachian Utilities, Inc. used or useful in the :  
public service, (3) the right of Pennsylvania :  
American Water Company to begin to offer, :  
render, furnish and supply water service to the :  
public in the Borough of Avis and Townships of :  
Pine Creek and Dunnstable, Clinton County, :  
Pennsylvania, and (4) the abandonment by :  
Appalachian Utilities, Inc. of all water service. :

**REJOINDER TESTIMONY**

**OF**

**FRANK R. SARGENT, JR., PRESIDENT, APPALACHIAN UTILITIES, INC.**

September 26, 2024

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 A. My name is Frank Sargent, Jr. and my business address is:

3 Appalachian Utilities, Inc.  
4 2265 Bear Pen Hollow Rd.  
5 Lock Haven, PA 17745  
6 (legal corporate address, not mailing address)  
7 Mailing address:  
8 1674 Park Avenue, Lock Haven, Pennsylvania 17745

9

10 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

11 A. I am employed by Appalachian Utilities, Inc. (“AUI”) as its President, I also am presently  
12 the sole shareholder and will remain the majority shareholder but at 60% instead of 100%  
13 until closing of the acquisition.

14

15 **Q. HAVE YOU SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

16 A. Yes, I submitted direct testimony identified as AUI Statement No. 1 and rebuttal testimony  
17 identified as AUI Statement No. 1-R.

18

19 **Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?**

20 A. My rejoinder testimony responds to the surrebuttal testimony of Morgan N. DeAngelo,  
21 who submitted testimony on behalf of the Office of Consumer Advocate (“OCA”). In  
22 particular, I address her failure to consider relevant and controlling facts when rendering  
23 her opinion of the future viability of AUI absent a merger and her incorrect and impractical  
24 statements and conclusions which are well beyond her qualifications regarding what AUI  
25 management should or could do for the very steep and expensive improvements or  
26 modernization that is necessary. Notably, her qualifications state that her background is

1 financial ratemaking and do not qualify her to make way out-of-her-lane statements as to  
2 how to conduct or manage a public utility water company, assess security risk,<sup>1</sup> nor to my  
3 knowledge has she been certified as a public water system operator, as I was, and as our  
4 general manager is. She has never, to my knowledge, requested to visit our system and in  
5 addition she is not an engineer and has no professional training as to what needs to be done  
6 to our system and totally lacks the ability to presume or assume that we will be financially  
7 and technically able to surmount the cost of modernization, improvements, increasing  
8 regulatory requirements and costs, the way Pennsylvania American can both financially  
9 and technically with its greater size.

10  
11 **Q. What are the specific issues to which you respond?**

12 A. **First**, at page 6 of OCA St. 1SR, starting with line 6, she improperly downplays AUI's  
13 economic and technical challenges in modernizing and meeting regulatory requirements  
14 by belittling those concerns as "an owner's desire to exit the utility business." Again, she  
15 knows nothing about running a public water system from a technical, engineering and  
16 managerial standpoint.

17 **Second**, she then states on page 6 in lines 16 and 17 that "Since both utilities are required  
18 to comply, this is effectively a maintenance of the status quo overall." That attempt at logic  
19 fails. She assumes, while ignoring the facts, that both PAWC and AUI have the same ability  
20 to do what needs to be done as described in my testimony to which she responds in her  
21 surrebuttal. Being required to do something does not mean it will happen or that you have  
22 the financial or technical ability to do it at all or the way PAWC could. She completely

---

<sup>1</sup> OCA St. 1SR at line 17, page 5.

1 sidesteps and ignores how AUI could not, given its 2023 Annual Report to the PUC  
2 reporting that AUI had a loss of \$90,185.90 in 2023 and in 2024 has negative income of  
3 minus \$31,711.31 as of September 17, 2024 (See **AUI Exhibit No. RJ-1** attached hereto).  
4 These conditions make being able to borrow money for projects, regulatory compliance,  
5 and modernization very difficult if not unlikely.

6 **Third**, at pages 8-9 of OCA St. No. 1SR, beginning at line 23 she states, “There are  
7 resources available such as low-interest loans or grants available such as low-interest loans  
8 and grants from PENNVEST that Appalachian could apply for, which could mitigate some  
9 of the costs for design, engineering, and construction.” If she had experience managing a  
10 water company, particularly one in our situation, she would have realized it is just not that  
11 simple. For starters, PENNVEST loans are not that simple compared to private bank or  
12 lender loans and the process is very time consuming and complicated. For some of many  
13 examples of strings or restrictions or under PENNVEST’s process and loans (See **AUI**  
14 **Exhibit No. RJ-2**) the first of the many steps you have is to hire a Professional engineer  
15 (“PE”), a certified public accountant, an attorney, and have a responsible company person  
16 or manager meet with PENNVEST and DEP for an initial consultation regarding a  
17 proposed “Project”. (**Exhibit RJ-2**). In reality, we would have to hire and pay the PE to  
18 develop detailed specific plans for the project, have the accountant prepared to address  
19 financial matters, and the attorney the legal hurdles to effectuate the loan. That and the  
20 cost for the professionals are significant up-front monetary expenditures which we  
21 presently do not have the money to fund, and we would have to borrow from private lenders  
22 or banks in the event they would be willing to loan us monies, which is not a certainty  
23 given our position. At that first Project meeting with PENNVEST, we would be told what

1 permits we would need or need to amend, what approvals and studies would be required  
2 and then assess what costs and actions need to be done for that to happen, and such services  
3 will cost money we do not have and would have to borrow from private lenders.  
4 PENNVEST requires that all permits and approvals are in hand – before an application for  
5 funding can be made. That requires significant engineering services, time and expense.  
6 PENNVEST, I believe, will not allow you borrow money from it to replace and essentially  
7 “refinance” loans that you have taken out. There are even more requirements PENNVEST  
8 (PV) uses:

- 9 - Audited financial statements
- 10 - Agreement not to pursue other funds
- 11 - Must create, submit and follow very specific project plans
- 12 - Any contract associated with project subject to PV approval
- 13 - Detailed projects costs breakdowns
- 14 - Obtain rate relief to ensure adequate funds for repayment of PV loan
- 15 - Obtain authorization to incur debt (securities certificate)
- 16 - Comply with Steel Product Procurement Act of March 3, 1978, P.L. 6, No. 3, 73  
17 P.S. § 1881 et seq., in connection with the Project and the Project Contracts require  
18 compliance with the same.
- 19 - Comply with the requirements for the purchase of American Iron and Steel (“AIS”)  
20 set forth in the Federal Consolidated Appropriations Act, January 17, 2014, P.L.  
21 113, No. 76, §436.
- 22 - Surety Bonds - in an amount totaling not less than the total amount due under the  
23 Project Contracts, as identified on the Costs Sheets and Breakdown, and labor and

1 material payment bonds in an amount totaling not less than the total amount due  
2 under the Project Contracts, with such corporate surety or sureties as are acceptable  
3 to the Authority and in form and substance satisfactory to the Authority.

- 4 - Costly legal assistance including opinion letters opining on 6 or so subjects
- 5 - Must comply with Davis-Bacon Act wage rate
- 6 - A Required Equity Contribution (“REC”) of significant dollars from the applicant  
7 for a loan and proof that the “REC” has been disbursed or will be available for  
8 disbursement.

9 All of the above are significant additional costs that the borrower has to bear and drive up  
10 overall loan related expenditures. Additionally, OCA witness DeAngelo either does not  
11 know or ignores that your financial condition may trigger more stringent terms and  
12 conditions of a PENNVEST loan, such as personal guarantees, not borrowing any debt  
13 during the term of the loan without PENNVEST’s prior written approval and any such loan  
14 would have to take a second position to PENNVEST’s security or collateral. PENNVEST  
15 also requires a funding recipient to acquire sufficient interests in all Real Property to  
16 construct and complete the Project. It may also require a borrower to prove and pledge  
17 the project is free of all liens, encumbrances, security interests and other equitable charges  
18 PENNVEST designates. It also requires that insurance be obtained and put in place for the  
19 Project, which costs money. So, these additional expensive strings or costs to obtain a  
20 PENNVEST loan and to report and comply with during the loan’s term is not so simple or  
21 a realistic alternative in the instant situation as OCA witness DeAngelo suggests. It is also  
22 a waste of time and money if the applicant is being acquired by a buyer like PAWC who  
23 does not need PENNVEST financing or could, if it so decided, apply for a PENNVEST

1 loan under better terms and conditions given its superior financial strength. Moreover, if  
2 there is a need whether short-term or long-term by an Applicant that gets funded for  
3 additional debt from a private lender after the PENNVEST loan occurs, such as for Cash  
4 Working Capital or some other project, but within its term, that loan may be behind  
5 PENNVEST's security position for the company's assets, and consequently we'd be likely  
6 to see higher interest rates or an unwillingness of banks or private lenders to loan us money.  
7 Finally, the PENNVEST process is not a quick one, and it likely would take a year or more  
8 to get a loan. And, you'd have to build in additional time beyond that to get your debt  
9 service or rate base treatment for the PENNVEST loan into rates as PENNVEST requires  
10 that Commission approved rates be in place to cover debt service.

11 As to OCA's DeAngelo's comments that AUI could get a "grant", in PENNVEST'S 2022-  
12 2023 Annual Report (**AUI Exhibit No. RJ-3**) there appears to be no grants to a private  
13 water company and only one loan to a private water company, Aqua, a large private water  
14 company with much more financial wherewithal than AUI. In sum, while there are low  
15 interest rates from PENNVEST, it is an expensive loan process for a small company and  
16 there are strings and restrictions which may make it unworkable from a business standpoint  
17 and may explain why there are so few private water company loans applied for or issued.  
18 The Annual Report also shows PENNVEST is more oriented to loaning to municipal  
19 utilities as there were over 100 of them during that period compared to the 1 water loan to  
20 Aqua.

21 **Fourth**, in yet another major oversimplification, in OCA Statement SR. No.1 Witness  
22 DeAngelo at page 9 lines 3-4 states: "Furthermore, as noted in my direct, as a jurisdictional  
23 public utility, AUI could file a rate case to seek rate relief if its revenues are insufficient."

1 There is no “if” about it. Her observation continues to ignore the fact that AUI has been in  
2 the red in 2023 and 2024 to date. But she also fails to recognize the extreme expense of  
3 filing for a rate increase in today’s world. AUI would have to hire a rate consultant firm,  
4 rate attorneys, engage its Accountants, hire an engineer to address rate base including  
5 necessary future test year planned additions to rate base, design such, prove permits and  
6 the project are sufficiently developed within the Future Test Year, and to answer the many  
7 data and discovery requests from parties such as OCA, the cost of which is likely much  
8 more than \$100,000 and for a process that takes at least 3 months of planning and 9 months,  
9 including expensive hearings, under the PUC’s process for the case to be decided. Let’s be  
10 clear, AUI has no money to do that nor is there a point when (1) a merger and sale is  
11 pending, and (2) AUI has major doubt at its small size there is a likely future sustainability  
12 if it does not sell. The solution is the sale to PAWC and OCA witness DeAngelo’s position  
13 to turn this application merger case into a rate case is inappropriate and not ripe because  
14 no rate case or Section 1327 acquisition premium has been claimed. That subject is for a  
15 future rate case where the Commission will set “just and reasonable rates” and determine  
16 if a premium is appropriate. I find it odd, but telling, that OCA witness DeAngelo on page  
17 7 of her Surrebuttal at line 22 characterizes rate increases in future rate cases after an  
18 acquisition as “a known harm” to customers. To me “just and reasonable” rates does not  
19 equal “a known harm.” Her choice of words demonstrates she simply does not like  
20 acquisitions and in essence, her position would indirectly overrule the Legislature as to  
21 Section 1327 which incentivizes acquisitions of a utility in AUI’s present situation and  
22 reserves the issue of a premium to a future rate case and does not mandate OCA witness  
23 DeAngelo’s preference of original cost minus depreciation valuation for acquisitions.

1 **Fifth**, witness DeAngelo at pages at page 5 of her Surrebuttal testimony at lines 7 and 8  
2 slightly acknowledges but downplays the importance of regionalization as a major  
3 substantial benefit by implying it is not a big deal and doesn't outweigh her speculative  
4 and undocumented allegation of an adverse rate impact in a future rate case. She did no  
5 rate study or analysis and then, using her hollow contention, guesses that "cumulative  
6 impact of increased rates would be substantial." She once again sidesteps that the  
7 Commission will set rates that are "just and reasonable" if and when an acquisition  
8 premium is claimed in a future rate case. She next wrongly criticizes PAWC acquisitions  
9 as if acquisitions and Section 1327 were a bad thing despite the Legislature enacting it to  
10 promote them and regionalization and the Commission's policy statement encouraging  
11 regionalization.

12 **Sixth**, while her general views on acquisitions are wrong, they are equally wrong  
13 specifically as to regionalization benefits here as applied to my company's situation. In  
14 my company we wear many job hats and if a system issue or matter that needs addressed  
15 immediately arises it presents our limited number of employees the quandary of picking  
16 and choosing what matters to address and what matters to defer at that time. In our rural  
17 area there is no team of guaranteed contractors such as excavators, electricians,  
18 construction firms or pipefitters that will react at the drop of a hat. In contrast, under the  
19 regionalization and greater regional staff to be provided by PAWC upon acquisition, they  
20 have a larger force of available personnel from systems in our area and staff and repair  
21 capabilities to react to situations as they arise and to deal with it more quickly without delay  
22 and the person power to cover other tasks that need to be done to run day to day operations.  
23 That is a huge substantial affirmative benefit. These reasons certainly dovetail to me with

1 the Commission's policy to promote the regionalization of Water systems at 52 Pa. Code  
2 Section 69.721(a) that can lead to better management practices and economies of scale.

3

4 **Q. Do you have anything further you wish to add?**

5 A. Not at this time, and this concludes my Rejoinder testimony.

# **AUI EXHIBIT RJ-1**

**Appalachian Utilities Inc.**  
**Profit & Loss**  
 January 1 through September 17, 2024

	Jan 1 - Sep 17, 24
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
400 · Operating Revenue	
461 · Metered Water Revenue	
461.1 · Metered Water Residential	384,293.20
461.2 · Metered Water Commercial	68,895.34
461.3 · Metered Water Industrial	1,092.04
461.4 · Metered Water Public	4,869.12
<b>Total 461 · Metered Water Revenue</b>	<b>459,149.70</b>
462 · Fire Protection	
462.1 · Public Fire Protection	3,878.52
462.2 · Private Fire Protection	4,578.70
462.3 · Hydrant Charge Individual	11,920.16
<b>Total 462 · Fire Protection</b>	<b>20,377.38</b>
470 · Interest Penalty	4,954.05
471 · Miscellaneous Service Revenue	
471.1 · Turn on Charge	400.00
<b>Total 471 · Miscellaneous Service Revenue</b>	<b>400.00</b>
<b>Total 400 · Operating Revenue</b>	<b>484,881.13</b>
419 · Interest & Dividend Income	385.09
421 · Non-Utility Income	
421.2 · Return Check Charge	6.00
<b>Total 421 · Non-Utility Income</b>	<b>6.00</b>
<b>Total Income</b>	<b>485,272.22</b>
<b>Gross Profit</b>	<b>485,272.22</b>
<b>Expense</b>	
401 · Operating Expense	
401.1 · PA One Calls	268.21
401.2 · Maintenance of Mains	11,798.69
401.3 · Maintenance of Services	10,118.59
401.4 · Avis/Woolrich Reservoir maint.	1,679.55
401.5 · Water Treatment Expenses	777.26
401.6 · Shop Mntce & Supply	1,993.72
401.7 · WELL MAINTENANCE	3,337.00
<b>Total 401 · Operating Expense</b>	<b>29,973.02</b>
408 · Taxes Other than Income	
408.10 · Public Utility General Assessme	5,721.00
<b>Total 408 · Taxes Other than Income</b>	<b>5,721.00</b>
408.11 · Property Taxes	-7,809.11
427 · Interest Expense	468.88

**Appalachian Utilities Inc.**  
**Profit & Loss**  
 January 1 through September 17, 2024

	Jan 1 - Sep 17, 24
471.01 · Turn on	
471.012 · Emergency Call Out (OT)	37.50
471.01 · Turn on - Other	110.00
	147.50
<b>Total 471.01 · Turn on</b>	<b>147.50</b>
<b>601 · Salaries &amp; Wages Employees</b>	
<b>601.1 · Source of Supply &amp; Exp – Operat</b>	
601.11 · Operation Labor	4,161.00
601.111 · Operation Labor (OT)	858.00
601.12 · Pumping Labor	4,136.00
601.121 · Pumping Labor (OT)	1,666.50
	10,821.50
<b>Total 601.1 · Source of Supply &amp; Exp – Operat</b>	<b>10,821.50</b>
<b>601.2 · Source of Supply &amp; Exp – Maint.</b>	
601.21 · Maintenance of Reservoirs	1,521.90
601.22 · Maintenance of Wells & Spri	1,260.20
601.23 · Maintenance of Structures &	614.00
601.24 · Maintenance of Pumping Equip	438.40
	3,834.50
<b>Total 601.2 · Source of Supply &amp; Exp – Maint.</b>	<b>3,834.50</b>
<b>601.3 · Water Treatment Exp – Operat</b>	
601.31 · Purification & Lab Labor	8,279.20
601.311 · Purifctn & Lab Labor OT	2,376.00
	10,655.20
<b>Total 601.3 · Water Treatment Exp – Operat</b>	<b>10,655.20</b>
<b>601.4 · Water Treatment Exp – Maint.</b>	
601.41 · Maintnce of Structure & Imprvmt	793.40
601.42 · Maintnce of Purification Equip	1,625.50
	2,418.90
<b>Total 601.4 · Water Treatment Exp – Maint.</b>	<b>2,418.90</b>
<b>601.5 · Trans. &amp; Dist. Exp – Operat</b>	
601.51 · Maps & Records	2,320.10
601.511 · Maps & Records (OT)	712.80
601.52 · GIS Mapping	42.50
601.53 · Valve Exercising	47.00
601.54 · Operation of Lines/Hydrants	1,294.70
601.55 · Maintenance of misc equip	3,271.90
601.56 · PA One Calls	4,050.70
601.561 · PA One Calls (OT)	141.00
	11,880.70
<b>Total 601.5 · Trans. &amp; Dist. Exp – Operat</b>	<b>11,880.70</b>

**Appalachian Utilities Inc.**  
**Profit & Loss**  
**January 1 through September 17, 2024**

	Jan 1 - Sep 17, 24
<b>601.6 · Trans. &amp; Dist. Exp – Maint.</b>	
601.61 · Remove & Resetting of Meters	192.50
601.62 · Maintenance of Mains	8,087.10
601.621 · Maintenance of Mains (OT)	1,782.75
601.63 · Maintenance of Services	4,057.50
601.631 · Maintenance of Services (OT)	414.75
601.64 · Maintenance of Fire Hydrants	352.90
	14,887.50
<b>Total 601.6 · Trans. &amp; Dist. Exp – Maint.</b>	<b>14,887.50</b>
<b>601.7 · Customer Accounts Exp</b>	
601.71 · Meter Readings	1,571.20
601.72 · Collections	213.00
601.73 · Service on Customer's Premise	8,845.20
601.731 · Srvce on Customer's Premise OT	112.50
	10,741.90
<b>Total 601.7 · Customer Accounts Exp</b>	<b>10,741.90</b>
<b>601.8 · Admin &amp; General Exp</b>	
601.81 · Mntnce of Struct & imp offic	480.40
601.83 · Regulatory Compliance	25.00
	505.40
<b>Total 601.8 · Admin &amp; General Exp</b>	<b>505.40</b>
<b>Total 601 · Salaries &amp; Wages Employees</b>	<b>65,745.60</b>
<b>603 · Salaries &amp; Wages - Officers...</b>	
<b>603.1 · Source of Supply &amp; Exp – Operat</b>	
603.11 · Operation Labor	18,012.78
603.12 · Pumping Labor	6,788.08
	24,800.86
<b>Total 603.1 · Source of Supply &amp; Exp – Operat</b>	<b>24,800.86</b>
<b>603.2 · Source of Supply &amp; Exp – Maint.</b>	
603.24 · Maintenance of Pumping Equipmen	6,788.08
	6,788.08
<b>Total 603.2 · Source of Supply &amp; Exp – Maint.</b>	<b>6,788.08</b>
<b>603.3 · Water Treatment Exp – Operat</b>	
603.31 · Purification & Laboratory Labor	18,096.76
	18,096.76
<b>Total 603.3 · Water Treatment Exp – Operat</b>	<b>18,096.76</b>
<b>603.5 · Trans. &amp; Dist. Exp – Operat</b>	
603.51 · Maps & Records	2,036.43
603.55 · Maintenance of miscellaneous Eq	1,806.02
	3,842.45
<b>Total 603.5 · Trans. &amp; Dist. Exp – Operat</b>	<b>3,842.45</b>
<b>603.6 · Trans. &amp; Dist. Exp – Maint.</b>	
603.62 · Maintenance of Mains	1,666.45
603.63 · Maintenance of Services	471.08
	2,137.53
<b>Total 603.6 · Trans. &amp; Dist. Exp – Maint.</b>	<b>2,137.53</b>

**Appalachian Utilities Inc.**  
**Profit & Loss**  
**January 1 through September 17, 2024**

	Jan 1 - Sep 17, 24
<b>603.7 · Customer Accounts Exp</b>	
603.71 · Meter Readings	1,160.58
603.72 · Collections	546.09
603.73 · Service on Customer's Premise	3,227.72
<b>Total 603.7 · Customer Accounts Exp</b>	4,934.39
<b>603.8 · Admin &amp; General Exp</b>	
603.81 · Maint. of Structures & Imp offc	1,154.68
603.82 · General Office Salaries	33,065.00
603.83 · Regulatory Compliance	25,293.80
<b>Total 603.8 · Admin &amp; General Exp</b>	59,513.48
<b>Total 603 · Salaries &amp; Wages - Officers...</b>	120,113.55
<b>604 · Employee Pensions &amp; Benefits</b>	
604.1 · Health insurance	46,844.49
604.2 · Pension	21,205.19
604.3 · Holiday Pay	4,453.70
604.4 · Paid Vacation	15,086.19
604.5 · Paid Sick Time	1,650.50
<b>Total 604 · Employee Pensions &amp; Benefits</b>	89,240.07
<b>615 · Purchased Power</b>	
615.1 · Operations Source of Supply	
615.11 · Well No. 4	2,516.17
615.12 · Well No. 5 & 6	22,193.68
<b>Total 615.1 · Operations Source of Supply</b>	24,709.85
615.5 · Operations Trans. & Dist.	
615.51 · Booster Pump	2,226.52
615.52 · Avis Reservoir	258.84
<b>Total 615.5 · Operations Trans. &amp; Dist.</b>	2,485.36
615.8 · Admin. & General Expenses	
615.81 · Woolrich Office	853.63
<b>Total 615.8 · Admin. &amp; General Expenses</b>	853.63
<b>Total 615 · Purchased Power</b>	28,048.84
<b>618 · Chemicals</b>	
618.3 · Operations Water Treatment	13,589.55
<b>Total 618 · Chemicals</b>	13,589.55
<b>620 · Materials &amp; Supplies</b>	
620.2 · Maintenance Source of Supply	254.32
<b>Total 620 · Materials &amp; Supplies</b>	254.32

**Appalachian Utilities Inc.**  
**Profit & Loss**  
**January 1 through September 17, 2024**

	Jan 1 - Sep 17, 24
632 · Contracted services-Accounting	
632.2 · Accountant-Herbein & Company	6,300.00
<b>Total 632 · Contracted services-Accounting</b>	<b>6,300.00</b>
633 · Contracted services-Legal	
633.8 · Admin. & General Expenses	
633.81 · Hawke, McKeon & Sniscak	37,197.00
<b>Total 633.8 · Admin. &amp; General Expenses</b>	<b>37,197.00</b>
633 · Contracted services-Legal - Other	5,285.00
<b>Total 633 · Contracted services-Legal</b>	<b>42,482.00</b>
635 · Contracted services-Testing	
635.3 · Operations Water Treatment	4,832.65
635.6 · Maintenance Trans. & Dist.	0.00
<b>Total 635 · Contracted services-Testing</b>	<b>4,832.65</b>
636 · Contractual Services - Other	
636.8 · Admin & General Expenses	
636.68 · MCAFEE INTEL SECURITY	201.34
636.81 · Presque Isle Office Contract	27,616.86
636.83 · Norton Internet Security	365.66
636.84 · Solutions for Small Business	2,712.00
636.85 · Quickbooks contract	1,254.21
636.86 · Diversified Technology corp	466.68
636.88 · Website-EIG Domain.com	104.30
636.8 · Admin & General Expenses - Other	265.00
<b>Total 636.8 · Admin &amp; General Expenses</b>	<b>32,986.05</b>
<b>Total 636 · Contractual Services - Other</b>	<b>32,986.05</b>
636.871 · PCMA - USAGE REPORT	-831.25
642 · Rental of Equipment	
642.6 · Maintenance Trans. & Dist.	480.70
<b>Total 642 · Rental of Equipment</b>	<b>480.70</b>
643 · Maintnce of Misc Equip	177.21
650 · Transporation Expense	
650.1 · Operations Source of Supply	1,113.17
650.2 · Vehicle Maintenance	15,367.25
650.3 · Operations Water Treatment	1,113.14
650.4 · Maintenance Water Treatment	1,113.17
650.5 · Operations Trans.& Dist.	1,113.17
650.6 · Maintenance Dist. & Trans.	1,124.63
650.7 · Customer Account Expenses	1,113.17
650.8 · Maintenance of Vehicles-PR	2,695.69

**Appalachian Utilities Inc.**  
**Profit & Loss**  
 January 1 through September 17, 2024

	Jan 1 - Sep 17, 24
650.81 · Maintnce of Vehicles PR	2,425.80
<b>Total 650 · Transporation Expense</b>	27,179.19
656 · Insurance-Vehicle	4,130.00
657 · Insurance-General Liability	8,709.00
658 · Insurance-Work Comp	2,204.00
659 · Insurance-Other	2,571.00
66000 · Payroll Tax Expense	17,828.28
675.1 · Membership Dues	
675.11 · Operator licenses	210.00
675.1 · Membership Dues - Other	5,055.00
<b>Total 675.1 · Membership Dues</b>	5,265.00
675.13 · Educaton	865.40
675.14 · Meals	464.75
675.3 · Communication Services	
675.31 · Phone	5,205.08
675.32 · Internet	1,055.20
<b>Total 675.3 · Communication Services</b>	6,260.28
675.4 · Bank Charges	6.00
675.6 · Office Expense and Utilities	
675.62 · Sewer	293.98
675.63 · Water	211.65
675.64 · Trash	1,112.72
675.65 · Office Heat	989.99
675.66 · Stamps & Envelopes	495.75
675.67 · General Office Supply Expense	2,064.15
675.68 · Office Maintenance Expense	328.60
<b>Total 675.6 · Office Expense and Utilities</b>	5,496.84
675.9 · Mailing	4,083.21
<b>Total Expense</b>	516,983.53
<b>Net Ordinary Income</b>	-31,711.31
<b>Other Income/Expense</b>	
<b>Other Expense</b>	
416 · Jobbing	
416.14 · Avis Boro Sewer Collections	141.00
<b>Total 416 · Jobbing</b>	141.00
<b>Total Other Expense</b>	141.00
<b>Net Other Income</b>	-141.00
<b>Net Income</b>	-31,852.31

## Appalachian Utilities Inc.

## Balance Sheet

As of September 17, 2024

	Sep 17, 24
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
130.0 · Credit Card Transfer -	-0.66
131 · Cash	
131.2 · Cash in Bank	
131.21 · Dime Bank Checking - 1683	55,719.85
<b>Total 131.2 · Cash in Bank</b>	55,719.85
131 · Cash - Other	100.00
<b>Total 131 · Cash</b>	55,819.85
132 · Special Deposits	
132.1 · Dime Bank Savings - 5558	83,402.89
<b>Total 132 · Special Deposits</b>	83,402.89
<b>Total Checking/Savings</b>	139,222.08
<b>Accounts Receivable</b>	
141 · Customers Accounts Receivable	89,826.42
142 · Other Accounts Receivable	
142.1 · Turn on fees	77.60
142.2 · Bad Check fee	20.00
142 · Other Accounts Receivable - Other	82.16
<b>Total 142 · Other Accounts Receivable</b>	179.76
<b>Total Accounts Receivable</b>	90,006.18
<b>Total Current Assets</b>	229,228.26
<b>Fixed Assets</b>	
101 · Utility Plant in Service	
301 · Organization	39,064.87
303 · Land and Land Rights	
303.2 · Source of Supply, Land	24,129.83
303.4 · Trnsm & Dist Land/Rway	20,000.00
303.5 · Land & Lnd Rights Office-Garage	4,698.67
<b>Total 303 · Land and Land Rights</b>	48,828.50
304 · Structures and Improvements	
304.2 · Source of Supply, Stru	6,837.97
304.3 · Purfication Buildings	12,255.45
304.4 · Power & Pumping Struct	14,873.99
304.5 · Office Buildings	131,698.99
<b>Total 304 · Structures and Improvements</b>	165,666.40
307 · Wells and Springs	218,875.46

## Appalachian Utilities Inc.

## Balance Sheet

As of September 17, 2024

	<u>Sep 17, 24</u>
<b>311 · Pumping Equipment</b>	
311.1 · Well#5 Pump & Motors	19,326.19
311.2 · Electric Pump Equip	49,250.32
311.3 · Well # 4 pump&motor	7,720.61
311 · Pumping Equipment - Other	9,296.53
<b>Total 311 · Pumping Equipment</b>	<u>85,593.65</u>
<b>320 · Water Treatment Equipment</b>	
320.3 · Purification System	97.15
320.32 · PlantPRO chemical transfer pump	1,609.57
<b>Total 320 · Water Treatment Equipment</b>	<u>1,706.72</u>
<b>330 · Distribution Reservoirs &amp; Stand</b>	
330.4 · Distrib. Res. & Stand	280,092.43
<b>Total 330 · Distribution Reservoirs &amp; Stand</b>	<u>280,092.43</u>
<b>331 · Transmission &amp; Distribution Mai</b>	
331.4 · Mains & Accessories	946,612.11
331.41 · Mains & Accessories (OT)	2,356.01
331 · Transmission & Distribution Mai - Other	33,698.94
<b>Total 331 · Transmission &amp; Distribution Mai</b>	<u>982,667.06</u>
<b>333 · Services</b>	
333.4 · Services	376,522.79
333.41 · Services (OT)	857.50
333 · Services - Other	20,339.07
<b>Total 333 · Services</b>	<u>397,719.36</u>
<b>334 · Meters &amp; Meter Installations</b>	
334.1 · Customer Meters	4,730.44
334.4 · Meters	314,788.93
334.41 · Meters (OT)	28.73
334 · Meters & Meter Installations - Other	91,158.45
<b>Total 334 · Meters &amp; Meter Installations</b>	<u>410,706.55</u>
<b>335 · Hydrants</b>	
335.4 · Fire Hydrants	26,813.80
335 · Hydrants - Other	10,734.80
<b>Total 335 · Hydrants</b>	<u>37,548.60</u>
<b>339 · Other Plant &amp; Misc Equipment</b>	
339.2 · Other Power and Pump Equip	299.00
339.3 · Purification System	55,693.41
339.4 · GIS Mapping	22,008.33
339 · Other Plant & Misc Equipment - Other	32,160.87
<b>Total 339 · Other Plant &amp; Misc Equipment</b>	<u>110,161.61</u>

## Appalachian Utilities Inc.

## Balance Sheet

As of September 17, 2024

	<u>Sep 17, 24</u>
<b>340 · Office Furniture &amp; Equipment</b>	
340.5 · Office Furn and Equip	23,631.09
340.6 · DIVERSIFIED BILLING SYSTEM	7,690.00
340 · Office Furniture & Equipment - Other	519.29
<b>Total 340 · Office Furniture &amp; Equipment</b>	<u>31,840.38</u>
<b>341 · Transportation Equipment</b>	
341.5 · Transportation Equip	
341.56 · 2012 Ford F550 Super Duty Dump	42,235.47
341.57 · 2022 Ram Truck	53,562.50
341.5 · Transportation Equip - Other	135,984.04
<b>Total 341.5 · Transportation Equip</b>	<u>231,782.01</u>
<b>Total 341 · Transportation Equipment</b>	231,782.01
<b>343 · Tools, Shop &amp; Garage Equipment</b>	
343.00 · Shop Equipment	86,011.74
343.1 · POW-R-MOLE VM810 LOCATOR	3,506.00
343.2 · LRG TAP MACHINE-Mueller CL-12	7,000.00
343.3 · Hydraulic Operator	3,885.79
343.4 · Portable Fuel Drum	787.07
343.5 · HYDLC POWER PACK FOR TAP MACHNE	1,892.62
343.6 · Colorimeter	2,903.42
343.8 · 2021 POLARIS 4 WHLR	28,934.95
343.9 · Wacker Neuson PDI3A	2,099.00
343 · Tools, Shop & Garage Equipment - Other	1,090.55
<b>Total 343 · Tools, Shop &amp; Garage Equipment</b>	<u>138,111.14</u>
<b>346 · Communication Equipment</b>	
346.5 · Communication Equip	34,835.21
<b>Total 346 · Communication Equipment</b>	34,835.21
<b>347 · Miscellaneous Equipment</b>	
347.5 · Miscellaneous Equip	57,754.03
<b>Total 347 · Miscellaneous Equipment</b>	57,754.03
<b>348 · Other Tangible Plant</b>	
348.5 · Stores, Shop & Garage Bldgs	9,803.77
<b>Total 348 · Other Tangible Plant</b>	<u>9,803.77</u>
<b>Total 101 · Utility Plant in Service</b>	3,282,757.75
<b>108 · Accumulated Depreciation</b>	
108.1 · Accum Depr - Plant in Service	-1,637,198.02
<b>Total 108 · Accumulated Depreciation</b>	<u>-1,637,198.02</u>

## Appalachian Utilities Inc.

## Balance Sheet

As of September 17, 2024

	Sep 17, 24
114 · Utility Plant Acquisition Adjus	-145,683.30
<b>Total Fixed Assets</b>	<b>1,499,876.43</b>
<b>Other Assets</b>	
135 · Temporary Cash Investments	
135.2 · Other Investments - Vanguard	3,287.64
<b>Total 135 · Temporary Cash Investments</b>	<b>3,287.64</b>
162 · Prepayments	
162.1 · Prepaid Fed Corp Tax	15,801.00
162.3 · Prepaid PURTA	7,809.11
<b>Total 162 · Prepayments</b>	<b>23,610.11</b>
186 · Miscellaneous Deffered Debits	
186.1 · Deferred Rate Case Expense	1,772.25
186.3 · Deferred Regulatory Assets	
186.31 · SRBC	54,969.00
186.3 · Deferred Regulatory Assets - Other	5,595.95
<b>Total 186.3 · Deferred Regulatory Assets</b>	<b>60,564.95</b>
<b>Total 186 · Miscellaneous Deffered Debits</b>	<b>62,337.20</b>
271.1 · Customer Contribution	-93,530.94
<b>Total Other Assets</b>	<b>-4,295.99</b>
<b>TOTAL ASSETS</b>	<b>1,724,808.70</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
231 · Accounts Payable	25,105.82
<b>Total Accounts Payable</b>	<b>25,105.82</b>
<b>Other Current Liabilities</b>	
241 · Misc Current & Accrued Liab	
241.0 · Payroll Liabilities	
241.2 · FUTA Payroll Taxes Payable	35.37
241.4 · SUTA Payroll Taxes Payable	167.78
241.5 · Local Payroll Taxes Payable	775.03
241.0 · Payroll Liabilities - Other	1,193.83
<b>Total 241.0 · Payroll Liabilities</b>	<b>2,172.01</b>
<b>Total 241 · Misc Current &amp; Accrued Liab</b>	<b>2,172.01</b>
<b>Total Other Current Liabilities</b>	<b>2,172.01</b>
<b>Total Current Liabilities</b>	<b>27,277.83</b>

## Appalachian Utilities Inc.

## Balance Sheet

As of September 17, 2024

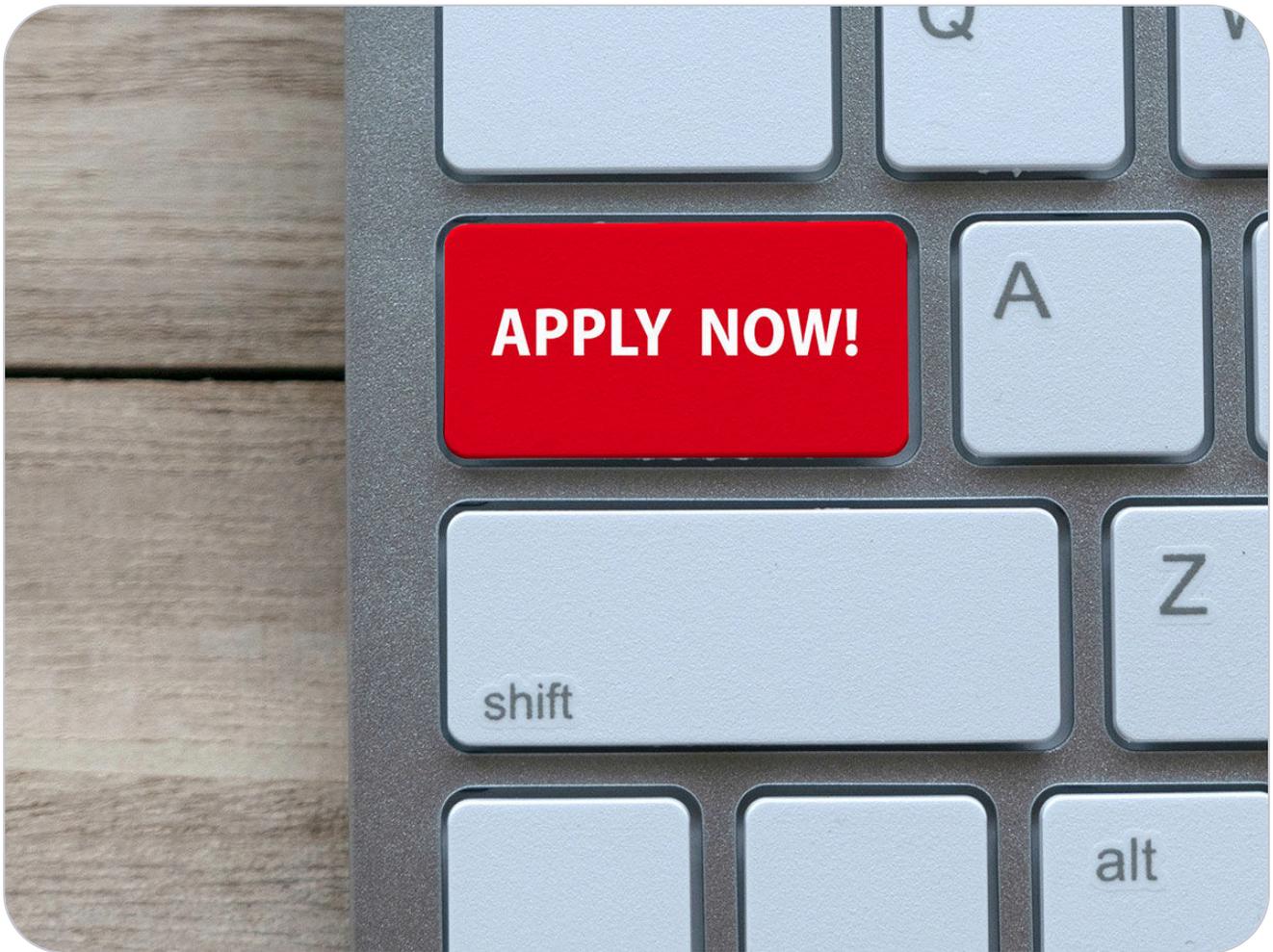
	Sep 17, 24
<b>Long Term Liabilities</b>	
<b>232 · Notes Payable</b>	
232.4 · 2012 FORD F550 DUMP	12,329.25
232.5 · 2022 RAM 2500 TRK	11,629.38
<b>Total 232 · Notes Payable</b>	23,958.63
<b>Total Long Term Liabilities</b>	23,958.63
<b>Total Liabilities</b>	51,236.46
<b>Equity</b>	
214 · Appropriated Retained Earnings	1,193,445.79
32000 · Retained Earnings	505,577.20
414 · Utility Property Retirement	6,401.56
Net Income	-31,852.31
<b>Total Equity</b>	1,673,572.24
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,724,808.70</b>

# **AUI EXHIBIT RJ-2**

# Apply for PENNVEST Funding

To receive a funding offer through PENNVEST, you must complete the PENNVEST application process. This process is fully electronic and accessed through the **PV Portal**.

A completed PENNVEST application provides the details needed for our team to determine if a project and applicant are eligible for funding, if the project has completed the necessary requirements to receive a funding offer, and to determine which of PENNVEST's funding sources is the most appropriate to finance the project.



## Steps to Complete Prior to Beginning an Application

### 1 Schedule a Planning Session

All funding applicants must first schedule a consultation meeting with the PENNVEST Project Specialist assigned to the project's region to discuss the project details as well as funding and permit requirements.

The PENNVEST Project Specialist will coordinate with a DEP Regional Representative to attend as well.

#### Who Should Attend the Meeting?

- Project Representatives
- Project Solicitor

- Project Engineer
- Local/County Planning Representatives

#### What is Discussed in the Meeting?

- The project sponsor offers a description of the project.
- The DEP representative describes the DEP process including technical aspects, the ranking process, requirements, permits, and timeframes.
- The PENNVEST Project Specialist will describe the PENNVEST steps including the application and review process as well as a funding package estimate.
- The Local/County Planning representatives will provide land use consistency comments and guidance.

## **2 Know When to Apply**

You can start an application at any time. Each board meeting date has an application cut-off deadline for a project to be considered for funding approval by the PENNVEST board of directors in that quarter.

## **3 Create Credentials in Keystone Login**

An application is submitted through the PV Portal which uses Keystone Login credentials to enter this secure area. Before applying, you must already hold or create an account through Keystone Login. The Keystone Login username and password you create will provide you with a single, secure user credential that is used to access multiple Commonwealth online services.

*If you already have a Keystone Login username and password, you do not need to register again.*

A new Keystone Login registration may take 2–3 business days for the account to be established. You will receive an e-mail with instructions when the registration process has been completed.

## **4 Understand the Online Funding Request Website**

Prior to beginning an application, we recommend you familiarize yourself with the Online Funding Request process and system. The PENNVEST project management team has created a valuable training showing the step-by-step process to apply for PENNVEST funding.

[View the "PENNVEST Funding Application Process" Training Video](#)

## Ready to Apply?

When the four pre-application steps are completed, your project is construction-ready, with all DEP permits and environmental approvals in hand, you are ready to begin the funding application process.

[Login to the PV Portal to Apply for Funding](#) >

## Resources

[View the Application Documents and Forms webpage for additional resources.](#) >

## System Requirements for the PV Portal

**Microsoft Edge** or **Google Chrome** is required to use all PENNVEST on-line applications. Although most PENNVEST on-line applications may run successfully in other browsers, Microsoft Edge is currently the platform recommended to run the PENNVEST applications at this time, with Google Chrome being the only other adequate alternative.

**Adobe Acrobat Version 10** is required to view Adobe Acrobat “PDF” files available in PENNVEST on-line applications. Adobe's Free Reader is available at Adobe's website: <https://get.adobe.com/reader/>.

**Display Settings** for PENNVEST applications have been configured to optimally fit in a 1024x769 pixel screen area.

If a **Pop-Up Blocker** is installed on your browser, you should give the blocker permission to allow pop-ups from PENNVEST websites. Contact your system administrator if you need help with changing the settings.

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# **AUI EXHIBIT RJ-3**



# **PENNVEST**

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PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**ANNUAL REPORT  
2022-2023**



# PENNVEST

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PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY





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**Governor Josh Shapiro**



# CHAIRMAN'S STATEMENT



**Dr. Brian Regli, Ph.D.**

On behalf of Governor Shapiro and in the capacity as the Governor's designee as the chair of the PENNVEST Board of Directors, I am pleased to report on the success of the PENNVEST program for the 2022-2023 Fiscal Year. In recognition of the importance of this position to the Governor's initiatives, I will make every effort to achieve the goals for the agency as we continue to invest in projects to support clean water, the economy, and quality of life for all Pennsylvanians.

In November 2021, President Joe Biden signed the Infrastructure Investment and Jobs Act (IIJA) into law, dedicating \$55 billion to water quality infrastructure improvements nationwide. This additional funding will allow Pennsylvania to create historical levels of funding for infrastructure projects across the Commonwealth over the next several years. In its inaugural year of implementing IIJA funds, the PENNVEST Board of Directors approved a total of \$956.4 million in new funding for 85 drinking water, wastewater, stormwater, and non-point source construction projects of which \$796.9 million were in low interest loans and \$159.4 million in grants. This represents a 45 percent increase in total investment to our communities from the previous fiscal year and brought PENNVEST's total funding since its inception in 1988 to more than \$11.4 billion, solidifying the undeniable success and value of

Pennsylvania's State Revolving Funds and the PENNVEST program.

In August 2022, the President signed the Inflation Reduction Act (IRA), which provides a transformational opportunity to redesign our Commonwealth's energy infrastructure. Although the IRA did not provide additional direct appropriations to PENNVEST, an opportunity has emerged to alter how drinking water and wastewater systems manage utility expenses and generate revenue from their operations. The IRA created a direct pay system for qualifying tax credit investments made by systems owned by Governments, Authorities, and other not-for-profit institutions. Our ability to fuel those investments in the coming years represents a unique opportunity for PENNVEST, and I am certain our team will rise to the challenge of braiding these new projects with our traditional financing programs.

The projects funded during FY 2022–2023 created important benefits for the Commonwealth and its citizens, both environmentally and economically. For example, 20 projects approved this year brought drinking water systems into compliance with water quality and safety requirements. Nineteen wastewater projects served to improve local stream conditions while 3 projects eliminated malfunctioning on-lot septic systems that were discharging waste into streams and other publicly accessible areas. As to economic development improvements, 2 projects approved this year led to the creation of more than 220 full-time jobs and stimulated more than \$30 million in private investment across Pennsylvania.

In addition to traditional project development and funding activities, PENNVEST implemented a new technical assistance program for small and disadvantaged communities and its Clean Water Procurement Program, providing for the purchase of verified nutrient or sediment reductions from the installation of best management practices to improve the Commonwealth's water quality and help Pennsylvania to meet its Chesapeake Bay total daily maximum load requirements.

With the election and inauguration of Governor Shapiro in January 2023, the PENNVEST Board of Directors welcomed Secretaries Monson (Budget), Negrin (Environmental Protection), Siger (Community and Economic Development), and McNeil (General Services) to the Board in April 2023, and Senator Wayne Langerholc Jr., representing the Senate Republican Caucus. Secretary Negrin was approved by the members of the Board to serve as the PENNVEST Board Vice-



# CHAIRMAN'S STATEMENT

Chair and Secretary Monson was approved to serve as the Board's Secretary/Treasurer.

Over its thirty-five-year history, PENNVEST has been dedicated to fostering the goal of clean water while encouraging the creation of meaningful jobs for thousands of Pennsylvanians. This mission will be continued and enhanced in the coming fiscal year, as the PENNVEST Board of Directors and its staff strive to fulfill Governor Shapiro's vision for the program to safeguard Pennsylvanian's right to clean water by making critical investments in their

local infrastructure to improve water quality for families today and the generations that follow.

**Dr. Brian Regli, Ph.D.**

*Executive Director, Critical Investments  
Office of the Governor*





# BOARD OF DIRECTORS



**Dr. Brian Regli, Ph.D.**  
*Chair*



**Richard Negrin**  
*Vice Chair*  
Secretary  
Dept. of Environmental  
Protection



**Uri Monson**  
*Secretary/Treasurer*  
Secretary  
Office of the Budget



**M. Joel Bolstein**  
Water and Sewer Industry



**Lisa Boscola**  
Senate of Pennsylvania



**Morgan Cephas**  
Pennsylvania House of  
Representatives



# BOARD OF DIRECTORS



**Wayne Langerholc, Jr.**  
Senate of Pennsylvania



**Reggie McNeil**  
Secretary  
Dept. of General Services



**Tim Moury**  
Local Government



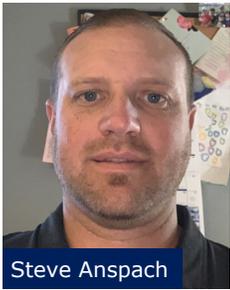
**Rick Siger**  
Secretary  
Dept. of Community and  
Economic Development



**Jim Struzzi**  
Pennsylvania House of  
Representatives



# STAFF



Steve Anspach



Dawn Bigham



Jayne Blake



Loren Blickstein



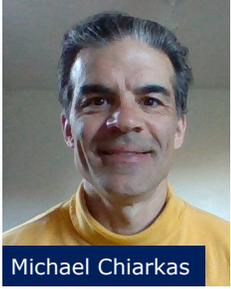
Robert Boos



Heather Brookmyer



Felicia Campbell



Michael Chiarkas



Leslie Cote



Patrick Crowell



Ellen Dunlap



Hannah George



Robert Gill



Rod Glass



Earl Goldsborough



Brad Gorter



Rebecca Hayden



Dave Henning



Kathy Klinger



Brendan Linton



Dan Mikesic



Kyle Mooney



John Moore



Heather Myers



Katelyn Rogalski



Alice Sanders



Tesra Schlupp



Michelle Seltzer



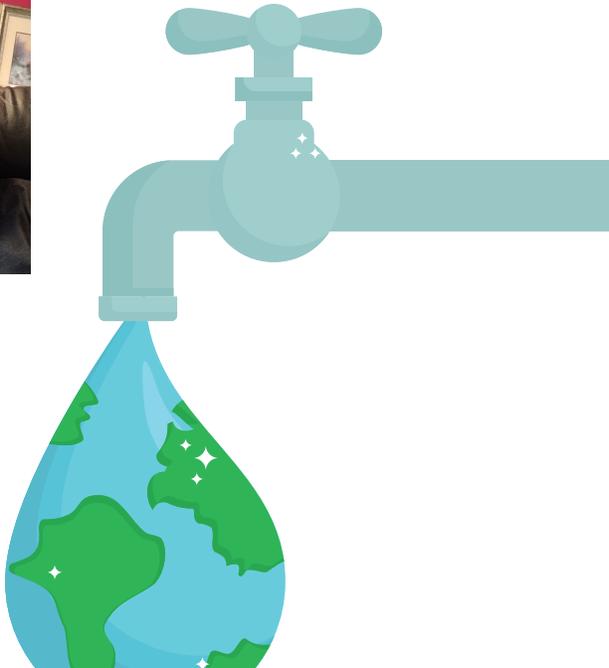
Melissa Smith



Shawn Weis



Denise Zern

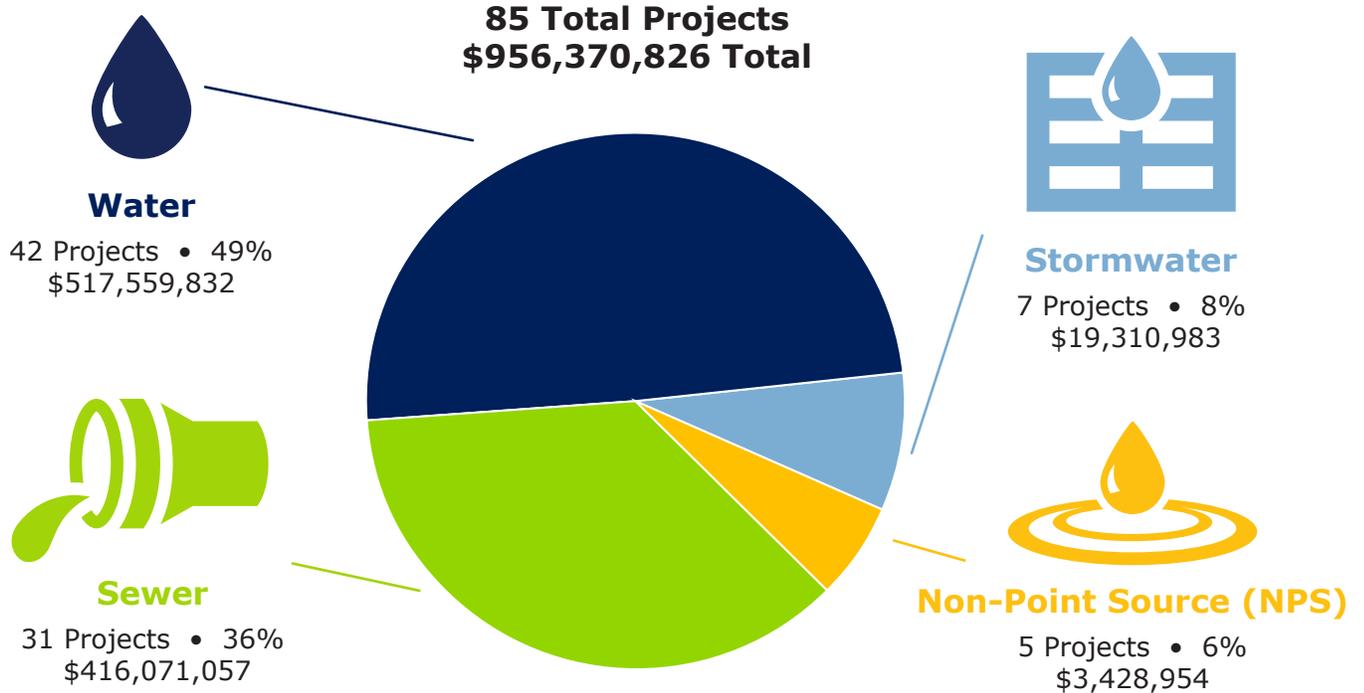




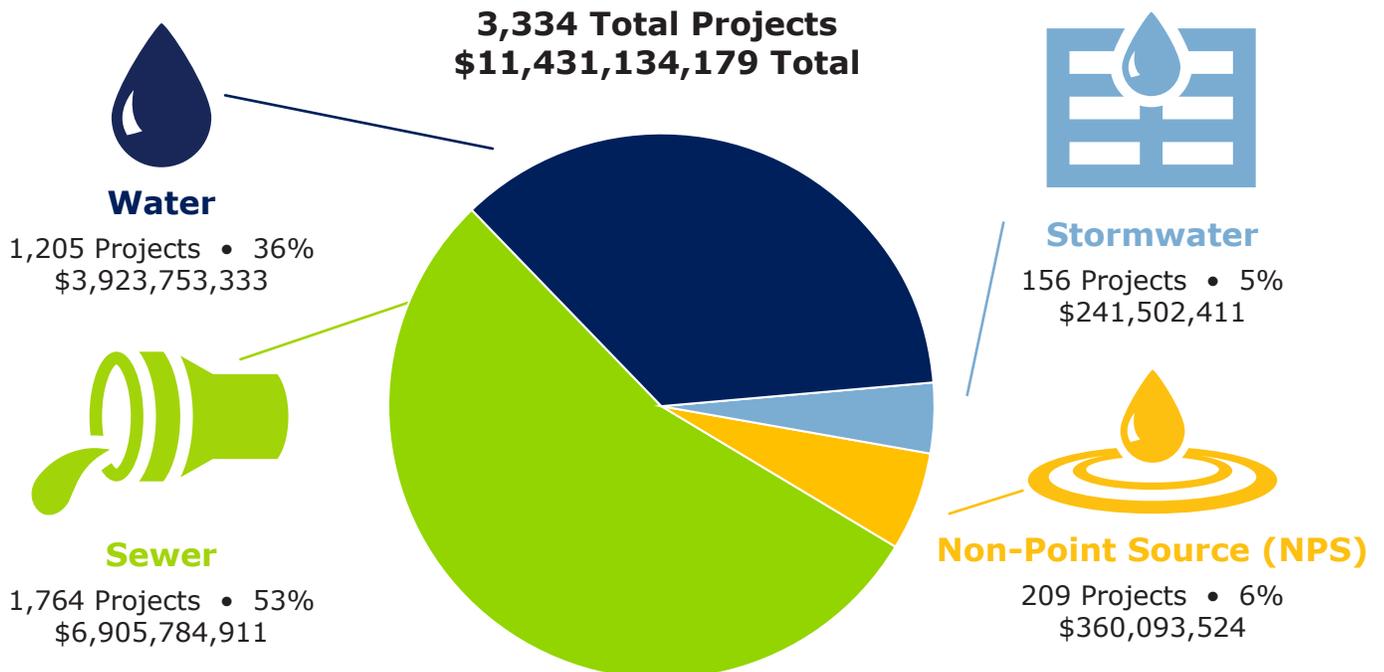
# PROGRAM HIGHLIGHTS

During Fiscal Year 2022-2023, PENNVEST continued more than three decades of water infrastructure investment, adding 85 new projects with a total investment of more than \$956 million. The bulk of that total consisted of 42 drinking water projects and 31 wastewater projects with an additional 7 stormwater projects and 5 non-point source projects – all targeting agricultural improvements and best management practices (BMPs).

## 2022-2023 Funding



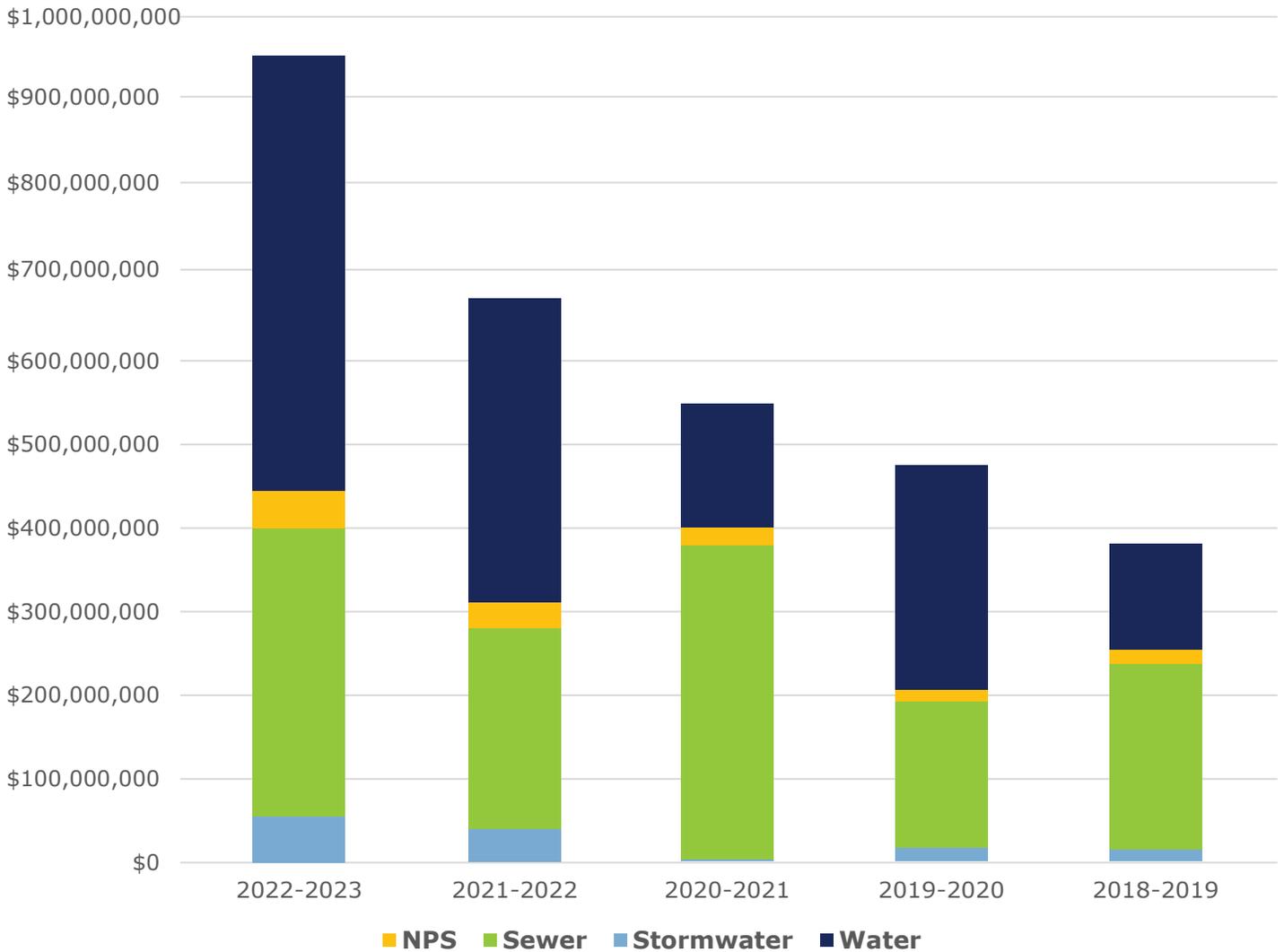
## Funding from 1988 to Present



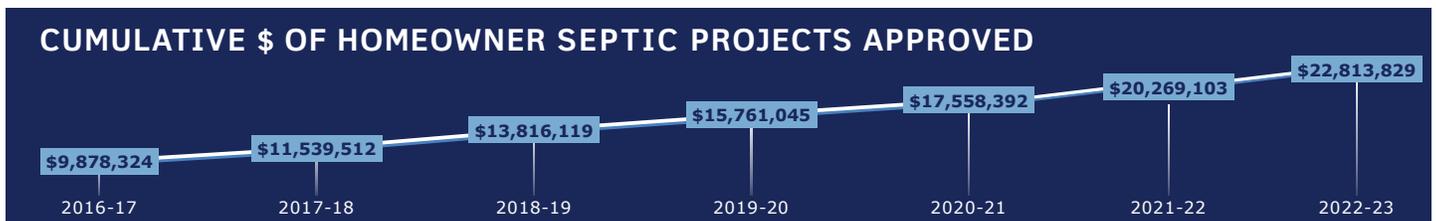
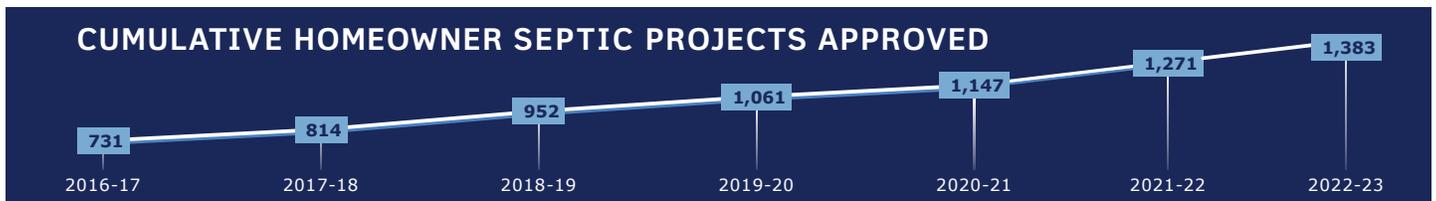


# PROGRAM HIGHLIGHTS

## 5-Year Project Funding Summary



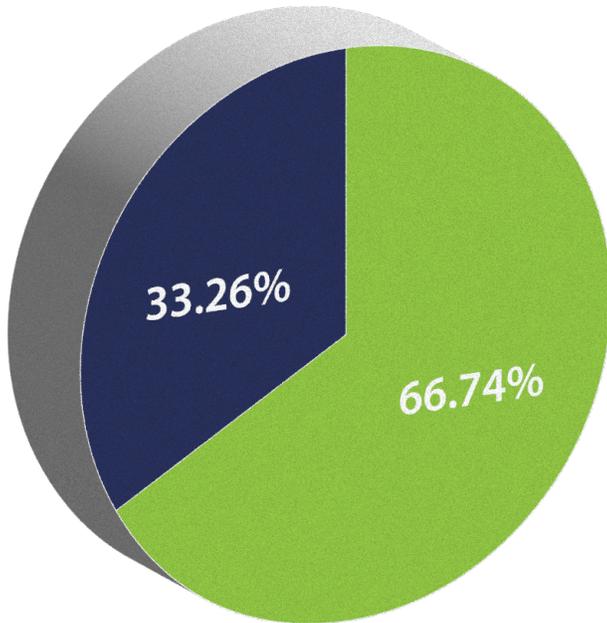
The Homeowner Septic Loan Program, which is jointly administered by PENNVEST and the Pennsylvania Housing Finance Agency (PHFA), continues to grow. Since modifications were made to eligibility criteria in 2015, the program has seen exponential growth, accommodating residential clean water needs across the Commonwealth.





The Justice40 Initiative sets a goal to have 40 percent of the overall benefits of certain investments flow to disadvantaged communities that are marginalized, underserved, and overburdened by pollution. The investments made by the Clean Water State Revolving Fund and Drinking Water State Revolving Fund are exceeding the goal.

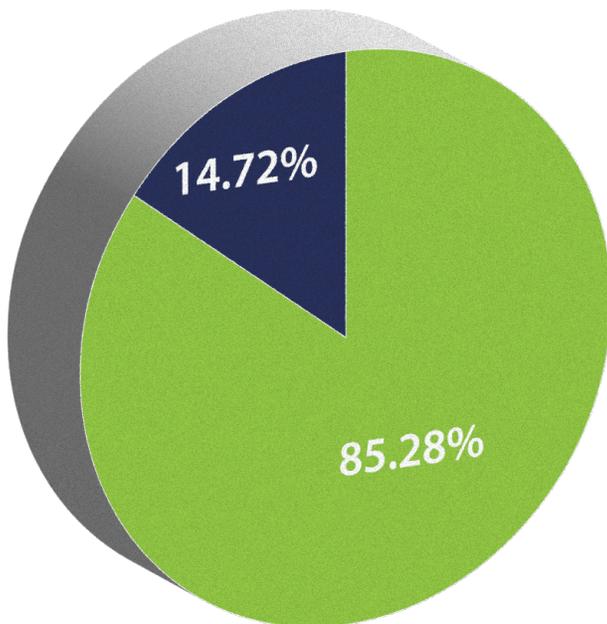
## Grant Percentages - Justice40 - FY 2022-2023



■ % of SRF Grant Funding Awarded to Justice40 Communities

■ % of Grant Funding Awarded to Non-Justice40 Communities

## Loan Percentages - Justice40 - FY 2022-2023

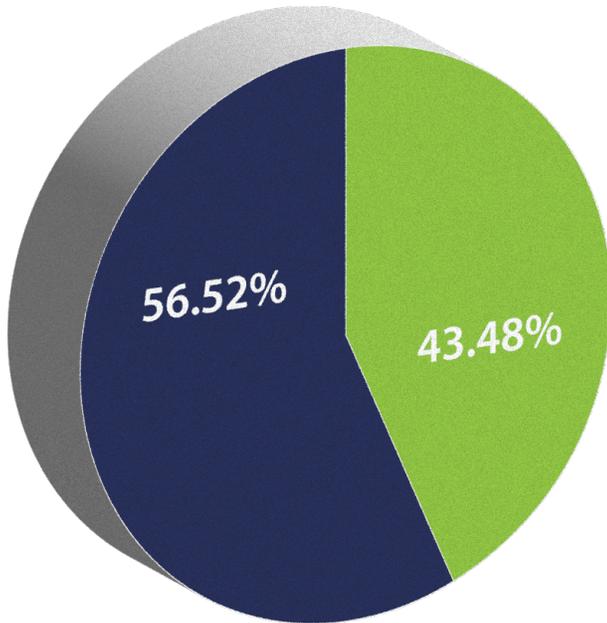


■ % of SRF Loan Funding Awarded to Justice40 Communities

■ % of Loan Funding Awarded to Non-Justice40 Communities



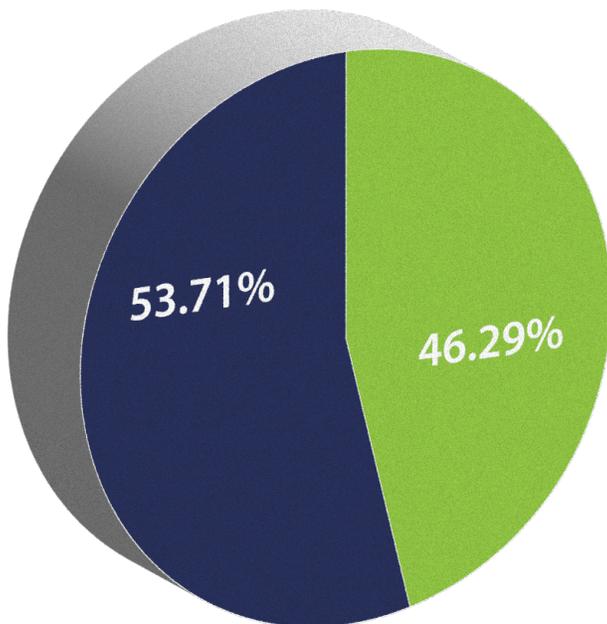
## Grant Percentages - Justice40 - 1988 to Present



■ % of SRF Grant Funding Awarded to Justice40 Communities

■ % of Grant Funding Awarded to Non-Justice40 Communities

## Loan Percentages - Justice40 - 1988 to Present



■ % of SRF Loan Funding Awarded to Justice40 Communities

■ % of Loan Funding Awarded to Non-Justice40 Communities



# PROJECT FUNDING BY MEETING

Board Meeting Date / Project Name	County	Loan	Grant	Project Type
<b>July 20, 2022</b>				
Pittsburgh Water & Sewer Authority	Allegheny	\$209,005,329	\$-	WATER
Northern Cambria Municipal Authority	Cambria	\$1,128,459	\$10,610,696	WATER
Hazleton City Authority	Luzerne	\$3,500,000	\$-	WATER
Hazel Hurst Water Company	McKean	\$25,647	\$927,788	WATER
Meadville Area Sewer Authority	Crawford	\$3,776,392	\$16,223,608	SEWER
Borough of Steelton	Dauphin	\$64,291	\$2,325,709	SEWER
Borough of Eldred	McKean	\$634,347	\$14,143,757	SEWER
Shamokin-Coal Township Joint Sewer Authority	Northumberland	\$80,319	\$2,905,517	SEWER
Harford Township	Susquehanna	\$2,100,000	\$-	SEWER
Borough of Midland	Beaver	\$944,400	\$-	SW
Lancaster County Conservation District	Lebanon	\$-	\$606,823	NPS
<b>October 19, 2022</b>				
Pittsburgh Water & Sewer Authority	Allegheny	\$1,349,427	\$6,486,969	WATER
Pittsburgh Water & Sewer Authority	Allegheny	\$75,529,516	\$-	WATER
Pittsburgh Water & Sewer Authority	Allegheny	\$9,978,156	\$-	WATER
Haines-Aaronsburg Municipal Authority	Centre	\$1,113,420	\$4,819,780	WATER
Walker Township Water Association	Centre	\$5,920,000	\$-	WATER
Linesville Borough	Crawford	\$2,792,754	\$3,244,975	WATER
Erie City Water Authority	Erie	\$3,099,600	\$14,900,400	WATER
Weaverland Valley Authority	Lancaster	\$899,739	\$-	WATER
Greater Hazleton Community Area New Development Organization, Inc.	Luzerne	\$3,500,000	\$-	WATER
Hazleton City Authority	Luzerne	\$2,275,000	\$-	WATER
Borough of Sharpsville	Mercer	\$3,805,859	\$5,994,141	WATER
Aqua Pennsylvania, Inc.	Montgomery	\$-	\$5,523,000	WATER
Cranberry-Venango County General Authority	Venango	\$2,636,675	\$-	WATER
Pittsburgh Water & Sewer Authority	Allegheny	\$46,054,410	\$-	SEWER
Central Delaware County Authority	Delaware	\$16,452,900	\$-	SEWER
Hamilton Township Municipal Authority	Franklin	\$1,243,000	\$-	SEWER
Borough of Ellwood City	Lawrence	\$-	\$6,000,000	SEWER
Jenner Area Joint Sewer Authority	Somerset	\$5,202,500	\$-	SEWER
Lewis Township	Union	\$1,286,330	\$2,787,978	SEWER
West Newton Borough	Westmoreland	\$714,000	\$-	SEWER
Stehli Mill, LLC	Lancaster	\$1,859,676	\$-	SW
Lancaster County Conservation District	Lancaster	\$467,800	\$-	NPS
Lancaster County Conservation District	Lancaster	\$-	\$683,500	NPS
<b>October 25, 2022</b>				
Possum Valley Municipal Authority	Adams	\$206,000	\$-	WATER



# PROJECT FUNDING BY MEETING

Board Meeting Date / Project Name	County	Loan	Grant	Project Type
<b>January 12, 2023</b>				
Biglerville Borough Authority	Adams	\$2,000,000	\$-	WATER
Pittsburgh Water & Sewer Authority	Allegheny	\$3,707,279	\$9,647,471	WATER
West View Water Authority	Allegheny	\$2,580,019	\$5,419,981	WATER
The Wilkinsburg-Penn Joint Water Authority	Allegheny	\$3,370,720	\$6,320,492	WATER
The Bedford Township Municipal Authority	Bedford	\$5,186,000	\$-	WATER
Perkasie Regional Authority	Bucks	\$-	\$3,680,000	WATER
Aqua Pennsylvania, Inc.	Chester	\$6,000,000	\$-	WATER
Benton Municipal Water and Sewer Authority	Columbia	\$1,770,500	\$529,500	WATER
Bear Valley Franklin County Pennsylvania Joint Authority	Franklin	\$8,500,000	\$-	WATER
East Cocalico Township Authority	Lancaster	\$2,095,000	\$-	WATER
East Cocalico Township Authority	Lancaster	\$9,000,000	\$-	WATER
Richland Borough	Lebanon	\$981,853	\$-	WATER
Northampton Borough Municipal Authority	Lehigh	\$5,707,000	\$-	WATER
Municipal Authority of the Borough of Mansfield	Tioga	\$1,699,616	\$-	WATER
The Bedford Township Municipal Authority	Bedford	\$7,408,000	\$-	SEWER
The Portage Area Sewer Authority	Cambria	\$1,144,746	\$7,463,854	SEWER
Curwensville Municipal Authority	Clearfield	\$637,200	\$2,498,800	SEWER
East Cocalico Township Authority	Lancaster	\$3,655,000	\$-	SEWER
Lancaster Area Sewer Authority	Lancaster	\$111,215,000	\$-	SEWER
Mansfield Borough	Tioga	\$1,119,300	\$2,216,213	SEWER
Central Wayne Regional Authority	Wayne	\$1,260,000	\$4,165,550	SEWER
Borough of State College	Centre	\$2,440,892	\$-	SW
City of Erie	Erie	\$3,321,024	\$-	SW
OZFund, Inc.	Lancaster	\$1,823,693	\$-	SW
Bethlehem Township Municipal Authority	Northampton	\$8,022,000	\$-	SW
<b>January 30, 2023</b>				
Wilmington Township Sewer Authority	Lawrence	\$338,558	\$-	SEWER
<b>April 19, 2023</b>				
Cambria Somerset Authority	Cambria	\$750,000	\$-	WATER
City of Philadelphia	Philadelphia	\$31,125,965	\$-	WATER
Clintonville Borough Sewer and Water Authority	Venango	\$474,023	\$2,685,277	WATER
Cowanshannock Township Municipal Authority	Armstrong	\$1,436,439	\$1,287,561	WATER
Cresson Township Municipal Authority	Cambria	\$525,024	\$1,324,976	WATER
Municipal Authority of the Borough of Bedford	Bedford	\$6,325,000	\$4,275,000	WATER
Municipal Authority of Buffalo Township	Armstrong	\$-	\$742,947	WATER
Schuylkill County Municipal Authority	Schuylkill	\$-	\$5,240,100	WATER
Schuylkill County Municipal Authority	Schuylkill	\$3,441,200	\$-	WATER
Borough of Carroll Valley	Adams	\$5,452,398	\$-	SEWER



# PROJECT FUNDING BY MEETING

Board Meeting Date / Project Name	County	Loan	Grant	Project Type
City of Lebanon Authority	Lebanon	\$22,250,000	\$-	SEWER
City of Philadelphia	Philadelphia	\$44,876,716	\$-	SEWER
Flemington Borough	Clinton	\$531,989	\$-	SEWER
Forest Hills Municipal Authority	Cambria	\$7,871,000	\$-	SEWER
Logan Township	Blair	\$4,417,375	\$-	SEWER
Orwigsburg Borough Municipal Authority	Schuylkill	\$-	\$2,087,500	SEWER
Perry Township	Mercer	\$-	\$726,200	SEWER
Pittsburgh Water and Sewer Authority	Allegheny	\$59,136,000	\$-	SEWER
Sandycreek Township	Venango	\$904,600	\$-	SEWER
Stewartstown Borough Authority	York	\$2,700,000	\$-	SEWER
Greenville Borough	Mercer	\$899,298	\$-	SW
Lancaster County Conservation District	Lancaster	\$734,150	\$-	NPS
Somerset County Conservation District	Somerset	\$-	\$936,681	NPS
<b>May 11, 2023</b>				
East Deer Township	Allegheny	\$457,559	\$-	WATER

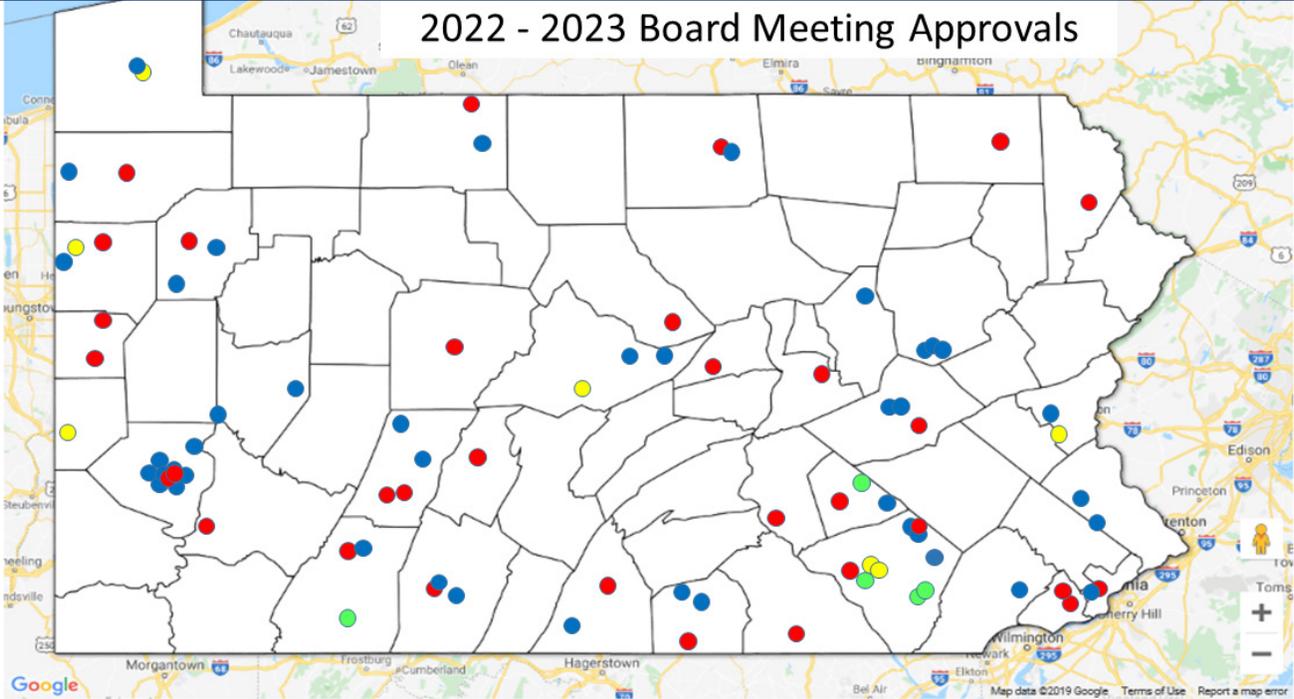




# DISTRIBUTION OF PROJECTS

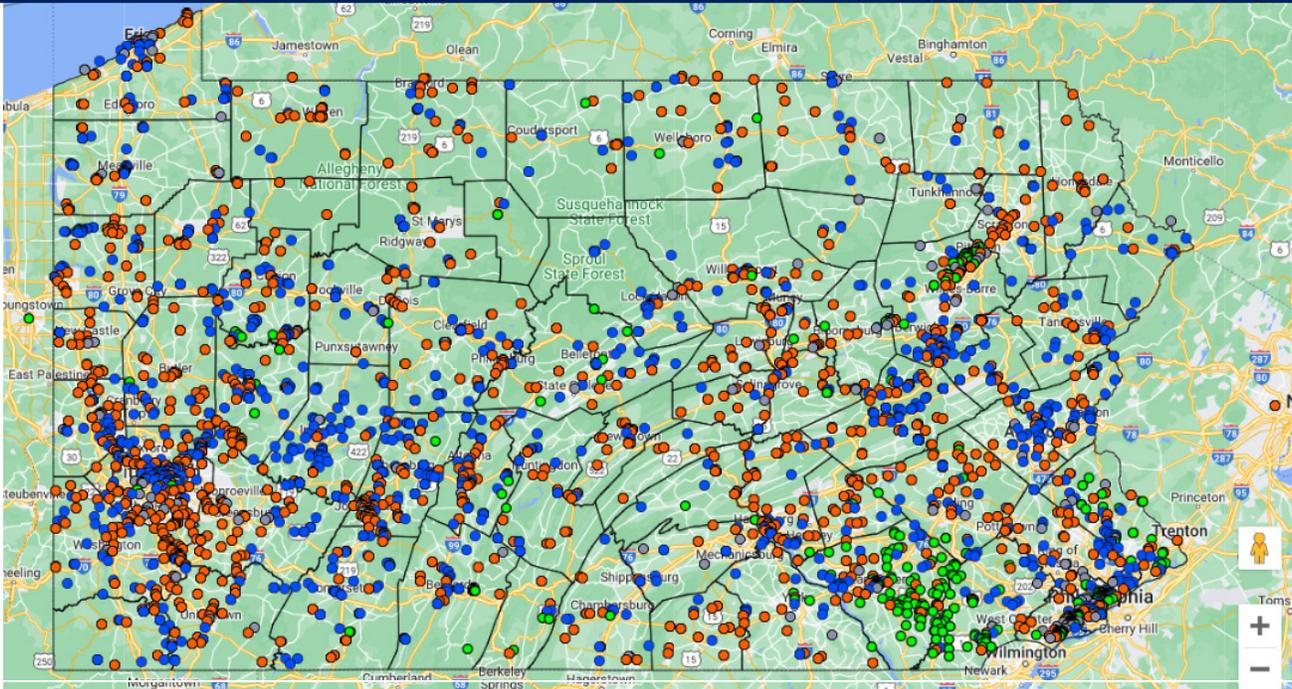
The maps shown below display the geographic location of projects approved in FY 2022-2023 as well as all projects approved by the Board of Directors since 1988.

## FY 2022-2023 Projects



● Water Projects ● Wastewater Projects ● Nonpoint Source Projects ● Stormwater Projects

## Board Approved Projects Since 1988



\*Record Count: 4270

### Legend

Drinking Water



Non-Point Source



Stormwater



Wastewater

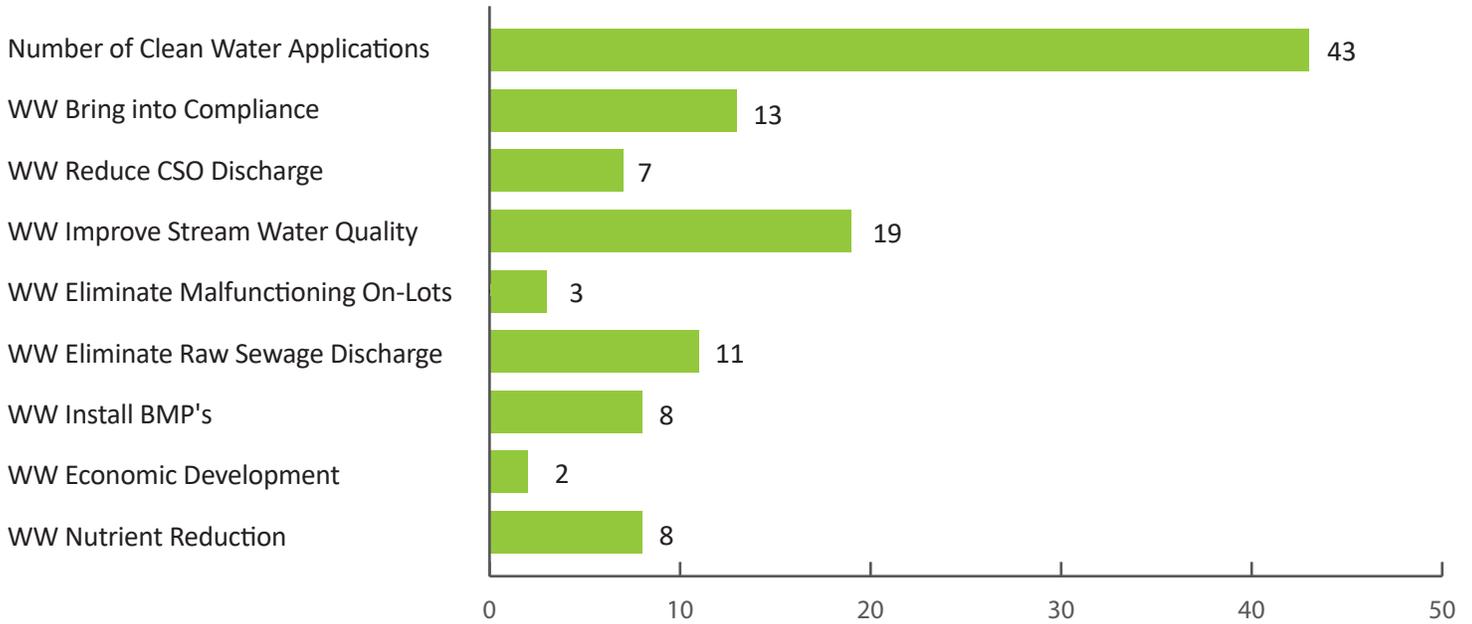




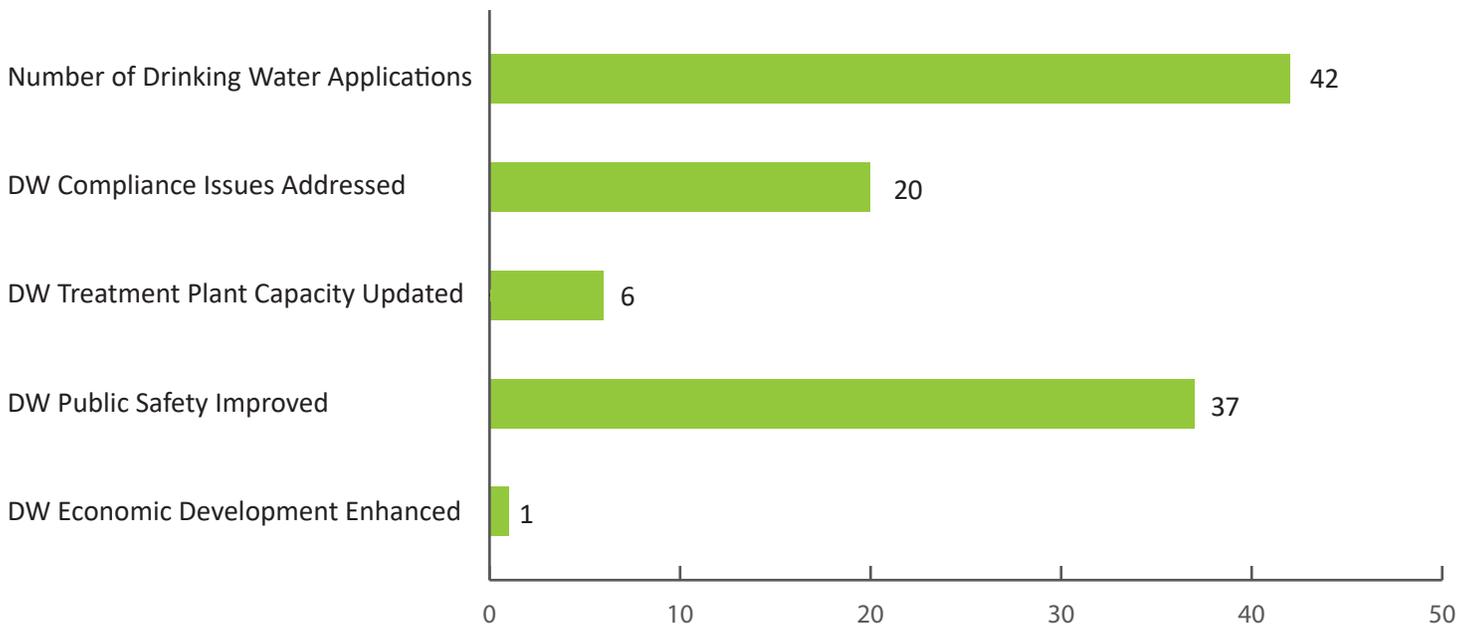
# BENEFITS

At the heart of PENNVEST's mission is ensuring sustainable water quality throughout the Commonwealth. Project applications are evaluated for their ecological benefit and have demonstrated their value to the environment in a variety of ways.

## Wastewater Project Benefit Summary 2022-2023



## Drinking Water Project Benefit Summary 2022-2023





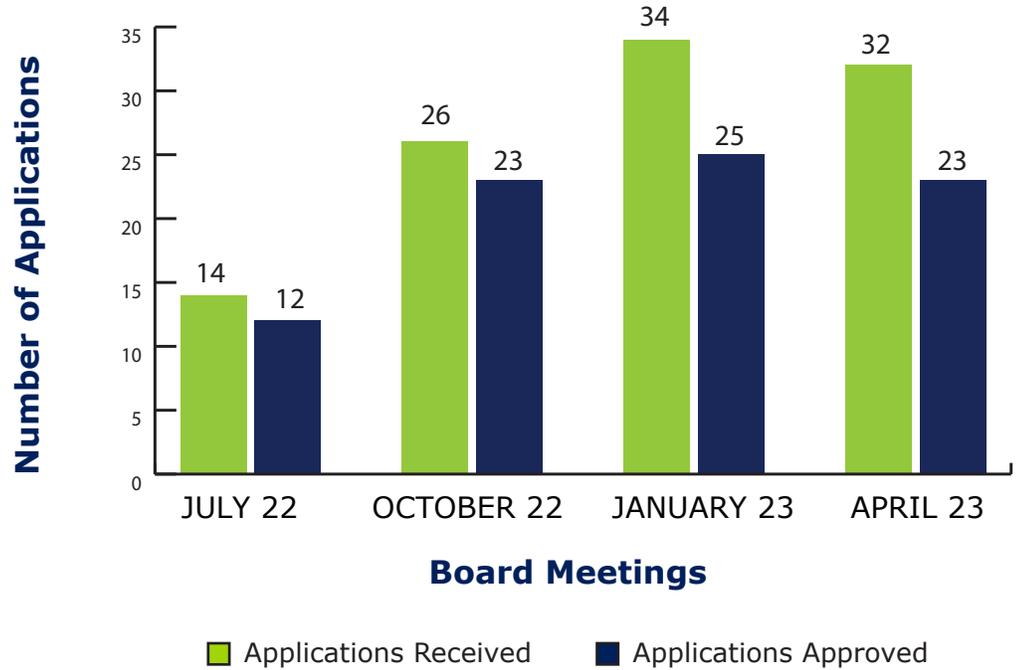
# APPLICATIONS

For more than eight consecutive years, PENNVEST has extended funding offers to all applicants who satisfy three criteria prior to consideration:

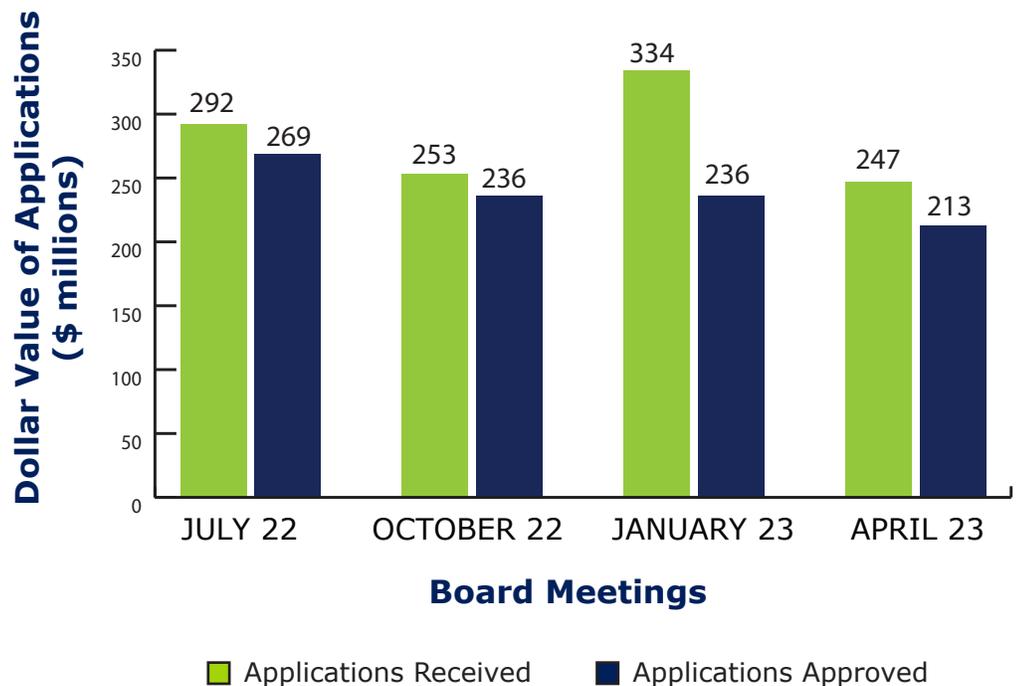
1. A complete application package was submitted for an eligible project prior to the consideration cut-off date.
2. Those applications were recommended by the Department of Environmental Protection (DEP) as being technically complete.
3. The projects were ready to undergo construction in a timely fashion.

The graphs highlight both the number of applications and the value of those applications for board meetings in FY 2022-2023.

## Applications Received vs. Approved (#)



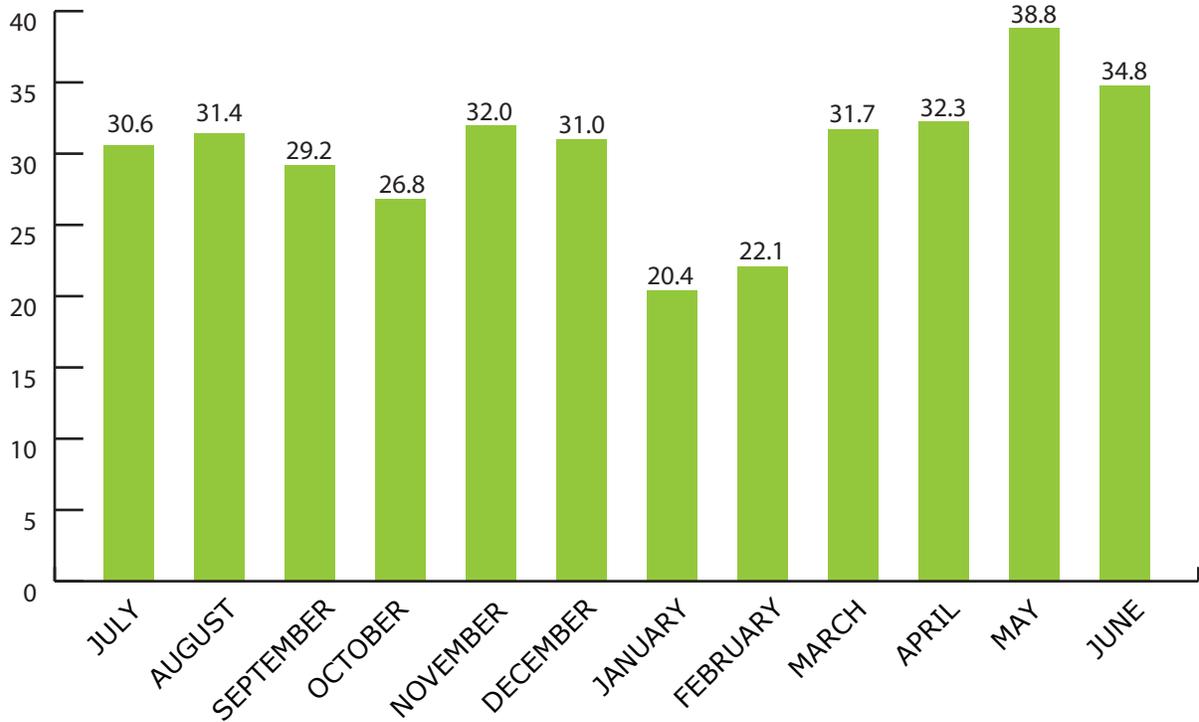
## Applications Received vs. Approved (\$)



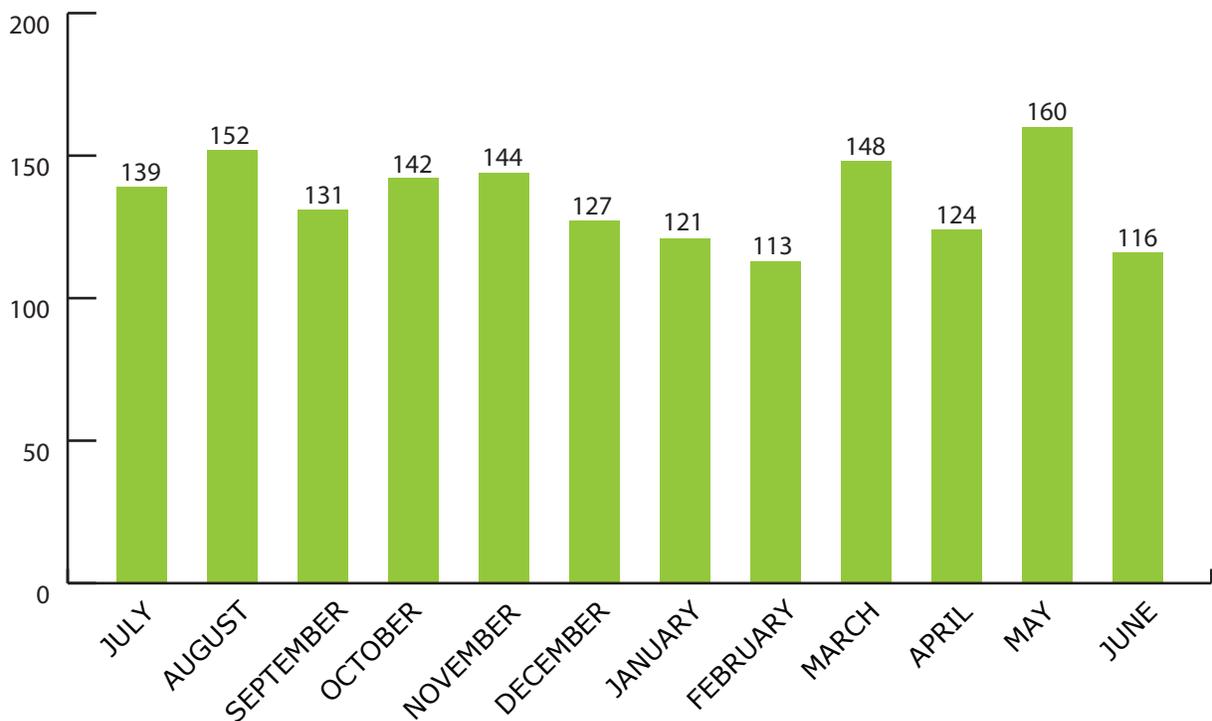


# DISBURSEMENTS

## Disbursement Amounts (\$ millions) FY 2022-23



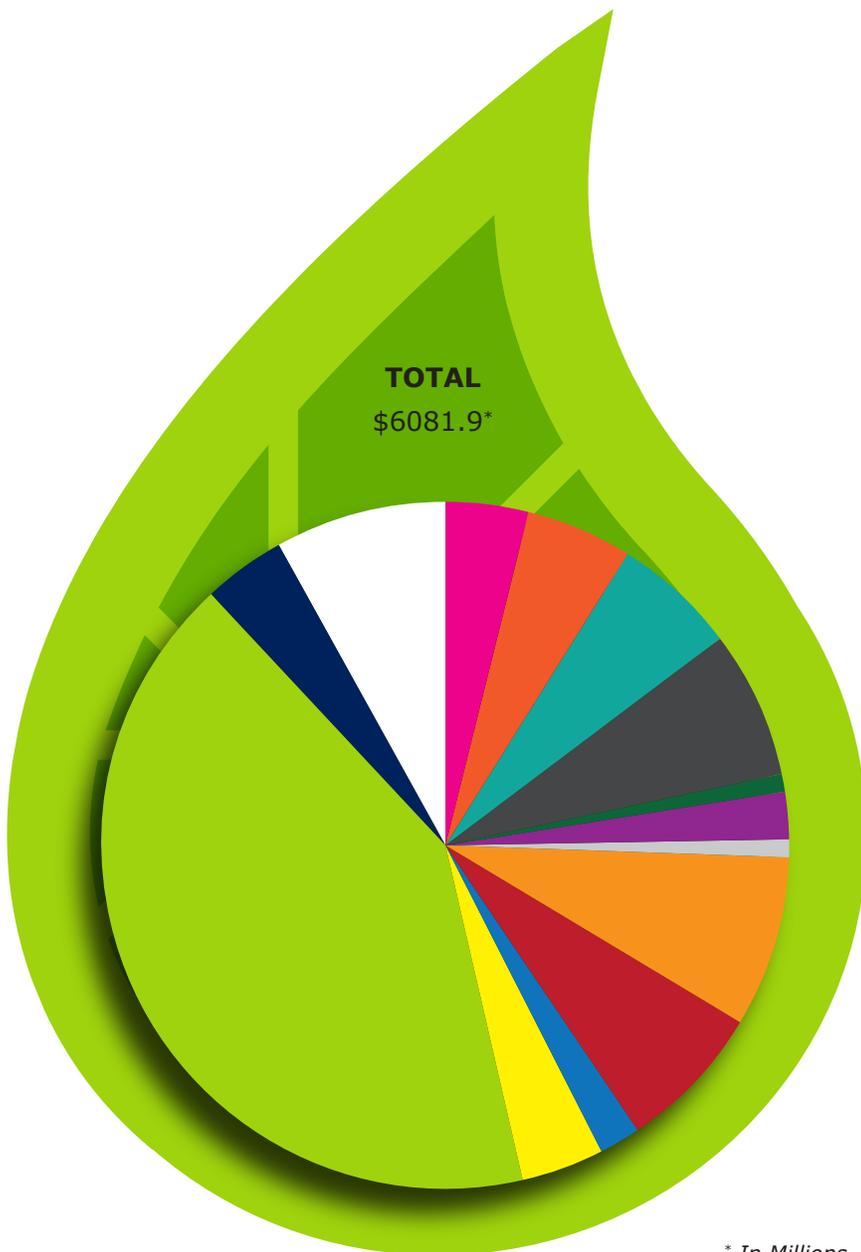
## Number of Disbursements FY 2022-23





PENNVEST uses a variety of funding sources to provide financial support for the drinking water, wastewater, stormwater, and non-point source projects that are approved by the Board every year.

These sources include Commonwealth general obligation bond proceeds, which are approved by a number of referenda, and normal capitalization grant proceeds that PENNVEST receives annually from the U.S. Environmental Protection Agency (EPA). The chart below displays the sources of PENNVEST's funding since the program's inception in 1988.



\* In Millions

- 1981 Referendum**  
\$237.20\* • 4%
- 1988 Referendum**  
\$300\* • 5%
- 1992 Referendum**  
\$350\* • 6%
- 2008 Referendum**  
\$400\* • 7%
- General Fund**  
\$40.90\* • <1%
- Capital Budget**  
\$150\* • 2%
- Act 218**  
\$50\* • <1%
- Investment Income**  
\$488.3\* • 8%
- Growing Greener Grants**  
\$402.6\* • 7%
- Marcellus Legacy Grants**  
\$115.2\* • 2%
- ARRA**  
\$220.90\* • 4%
- Federal Cap Grants**  
\$2584.5\* • 42%
- IIJA - BIL Grants**  
\$240.2\* • 4%
- Interest Earned**  
\$502.1\* • 8%



# ADMINISTRATIVE IMPROVEMENTS



PENNVEST continued its commitment, in FY 2022-2023, to safeguarding clean water for Pennsylvania's citizens. The focus of the PENNVEST program is to provide clean water financing for communities throughout the Commonwealth.

Due to PENNVEST's role and focus within PA state government, it is logical that PENNVEST would be instrumental in the disbursement of funding created with the introduction of the Infrastructure Investment and Jobs Act (IIJA), signed by President Biden on November 15, 2021. Over a period of five years, more than \$1.3 billion in funding, provided by the U.S. Environmental Protection Agency, will be administered by PENNVEST through the State Revolving Fund.

To prepare for disbursement of this funding, the PENNVEST Information Technology Section incorporated changes in the system to accommodate this new funding stream. These changes impacted the PV Portal, PENNVEST's web application used not only by clients to apply for project financing, but also the PENNVEST team who tracks the process from the time of application to the final loan payoff. The PENNVEST Information Technology Section also modified the "Approved Project Map" to include a new "Environmental Justice" filter. This filter will allow members of the public to identify the Environmental Justice Communities that are benefiting from financing through the State Revolving Fund.

The PENNVEST Board Meeting on October 19, 2022, marked the first awards of IIJA funding to PENNVEST applicants. Of the 23 total awards in this time frame, 9 projects were funded by IIJA across drinking water and wastewater project types. During the January 2023 Board Meeting, 11 additional projects were awarded using IIJA funding. These awards are addressing infrastructure needs as intended by IIJA.

In addition to traditional project development and funding activities, PENNVEST implemented a new technical assistance program for small and disadvantaged communities and its Clean Water Procurement Program, providing for the purchase of verified nutrient or sediment reductions from the installation of best management practices to improve the Commonwealth's water quality and help Pennsylvania to meet its Chesapeake Bay total maximum daily load requirements.

PENNVEST personnel experienced some notable transitions of leadership. In March, Executive Director, Brion Johnson, retired after thirty-five years of service at PENNVEST. Robert Boos was officially named the Executive Director by the Board in July. Shortly after, Dave Henning advanced to become the new Deputy Executive Director for Project Management. Finally, Katelyn Rogalski joined the Financial Management Section as a Management Technician providing support for payment processing.

Coupled with ongoing technological upgrades, the agency continues to recruit and retain an exceptionally knowledgeable, professional staff who all strive personally and collaboratively to improve the overall awareness, accessibility, and functionality of PENNVEST's many programs. In FY 2022-2023, PENNVEST staff played key roles in the following positions:

- Board Member, Council of Infrastructure Financing Authorities
- Pennsylvania State Employees Credit Union
- Chairperson, Office of General Counsel Finance Practice Group
- Member, Office of General Counsel, Transactions Practice Group
- Member, Office of General Counsel, Technology Practice Group





# ADMINISTRATIVE IMPROVEMENTS



- Member, Office of General Counsel, Records Access Management Committee
- Member, Pennsylvania Bar Association
- Member, Dauphin County Bar Association
- Member, Chesapeake Bay Program Trading and Offsets Workgroup
- Member, Chesapeake Bay Program Watershed Implementation Plan III Finance Work Group
- Member, American Water Works Association
- Member, Pennsylvania Rural Water Association
- Member, Three Rivers Wet Weather Finance Committee
- Member, DEP Technical Assistance Committee
- Member, Appalachian Regional Commission (ARC) Project Review Committee
- Member, Society of Women Environmental Professionals
- Member, Women in the Environment
- Member, EPA Revolving Loan Program Advisory Group
- Member, EPA America's Water Infrastructure
- Member, Penn's Corner Alternative Wastewater Committee
- Member, Schuylkill Action Network
- Member, American Society of Civil Engineers (ASCE)
- Member, Water Environment Association
- Member, U.S. Army Corps of Engineers' Ohio River Basin Group Enterprise and Infrastructure Committee
- Member, Leadership Development Institute Alumni Association

- Leader, PA Recovery Resource Team: Infrastructure Recovery Workgroup
- Member, Westmoreland County Conservation District Stormwater Management Advisory Committee
- Member, Government Finance Officers Association
- Member, American Water Resources Association (AWRA)
- President, Water Coalition of the Lehigh Valley
- Chairperson, Master Watershed Steward Program
- Member, Environmental Advisory Councils
- Member, Perkiomen Watershed Conservancy
- Member, Pennsylvania Environmental Council
- Member, Pennsylvania Organization for Watersheds and Rivers





# APPROVALS BY COUNTY

County	# of Projects	\$ of Loan Approved	\$ of Grant Approved	\$ Total Approved
Adams	28	\$70,696,837	\$7,173,234	\$77,870,071
Allegheny	223	\$1,107,638,205	\$109,146,964	\$1,216,785,169
Armstrong	78	\$126,834,997	\$72,213,190	\$199,048,187
Beaver	79	\$208,214,502	\$20,879,931	\$229,094,433
Bedford	59	\$127,107,122	\$21,801,893	\$148,909,015
Berks	59	\$251,360,886	\$11,836,320	\$263,197,206
Blair	75	\$334,197,864	\$32,406,253	\$366,604,117
Bradford	35	\$48,169,007	\$14,807,666	\$62,976,673
Bucks	41	\$104,099,066	\$8,023,192	\$112,122,258
Butler	50	\$137,515,244	\$9,200,424	\$146,715,668
Cambria	177	\$600,511,952	\$157,516,018	\$758,027,969
Cameron	7	\$67,426,465	\$2,636,615	\$70,063,080
Carbon	44	\$101,758,181	\$7,860,577	\$109,618,758
Centre	51	\$110,163,431	\$20,913,653	\$131,077,084
Chester	49	\$87,406,750	\$9,153,559	\$96,560,309
Clarion	66	\$91,437,037	\$63,214,282	\$154,651,319
Clearfield	81	\$275,123,133	\$47,598,132	\$322,721,265
Clinton	27	\$72,458,284	\$15,140,980	\$87,599,264
Columbia	25	\$60,903,967	\$11,028,838	\$71,932,805
Crawford	45	\$85,325,650	\$31,568,755	\$116,894,405
Cumberland	17	\$33,459,344	\$6,514,991	\$39,974,335
Dauphin	61	\$341,495,030	\$45,094,653	\$386,589,683
Delaware	55	\$144,978,005	\$14,023,577	\$159,001,582
Elk	27	\$46,637,685	\$15,157,728	\$61,795,413
Erie	76	\$245,919,126	\$52,817,321	\$298,736,447
Fayette	73	\$204,825,428	\$43,339,808	\$248,165,236
Forest	4	\$1,711,071	\$1,104,500	\$2,815,571
Franklin	30	\$93,038,663	\$5,754,047	\$98,792,710
Fulton	11	\$5,103,760	\$4,041,646	\$9,145,406
Greene	35	\$69,037,447	\$27,423,912	\$96,461,359
Huntingdon	49	\$65,321,157	\$42,543,455	\$107,864,612
Indiana	54	\$109,639,647	\$66,555,440	\$176,195,087
Jefferson	36	\$68,995,957	\$21,142,930	\$90,138,887
Juniata	10	\$16,033,671	\$1,310,658	\$17,344,329
Lackawanna	48	\$177,342,106	\$1,775,000	\$179,117,106
Lancaster	105	\$255,826,230	\$24,583,255	\$280,409,485
Lawrence	40	\$132,116,387	\$48,174,893	\$180,291,280
Lebanon	30	\$111,520,786	\$5,445,860	\$116,966,646
Lehigh	37	\$78,589,232	\$6,169,820	\$84,759,052
Luzerne	125	\$288,341,336	\$48,743,613	\$337,084,948
Lycoming	43	\$178,412,898	\$27,533,341	\$205,946,239



# APPROVALS BY COUNTY

County	# of Projects	\$ of Loan Approved	\$ of Grant Approved	\$ Total Approved
McKean	31	\$65,374,460	\$34,654,021	\$100,028,481
Mercer	62	\$141,148,426	\$40,296,615	\$181,445,041
Mifflin	23	\$63,502,805	\$20,118,064	\$83,620,869
Monroe	38	\$103,437,829	\$14,533,001	\$117,970,830
Montgomery	32	\$77,992,071	\$25,844,865	\$103,836,936
Montour	9	\$18,272,310	\$16,249,383	\$34,521,693
Northampton	45	\$157,513,908	\$7,210,894	\$164,724,802
Northumberland	50	\$127,812,829	\$63,185,540	\$190,998,369
Perry	26	\$41,655,495	\$16,320,580	\$57,976,075
Philadelphia	34	\$751,754,700	\$4,387,217	\$756,141,917
Pike	18	\$20,692,407	\$5,872,444	\$26,564,851
Potter	18	\$23,602,491	\$8,693,667	\$32,296,158
Schuylkill	129	\$312,978,294	\$34,000,108	\$346,978,402
Snyder	20	\$31,956,999	\$5,274,325	\$37,231,324
Somerset	78	\$149,936,647	\$38,124,101	\$188,060,748
Sullivan	10	\$3,176,224	\$1,934,478	\$5,110,702
Susquehanna	10	\$9,963,228	\$12,063,263	\$22,026,491
Tioga	43	\$49,037,221	\$25,871,961	\$74,909,182
Union	19	\$27,113,066	\$5,916,608	\$33,029,674
Venango	31	\$47,002,380	\$14,410,749	\$61,413,129
Warren	24	\$68,938,714	\$12,681,239	\$81,619,953
Washington	87	\$205,852,779	\$24,811,096	\$230,663,875
Wayne	29	\$63,901,885	\$20,819,899	\$84,721,784
Westmoreland	159	\$361,110,766	\$45,101,359	\$406,212,125
Wyoming	14	\$13,678,684	\$11,506,643	\$25,185,327
York	30	\$59,410,456	\$4,370,517	\$63,780,973
<b>Grand Total</b>	<b>3334</b>	<b>\$9,733,510,618</b>	<b>\$1,697,623,560</b>	<b>\$11,431,134,179</b>







(Component Unit  
of the  
Commonwealth  
of Pennsylvania)

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**FINANCIAL  
STATEMENTS  
AND  
REPORTS OF INDEPENDENT  
PUBLIC ACCOUNTANTS**

**For the Years Ended June 30, 2023  
and 2022**

PENNSYLVANIA INFRASTRUCTURE INVESTMENT  
AUTHORITY  
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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Board of Directors  
Pennsylvania Infrastructure Investment Authority  
Harrisburg, Pennsylvania

### **Opinions**

We have audited the financial statements of the Pennsylvania Infrastructure Investment Authority (PENNVEST), a component unit of the Commonwealth of Pennsylvania, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise PENNVEST's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of PENNVEST as of June 30, 2023 and 2022, and the respective changes in its financial position and, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of PENNVEST and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

PENNVEST's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PENNVEST's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



### ***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PENNVEST’s internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PENNVEST’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls –related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the schedules of PENNVEST’s proportionate share of the net pension and OPEB liabilities and the schedules of PENNVEST’s contributions for the net pension and OPEB liabilities be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial



statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise PENNVEST's basic financial statements. The schedules and notes for the Federal Clean Water State Revolving Loan Fund and the Federal Drinking Water State Revolving Loan Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules and notes for the Federal Clean Water State Revolving Loan Fund and the Federal Drinking Water State Revolving Loan Fund are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules and notes for the Federal Clean Water State Revolving Loan Fund and the Federal Drinking Water State Revolving Loan Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Schedules of Delinquent Loans but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2023 on our consideration of PENNVEST's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering PENNVEST's internal controls over financial reporting and compliance.

Philadelphia, Pennsylvania  
October 18, 2023

*SB & Company, LLC*

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2023

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This section of Pennsylvania Infrastructure Investment Authority’s (“PENNVEST” or “Program”) annual financial report presents the Management’s Discussion and Analysis (“MD&A”) of PENNVEST’s financial performance during the fiscal years that ended June 30, 2023 and 2022, with fiscal year 2021 for comparative purposes. It is intended to be read in conjunction with the PENNVEST financial statements and accompanying notes, which follow this section.

**FINANCIAL HIGHLIGHTS**

In 2023, PENNVEST’s Total Net Position increased by \$104.6 million. The increase was primarily a result of Total Assets increasing by \$99 million. The Net Position for the Federal Clean Water Revolving Loan Program Fund increased by \$56.5 million, and the Net Position for the Federal Drinking Water Revolving Loan Program Fund increased by \$49.3 million in 2023.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management’s discussion and analysis, financial statements, and supplemental information. The financial statements also include notes that explain in more detail some of the information in the financial statements. The MD&A serves as an introduction to the basic financial statements and supplementary information and presents management’s examination and analysis of PENNVEST’s financial condition and performance.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of PENNVEST report information about PENNVEST using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

The Statements of Net Position include all PENNVEST’s assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about investments, revenue bonds, and federal government payments. All the current year’s revenues are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the fiscal condition of PENNVEST’s operations over the past year and can be used to determine whether PENNVEST has remained creditworthy and in a positive financial order. The final required financial statements are the Statements of Cash Flows.

The primary purpose of these statements is to provide information about PENNVEST’s cash receipts and cash disbursements, net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as, where did the cash come from, what was the cash used for, and what was the change in cash balance during the report period.

**FINANCIAL ANALYSIS**

The issued report provides comparative statements for a three-year period. This presentation enables a reader to determine, by category, the basic analysis of a year’s activity.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2023

**FINANCIAL ANALYSIS** (continued)

The Statements of Net Position, and the Statements of Revenues, Expenses, and Changes in Net Position report information about PENNVEST and provide an excellent examination of position and financial performance.

These two statements report the net position of PENNVEST over the course of three years. Over time, increases or decreases in PENNVEST's net position is one gauge of whether its financial health is improving or deteriorating. This alone will not provide the total picture of financial health but it is a good indicator. Additional information such as the status of assets and liabilities and the reduction in long-term debt will provide a larger picture of the status of fiscal health.

The following table summarizes the net position for fiscal years ended June 30, 2023, 2022 and 2021.

**Table 1 (in thousands)**  
**Condensed Statements of Net Position**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Current Assets	\$ 2,087,827	\$ 2,063,306	\$ 2,062,799
Noncurrent Assets	<u>2,532,261</u>	<u>2,457,825</u>	<u>2,487,688</u>
Total Assets	<b>4,620,088</b>	4,521,131	4,440,807
Deferred Outflows	<u>5,213</u>	<u>3,760</u>	<u>3,834</u>
Total Assets and Deferred Outflows	<u><b>4,625,301</b></u>	<u>4,524,891</u>	<u>4,554,321</u>
Current Liabilities	<b>76,595</b>	58,960	69,997
Noncurrent Liabilities	<u>132,423</u>	<u>151,594</u>	<u>176,037</u>
Total Liabilities	<b>209,018</b>	210,554	246,034
Deferred Inflows	<u>2,338</u>	<u>4,984</u>	<u>4,115</u>
Total Liabilities and Deferred Inflows	<u><b>211,356</b></u>	<u>215,538</u>	<u>250,149</u>
Total Net Position	<u><b>\$ 4,413,945</b></u>	<u>\$ 4,309,353</u>	<u>\$ 4,304,172</u>

The above table provides several financial indicators that depict the fiscal health of PENNVEST. Total Net Position continued its trend of yearly increases in 2023. The Federal Clean Water State Revolving Fund ("CWSRF") has a significant impact on the Total Net Position line, as it represents 58% of the Total Net Position. This reflects the strength of the Federal Clean Water program.

Current Assets increased by \$24.5 million in 2023. The increase in Current Assets was largely due to increased loan repayments. Noncurrent Assets increased by \$74.4 million in 2023. The increase in Noncurrent Assets was largely due to an increase in approved loans added to the loan portfolio.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2023

**FINANCIAL ANALYSIS** (continued)

The ability to encumber against future year revenues is critical for a revolving program. Noncurrent Loans Receivable, Gross, are those future loans that are due in more than one year. The Noncurrent Asset total is reduced by the Allowance for Loan Losses which is \$23.4 million for the year ended June 30, 2023.

Current Liabilities increased in 2023 by \$17.6 million or 23%; driven by increased value of security lending obligations of \$13.2 million as well as an increase of \$3.1 million in obligations due to the Commonwealth.

Noncurrent Liabilities decreased in 2023 by \$19.2 million or 14%. The decrease is primarily the result debt service payments on outstanding General Obligation bonds and due to Commonwealth of Pennsylvania.

**OPERATING REVENUES AND EXPENSES**

The Program has not received Commonwealth appropriations for operations since 1996. The cost of the Program has been funded from investment earnings, the repayment of loans, other federal and state funding (included in this line item are Marcellus Legacy Fund and Environmental Stewardship Fund monies), capital contributions from federal capitalization grants provided by the Environmental Protection Agency ("EPA") and reimbursement of allowable federal administrative expenses.

**Table 2 (in thousands)**

**Condensed Statements of Operating Revenues and Expenses**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues:			
Interest on loan receivables	\$ 34,943	\$ 35,294	\$ 36,391
Other Federal and state	<u>66,975</u>	<u>37,205</u>	<u>35,716</u>
Total Operating Revenues	<b>101,918</b>	72,499	72,107
Recovery of loan losses	<u>77</u>	<u>866</u>	<u>306</u>
Net Operating Revenues	<u><b>101,995</b></u>	<u>73,365</u>	<u>72,413</u>
Operating Expenses:			
Administration	<b>(22,068)</b>	(12,413)	(17,610)
Grants/"principal forgiveness" to program participants	<u>(106,709)</u>	<u>(54,349)</u>	<u>(50,559)</u>
Total Operating Expenses	<b>(128,777)</b>	(66,762)	(68,169)
Nonoperating Revenues, net	<b>63,960</b>	(87,942)	60,959
Capital Contributions	<u>67,414</u>	<u>86,520</u>	<u>111,510</u>
Increase in Net Position	<u><b>\$ 104,592</b></u>	<u>\$ 5,181</u>	<u>\$ 176,713</u>

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2023

**OPERATING REVENUES AND EXPENSES** (continued)

The Operating Revenues (as shown in Table 2), in 2023 were driven by the Other Federal and State Operating Grants of \$66.9 million, and interest repayments on loans of \$34.9 million.

The Total Operating Expenses (as shown in Table 2) increased by \$62 million in 2023. Increases in the amount disbursed as grants to program participants primarily accounted for this increase. The Total Operating Expense increase was offset by a \$151.9 million increase in Nonoperating Revenues (primarily comprised of investment income/(loss)) as a primary driver for the Program increase in Total Net Position.

Table 3 examines the loan loss allowance for each of the loan portfolios of PENNVEST. The loan loss is an allowance in the Statements of Net Position, which reflects the amount which, in management's judgment, establishes an adequate allowance to report possible losses on loans.

**Table 3 (in thousands)**  
**Loan Loss Allowance**

Loan Loss Allowance	<u>2023</u>	<u>2022</u>	<u>2021</u>
CWSRF	\$ 12,279	\$ 12,378	\$ 12,897
DWSRF	1,900	1,813	1,840
State and Revenue Bonds	<u>9,207</u>	<u>9,272</u>	<u>9,592</u>
Total program	<u>\$ 23,386</u>	<u>\$ 23,463</u>	<u>\$ 24,329</u>

Table 4 depicts the PENNVEST loan portfolios, excluding On-Lot Loans, by risk code classification. Overall, the risk assessment of the loan portfolio remains good. The largest dollar changes year over year occurred in the Non-Speculative project rating and the Speculative rating. In 2023, the risk code for Non-Speculative increased by \$122 million and the risk code for Non-Speculative decreased by \$65.3 million. The total for the Non-Speculative risk code represented \$2.11 billion and 77% of the portfolio. This indicates less overall credit risk in the PENNVEST loan portfolio.

**Table 4 (in thousands)**  
**Loan Portfolio by Risk**

Risk Codes	<u>2023</u>	<u>2022</u>	<u>2021</u>
Speculative	\$ 564,632	\$ 629,924	\$ 697,300
Concern High Rate Impact	72,665	47,958	78,591
Concern Service User	833	904	9,174
Non-Speculative	<u>2,110,157</u>	<u>1,988,166</u>	<u>1,904,200</u>
Total Loan Portfolio	<u>\$ 2,748,287</u>	<u>\$ 2,666,952</u>	<u>\$ 2,689,265</u>

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2023

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**REVENUES**

As PENNVEST is a Revolving Loan Program, it is essential that loan repayments be made in a timely manner. Over 99.26% of all loans in the PENNVEST portfolio are submitting repayments electronically, with the electronic funds transfer program offered, under the Automatic Clearing House (ACH) system; however, funds must be available for payment in the borrowers' accounts. By all accounts, the PENNVEST ACH system is working and funds are available for repayment. Table 5 illustrates the loan receipts by the different loan portfolios of PENNVEST.

As can be observed from Table 5, loan receipts vary for each of the PENNVEST portfolios. These receipts are categorized as deposits that do not include any transfers. The CWSRF Program had the largest dollar collection of \$101 million or 54% of the total collected. The CWSRF is a major portfolio in the PENNVEST program.

**Table 5 (in thousands)  
Loan Receipts from Customers**

Loan Receipts	<u>2023</u>	<u>2022</u>	<u>2021</u>
CWSRF Federal Loans	\$ 101,164	\$ 124,092	\$ 120,595
DWSRF Federal Loans	42,405	48,348	42,030
State and Revenue Bond Loans	<u>42,482</u>	<u>71,874</u>	<u>83,244</u>
Total	<u>\$ 186,051</u>	<u>\$ 244,314</u>	<u>\$ 245,869</u>

Table 6 is an illustration of the PENNVEST disbursements to customers. The total disbursement of \$271.6 million reflects a increase of \$49.7 million from 2022. The CWSRF Federal disbursements accounted for the largest category of disbursements, making up 49% of the Total Disbursements.

**Table 6 (in thousands)  
Loan Disbursements to Customer**

Loan Disbursements	<u>2023</u>	<u>2022</u>	<u>2021</u>
CWSRF Federal Loans	\$ 132,726	\$ 119,387	\$ 153,620
DWSRF Federal Loans	96,833	70,068	91,931
State and Revenue Bond Loans	<u>42,100</u>	<u>32,546</u>	<u>31,451</u>
Total	<u>\$ 271,659</u>	<u>\$ 222,001</u>	<u>\$ 277,002</u>

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2023

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**LONG-TERM DEBT ADMINISTRATION**

In 2015, PENNVEST issued Revenue Bonds Series 2015A, in the amount of \$65.0 million. The bonds were issued at a premium of \$8.3 million. The proceeds of the bonds together with other available funds were used to pay off the outstanding commercial paper.

In 2018, PENNVEST issued Revenue Bonds Series 2018A, in the amount of \$50.0 million. The bonds were issued at a premium of \$8.4 million. The issuance was the first utilizing the Federal State Revolving Fund ("SRF") funds as collateral for the issuance.

As of June 30, 2022, PENNVEST had \$92 million of revenue bond debt. The \$30.4 million commercial paper debt was repaid in 2022. Revenue Bonds Payable decreased in 2022 by \$7.3 million from the previous year due to debt service payments.

As of June 30, 2023, PENNVEST had \$83 million of revenue bond debt. Revenue Bonds Payable decreased in 2023 by \$7.69 million from the previous year due to debt service payments. The following is a summary of Revenue Bond activity for the 2022-2023 fiscal year.

**Table 7 (in thousands)**

	<u>2023</u>	<u>2022</u>
Outstanding debt, beginning of year	\$ 92,002	\$ 130,942
Additions	-	-
Less: Principal payments	(7,696)	(37,686)
Net change in amortized premium	<u>(1,254)</u>	<u>(1,254)</u>
Outstanding debt, end of year	<u>\$ 83,052</u>	<u>\$ 92,002</u>

See Notes 6 and 7 to the financial statements for detailed descriptions of the outstanding debt and the current year activity.

**FUTURE PROGRAMS UNDER DEVELOPMENT**

Trust Indenture

PENNVEST entered into a Federal SRF Trust Indenture and First Supplemental Trust agreements and issued \$50 million in SRF Revenue Bonds in January 2018. These indentures allow for the issuance of revenue bonds, commercial paper, and implementation of a loan/bond guarantee program. It is cross-collateralized with both the CWSRF and DWSRF. Zion's Bank was selected as the Trustee.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2023

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**FUTURE PROGRAMS UNDER DEVELOPMENT** (continued)

Loan Guarantee Program

During 2019-2020, PENNVEST continued developing a Loan Guarantee program to supplement its loan program. This allows PENNVEST to provide further assistance to the borrowers when the cost of the project is more than PENNVEST can lend. The Loan Guarantee allows the borrowers to find private financing for the balance of a project with a reduced interest rate.

Riparian Buffer Initiative

The 2019-2020 fiscal year brought the final series of approvals for this program to establish forest buffers within the Chesapeake Bay watershed to help to meet the Commonwealth obligation to reduce sediment, nitrogen and phosphorus in the Chesapeake Bay. The expectation is that PENNVEST can collect business model related information in as few as three years after installation.

Sublevel Revolving Loan Program

PENNVEST Board of Directors approved PENNVEST Board Resolution 2023-3, authorizing PENNVEST to establish a PENNVEST Sublevel Revolving Loan Program (SLRLP). The Resolution made \$50M available to PENNVEST as an investment in the program. Under the SLRLP, counties, municipal authorities, council of governments, or other regional entities, can apply for 'seed' funding to establish a revolving loan program to fund eligible clean water projects at the sub-state level. The thought is that regional entities will have staff that are better situated to reach potential funding recipients in their areas who have smaller projects eligible for funding by PENNVEST.

**CONTACTING PENNVEST'S DIRECTOR OF FINANCIAL MANAGEMENT**

This financial report is designed to provide bondholders, investors, creditors, and federal and state agencies with a general overview of PENNVEST's finances and to demonstrate PENNVEST's accountability as a governmental agency. If you have any questions about this report or need additional financial information, contact Steven Anspach, Executive Director of Financial Management, PENNVEST, 333 Market Street, 18<sup>th</sup> Floor, Harrisburg, PA 17101.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
STATEMENTS OF NET POSITION  
JUNE 30, 2023 AND 2022  
(In Thousands)

	2023	2022
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 217,537	\$ 369,827
Investments	1,611,970	1,459,921
Investment - securities lending collateral	48,564	35,397
Loans receivable	192,640	185,664
Accounts receivables, net	4,398	2,138
Accrued interest receivable	4,872	4,825
Due from Commonwealth of Pennsylvania	4,361	5,534
Due from federal government	3,485	-
<b>Total Current Assets</b>	<b>2,087,827</b>	<b>2,063,306</b>
<b>Noncurrent Assets:</b>		
Loans receivable	2,555,647	2,481,288
Allowance for loan losses	(23,386)	(23,463)
<b>Total Noncurrent Assets, net</b>	<b>2,532,261</b>	<b>2,457,825</b>
<b>TOTAL ASSETS</b>	<b>4,620,088</b>	<b>4,521,131</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	3,734	2,055
Other Post Employment Benefits (OPEB)	1,479	1,705
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 5,213</b>	<b>\$ 3,760</b>

See the accompanying notes to these financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
STATEMENTS OF NET POSITION  
JUNE 30, 2023 AND 2022  
(In Thousands)

	2023	2022
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,784	\$ 791
Due to Commonwealth of Pennsylvania	18,001	14,887
Securities lending obligation	48,564	35,397
Compensated absences	166	190
Current portion of revenue bonds payable	8,080	7,695
<b>Total Current Liabilities</b>	<b>76,595</b>	<b>58,960</b>
<b>Noncurrent Liabilities:</b>		
Due to Commonwealth of Pennsylvania	41,860	55,537
Compensated absences	710	811
Noncurrent revenue bonds payable, net	74,972	84,307
Net pension liability	10,651	6,450
Net OPEB liability	4,230	4,489
<b>Total Noncurrent Liabilities</b>	<b>132,423</b>	<b>151,594</b>
<b>TOTAL LIABILITIES</b>	<b>209,018</b>	<b>210,554</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	51	1,922
OPEB	2,287	3,062
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,338</b>	<b>4,984</b>
<b>NET POSITION</b>		
<b>Restricted</b>		
Federal clean water revolving loan program	2,561,255	2,504,798
Federal drinking water revolving loan program	1,009,193	959,854
<b>Total Restricted</b>	<b>3,570,448</b>	<b>3,464,652</b>
Unrestricted	843,497	844,701
<b>TOTAL NET POSITION</b>	<b>\$ 4,413,945</b>	<b>\$ 4,309,353</b>

See the accompanying notes to these financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022  
(In Thousands)

	2023	2022
<b>OPERATING REVENUES:</b>		
Interest and fee income on loans	\$ 34,943	\$ 35,294
Other Federal and state	<u>66,975</u>	<u>37,205</u>
<b>OPERATING REVENUES BEFORE PROVISION FOR LOAN LOSS</b>	<b>101,918</b>	72,499
Recovery of loan losses	<u>77</u>	<u>866</u>
<b>NET OPERATING REVENUES</b>	<b><u>101,995</u></b>	<b><u>73,365</u></b>
<b>OPERATING EXPENSES:</b>		
Administration	22,068	12,413
Grants/"principal forgiveness" to program participants	<u>106,709</u>	<u>54,349</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>128,777</u></b>	<b><u>66,762</u></b>
<b>OPERATING (LOSS) INCOME</b>	<b><u>(26,782)</u></b>	<b><u>6,603</u></b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income (loss)	67,582	(84,275)
Interest and amortization expense	<u>(3,622)</u>	<u>(3,667)</u>
<b>NONOPERATING REVENUES, NET</b>	<b><u>63,960</u></b>	<b><u>(87,942)</u></b>
<b>CAPITAL CONTRIBUTIONS</b>		
Other Federal and state	<u>67,414</u>	<u>86,520</u>
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b><u>67,414</u></b>	<b><u>86,520</u></b>
<b>INCREASE IN NET POSITION</b>	<b>104,592</b>	5,181
<b>NET POSITION, BEGINNING OF YEAR</b>	<b><u>4,309,353</u></b>	<b><u>4,304,172</u></b>
<b>TOTAL NET POSITION, END OF YEAR</b>	<b><u>\$ 4,413,945</u></b>	<b><u>\$ 4,309,353</u></b>

See the accompanying notes to these financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022  
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	2023	2022
Cash Flows from Operating Activities:		
Loan receipts from borrowers	\$ 221,024	\$ 280,279
Loan disbursements to borrowers	(271,659)	(222,001)
Payments for goods and services	(24,160)	(16,942)
Grants/"principal forgiveness" to program participants	(106,709)	(54,349)
Other Federal and state receipts	66,975	37,205
Net Cash from Operating Activities	(114,529)	24,192
Cash Flows from Capital Financing Activities:		
Other Federal and state capital contributions	67,414	86,520
Advances to Commonwealth of Pennsylvania	1,173	10,442
Repayment of short term obligations	-	(30,356)
Repayment of bonds payable	(7,696)	(7,330)
Repayment of due to Commonwealth of Pennsylvania	(10,563)	(12,999)
Payment of interest on bonds payable	(3,622)	(3,667)
Net Cash from Capital Financing Activities	46,706	42,610
Cash Flows from Investing Activities:		
Activity from depositories	67,582	(84,275)
Net purchases of State Treasury Commonwealth Investment Pool	(152,049)	11,610
Net Cash from Investing Activities	(84,467)	(72,665)
Decrease in Cash and Cash Equivalents	(152,290)	(5,863)
Cash and Cash Equivalents, Beginning of Year	369,827	375,690
Cash and Cash Equivalents, End of Year	\$ 217,537	\$ 369,827

See the accompanying notes to these financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
STATEMENTS OF CASH FLOWS, Continued  
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	2023	2022
Reconciliation of operating income to net cash		
from operating activities:		
Operating loss	\$ (26,782)	\$ 6,603
Adjustments to reconcile operating income to net cash (used in)/provided by operating activities		
Recovery of loan losses	(77)	(866)
Amortization of bond premium	(1,254)	(1,254)
Effect of changes in non-cash operating assets and liabilities:		
Loan receivable, gross	(81,335)	22,313
Accrued interest receivable	(47)	(195)
Accounts receivables, net	(2,260)	(1,291)
Due to/from Federal government	(3,485)	-
Deferred outflow	(1,453)	74
Accounts payable	993	(132)
Accrued compensated absences	(125)	17
Net pension liability	4,201	(1,505)
Net OPEB liability	(259)	(441)
Deferred inflow	(2,646)	869
Total adjustments	(87,747)	17,589
Net Cash from Operating Activities	\$ (114,529)	\$ 24,192

See the accompanying notes to these financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Pennsylvania Infrastructure Investment Authority (“PENNVEST”) is an instrumentality of the Commonwealth of Pennsylvania (“Commonwealth”) created by Act 16 of the General Assembly in March of 1988 (the “PENNVEST Act”). The purpose of PENNVEST is to finance long-term, low-interest loans for corporations, partnerships, sole proprietorships, non-profit organizations, authorities, and municipalities for repair, construction, reconstruction, rehabilitation, extension, and improvement of drinking water, storm water, and wastewater systems. PENNVEST’s On-Lot Program provides funding for the improvement of septic systems. PENNVEST is funded through revenue bonds, federal grants, Commonwealth appropriations, Commonwealth general obligation bonds, and the use of recycled loan repayments.

A governing body of thirteen members, administers the operations of PENNVEST. The Chairman of the governing body is the Governor or the Governor’s designee. Other members include cabinet secretaries, legislators, and local government leaders, as well as representatives of the engineering community and the drinking water and wastewater industries.

PENNVEST, which is a component unit of the Commonwealth reporting entity, is presented as an Enterprise Fund on the accrual basis of accounting. Criteria considered in making this determination include the Commonwealth’s appointment of PENNVEST’s Board and the Commonwealth’s ability to impose its will on PENNVEST.

Measurement Focus and Basis of Accounting

PENNVEST’s activities are accounted for on a cost of services or “capital maintenance” approach under the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with its activities are included on its statement of net position. The operating statements present increases (revenues) and decreases (expenses) in total net position.

PENNVEST utilizes the accrual basis of accounting wherein revenues are recognized in the period earned and expenses are recognized when they are incurred.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of PENNVEST. Operating revenues consist primarily of interest on loans receivable, and federal and state grants received for the purpose of providing grants or “principal forgiveness” to program participants. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities, such as investment income/loss.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Measurement Focus and Basis of Accounting (continued)

When an expense is incurred for purposes for which there are both restricted and unrestricted resources available, it is PENNVEST's policy to apply those expenses to restricted resources to the extent that they are available and then to unrestricted resources.

The accounting and reporting policies of PENNVEST conform to the accounting rules prescribed by the Governmental Accounting Standards Board ("GASB").

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, PENNVEST considers all highly liquid investments with an initial maturity of three months or less at the time of purchase to be cash equivalents.

Investments

Investments are stated at fair value based on quoted market values.

Capital Contributions

Capital contributions represent contributions from the Commonwealth of Pennsylvania and the Federal government for the loan programs.

Allowance for Loan Losses

The allowance for loan losses is used to report possible future losses on loans outstanding. Loan losses and recoveries of previously charged-off loans are charged or credited directly to the allowance for loan losses. The provision for loan losses, which is charged to current operations, reflects the amount, which in management's judgment establishes an adequate allowance to report possible losses on loans. Management's judgment is based upon a continuing review of the loan portfolio, past collection experience, and current economic conditions. While management uses available information to recognize losses on loans, future adjustments to the allowance may be necessary based on changes in economic conditions.

Investment/Interest Income

Interest income on investment securities is recorded when earned. Interest income on loans is accrued based on methods that result in a constant yield when related to the principal amounts outstanding.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Restricted Net Position

Restricted net position represents net position that is restricted for revolving loans in the Federal Revolving Clean Water and Drinking Water Programs.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

The Statements of Net Position report a separate section for deferred outflows and inflows of resources. These separate financial statement elements represent consumption/acquisition of net position that applies to future periods, and so will not be recognized as an outflow/inflow of resources until then. PENNVEST has two items that qualifies for reporting in this category: deferred outflows/inflows related to pension and other post-employment benefits.

Postemployment Benefits Other Than Pensions (“OPEB”)

For purposes of measuring the PENNVEST’s OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Commonwealth’s Retired Employees Health Plan (“REHP”) and additions to/deductions from the REHP’s fiduciary net position have been determined on the same basis as they are reported in the Commonwealth’s Annual Comprehensive Financial Report (“ACFR”). For this purpose, the REHP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**2. DEPOSIT AND INVESTMENT RISK**

The trust indenture and the Commonwealth fiscal code, as amended, authorizes PENNVEST to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; certificates of deposit, fully insured or collateralized; certain commercial paper and repurchase agreements; highly rated bank promissory notes or investment funds or trusts; and “prudent man” investments as determined by PENNVEST’s depository (i.e. Commonwealth Treasury Department).

The majority of PENNVEST’s investments are invested in the Common Investment Pool of the Commonwealth which is managed by the Commonwealth’s Treasury Department (the “Treasury Department”).

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**2. DEPOSIT AND INVESTMENT RISK** (continued)

The deposit and investment policies of the Treasury Department are governed by Sections 301, 301.1 and 505 of the Pennsylvania Fiscal Code (Act of 1929 P.L. 343), and Section 321.1 of the Pennsylvania Administrative Code (Act of 1929 P.L. 177. No. 175).

Treasury deposits must be held in insured depositories approved by the Board of Finance and Revenue and must be fully collateralized. The Pennsylvania Fiscal Code grants the Treasury Department the authority to invest in any deposits and investments. This authority is subject, however, to the exercise of full judgment and care under the prevailing circumstances. Persons of prudence, discretion, and intelligence familiar with such matters in regard to the permanent disposition of the funds need to consider the probable income to be derived therefrom, as well as the probable safety of the capital.

The Treasury Department manages the Commonwealth Investment Program (“CIP”). The Treasury Department is required to exercise careful judgment in determining those investments that are appropriate for each Commonwealth fund based upon distinct investment criteria such as income needs, cash flow requirements, investment time horizons, and risk tolerance. All investments are made in accordance with the statutory authority described in the preceding paragraph. The CIP investment pool structure invests in both equity securities and fixed income securities to achieve the investment objectives of the funds of the CIP. Asset allocation targets among cash, equity securities, fixed income securities and alternatives are established in order to meet these overall objectives.

The Treasury Department has created two separate pools within the CIP, each with its own distinct investment strategies, goals, and holdings that reflect the differing needs of Commonwealth funds for income, cash flows, and investment risk tolerance. A highly liquid vehicle, Pool 99, consists of short-term fixed income and cash and provides a high degree of liquidity and security but only modest returns. A less liquid vehicle, Pool 198, allows for investment in assets that offer potentially higher returns with commensurate risk.

As of June 30, 2023 and 2022, PENNVEST’s investments, excluding securities lending balances (see below), held in the Commonwealth investment pools, were \$1,611,970 and \$1,459,921, respectively.

As of June 30, 2023 and 2022, PENNVEST also had bank balances of cash and cash equivalents in the amount of \$217,537 and \$369,827, respectively. These balances were collateralized with securities held by the pledging financial institution’s trust department or agent but not in the PENNVEST’s name.

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**2. DEPOSIT AND INVESTMENT RISK** (continued)

Securities Lending Program

The Treasury Department provides a securities lending program in which the various investments under custody of the Treasury Department participate. A contract between the Treasury Department and its custodian, acting as a lending agent, provides that the custodian lends securities owned by the participants to independent brokers, dealers and banks, acting as borrowers in exchange for collateral.

Lending agreements between the custodian and the borrowers require that the custodian receive collateral from the borrowers in exchange for the securities lent. Securities lent consist of both domestic and foreign equity securities and United States Treasury and foreign debt obligations. For securities lent which are not denominated in United States dollars or whose primary trading market is located outside the United States, the fair value of the collateral received must be at least 105 percent of the fair value of the securities lent. For all other securities lent, the fair value of the collateral received must be at least 102 percent. Practically all collateral received consists of cash. A small portion of collateral received consists of letters of credit, United States Treasury, and corporate and/or foreign debt obligations. Collateral is marked to market daily. Additional collateral from borrowers is required if the fair value of the collateral received declines below lending agreement requirements. The lending agent cannot pledge or sell collateral securities received unless the borrower defaults.

To the extent collateral received consists of cash, the lending agent may use or invest the cash in accordance with reinvestment guidelines approved by the Treasury Department. Either the participant or the borrower may terminate lending agreements on demand. Lending agreements are typically of very short duration – usually overnight. Therefore, the duration of lending agreements do not generally match the maturities of the investments made with cash collateral.

The resulting rate risk is mitigated by the lending agent’s ability to reallocate lending agreements among program participants.

The program requires that the lending agent indemnify the Treasury Department for all claims, liabilities, and costs resulting from the lending agent’s negligence or intentional misconduct.

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**2. DEPOSIT AND INVESTMENT RISK** (continued)

During the fiscal years ended June 30, 2023 and 2022, there were no failures by any borrower to return securities lent or pay distributions thereon. Also, there were no losses resulting from a lending agent or borrower default and there were no Treasury Department restrictions on the amounts of the loans that could be made.

As of June 30, 2023 and 2022, there was no Treasury Department or participant credit risk because the fair value of collateral received was not less than the fair value of the securities lent. As of June 30, 2023 and 2022, PENNVEST's portion of securities lending collateral within the Commonwealth Investment Pool was \$48,564 and \$35,397, respectively.

**3. FAIR VALUE MEASUREMENTS**

PENNVEST categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. There were no Level 1 or Level 3 investments as of June 30, 2023 and 2022.

PENNVEST has the following recurring fair value measurements:

- Level 2 – Commonwealth Investment Program Pool 99 (“Pool 99”) of \$643,833 and \$606,359, as of June 30, 2023 and 2022, respectively, were valued using a share-based valuation structure (net asset value). Pool 99 seeks to maintain a stable net asset value per share of \$1. Pool 99 performance is benchmarked against the yield on Merrill Lynch three-month United States Treasury Bill Index.
- Level 2 – Commonwealth Investment Program Pool 198 (“Pool 198”) of \$968,137 and \$853,562, as of June 30, 2023 and 2022, respectively, were valued using a share-based valuation structure (net asset value). Pool 198 is benchmarked to a blend of Standards and Poor's 500, Morgan Stanley Capital International All County World Index Ex-U.S., Barclays Capital U.S. Aggregate Bond, and Merrill Lynch 6-month U.S. Treasury Bill Indices.

PENNVEST has loans outstanding throughout the Commonwealth. The eleven largest loans amount to 15% and 16%, of gross loans receivable as of June 30, 2023 and 2022, respectively. The majority of loans are disbursed to municipal governments of the Commonwealth and are collateralized by a pledge of the general taxing powers of the municipal governments or revenue streams generated by the municipal governments.

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**4. LOANS RECEIVABLE**

PENNVEST currently provides loans for projects which are expected to lead to an effective solution to problems experienced with drinking water, wastewater treatment, or storm water systems. The term of loans is normally between 20 and 30 years. The minimum interest rate on a loan is 1.00%. Detailed guidelines are established in the PENNVEST Act for the maximum interest rate. The actual interest rates ranged from 1.00% to 4.04% as of June 30, 2023 and 2022.

As of June 30, 2023 and 2022, PENNVEST had approved approximately \$1,811,102 and \$1,265,593, respectively, of loan funds that had not yet been disbursed. The monies needed to fund these loans will be generated from contributions by the Federal government or the Commonwealth of Pennsylvania revenue bonds and principal repayments on existing loans.

Loans receivable, gross, as of June 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Current portion	\$ 192,640	\$ 185,664
Noncurrent portion	<u>2,555,647</u>	<u>2,481,288</u>
<b>Total loans receivable, gross</b>	<u><u>\$ 2,748,287</u></u>	<u><u>\$ 2,666,952</u></u>

**5. ALLOWANCE FOR LOAN LOSSES**

Changes in allowance for loan losses during years ended June 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 23,463	\$ 24,329
Write off	-	-
Recovery of loan losses	<u>(77)</u>	<u>(866)</u>
<b>Balance, end of year</b>	<u><u>\$ 23,386</u></u>	<u><u>\$ 23,463</u></u>

**6. REVENUE BONDS PAYABLE**

In June 2015, PENNVEST issued Revenue Bonds Series 2015A in the amount of \$65,000. The Bonds were issued at a premium of \$8,257. The proceeds of the bonds were used to pay at maturity on July 1, 2015 the aggregate principal amount of PENNVEST's Tax-Exempt Commercial Paper Revenue Notes, Series 2010A, plus accrued interest, and pay the costs of issuing the 2015 Bonds.

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**6. REVENUE BONDS PAYABLE (continued)**

In January 2018, PENNVEST issued State Revolving Funds (“SRF”) Bond Series 2018A in the amount of \$50,000. The Bonds were issued at a premium of \$8,387. The proceeds of the 2018 RF bonds, together with other available funds, was applied (i) to finance costs of certain wastewater and drinking water projects for governmental entities and other eligible borrowers pursuant to the PENNVEST Leveraged State Water Pollution Control Revolving Fund Program (Clean Water SRF Program) and the PENNVEST Leveraged State Drinking Water Revolving Fund Program (Drinking Water SRF Program), and (ii) to pay the costs of issuing the 2018 SRF Bonds.

Changes in revenue bonds payable for the fiscal years ended June 30, 2023 and 2022, are as follows:

Series	Balance as of July 1, 2022	Additions	Reductions	Balance as of June 30, 2023	Amounts Due within One Year
2015A Revenue Bonds	\$ 48,710	\$ -	\$ 2,856	\$ 45,854	\$ 3,000
2018A SRF Bonds	32,910	-	4,840	28,070	5,080
Bond Premium	10,382	-	1,254	9,128	-
<b>Total</b>	<u>\$ 92,002</u>	<u>\$ -</u>	<u>\$ 8,950</u>	<u>\$ 83,052</u>	<u>\$ 8,080</u>

Series	Balance as of July 1, 2021	Additions	Reductions	Balance as of June 30, 2022	Amounts Due within One Year
2015A Revenue Bonds	\$ 51,430	\$ -	\$ 2,720	\$ 48,710	\$ 2,855
2018A SRF Bonds	37,520	-	4,610	32,910	4,840
Bond Premium	11,636	-	1,254	10,382	-
<b>Total</b>	<u>\$ 100,586</u>	<u>\$ -</u>	<u>\$ 8,584</u>	<u>\$ 92,002</u>	<u>\$ 7,695</u>

Information regarding revenue bonds issued is presented below:

Year of Issue	Amount of Original Issue	Maturity	Interest Rate	Purpose
2015	\$ 65,000	2035	3.38% to 5.00%	To pay at maturity as of July 1, 2015, the Series 2010A Commercial Paper Revenue Notes, and to pay debt issuance costs.
2018	\$ 50,000	2028	5.00%	To finance costs of certain wastewater and drinking water projects.

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**6. REVENUE BONDS PAYABLE (continued)**

A summary of debt service requirements (payable semi-annually) as of June 30, 2023, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 8,080	\$ 3,456	\$ 11,536
2025	8,485	3,052	11,537
2026	8,910	2,627	11,537
2027	9,320	2,182	11,502
2028	9,750	1,716	11,466
2029-2033	20,150	4,437	24,587
2034-2035	9,229	556	9,785
<b>Total</b>	<u>\$ 73,924</u>	<u>\$ 18,026</u>	<u>\$ 91,950</u>

Under the terms of the debt issue described above, PENNVEST is required to maintain certain balances in restricted trust accounts, make timely payments to the trustee accounts, and pledge loans that provide cash flow necessary to service debt (short-term obligations and revenue bonds payable). The SRF trust indentures contain a provision that in an event of default of debt, outstanding amounts become immediately due if PENNVEST is unable to make payments.

**7. DUE TO THE COMMONWEALTH OF PENNSYLVANIA**

In April 2013, a Commonwealth bond issue was closed in which \$90,000, of bonds were issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were \$102,677, including a premium of \$12,677. The net proceeds received by PENNVEST will be repaid quarterly on January 1, April 1, July 1, and October 1 to the Commonwealth over a 20-year term with a 1% interest rate.

In October 2011, a Commonwealth bond issue was closed in which \$46,000, of bonds were issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were \$51,826, including a premium of \$5,826. The net proceeds received by PENNVEST will be repaid quarterly on February 1, May 1, August 1, and November 1 to the Commonwealth over a 20-year term with a 1% interest rate.

In June 2007, a Commonwealth bond issue was closed in which \$15,000, of bonds were issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were \$14,764, including a discount of \$196, and underwriters insurance costs of \$40. The net proceeds received by PENNVEST will be repaid semi-annually on May 1 and November 1 to the Commonwealth over a 20-year term with a 1% interest rate.

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**7. DUE TO THE COMMONWEALTH OF PENNSYLVANIA (continued)**

In December 2006, a Commonwealth bond issue was closed in which \$50,000, of bonds were issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were \$52,877, including a premium of \$2,937, and underwriters insurance costs of \$60. The net proceeds received by PENNVEST will be repaid quarterly on February 1, May 1, August 1, and November 1 to the Commonwealth over a 20-year term with a 1% interest rate.

In December 2005, a Commonwealth bond issue was closed in which \$50,000, of bonds were issued for PENNVEST loans under the 1988 and 1992 Referendums. Net Proceeds from the bonds were \$53,334, including a premium of \$3,413, and underwriters insurance costs of \$79. Of the net proceeds received by PENNVEST, \$24,727, was a contribution of capital that does not have to be repaid and \$28,607, must be repaid quarterly on February 1, May 1, August 1, and November 1 to the Commonwealth over a 20-year term with a 1% interest rate.

A summary of the required payments as of June 30, 2023 are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 13,677	\$ 504	\$ 14,181
2025	13,814	367	14,181
2026	13,953	228	14,181
2027	14,093	88	14,181
<b>Total</b>	<b>\$ 55,537</b>	<b>\$ 1,187</b>	<b>\$ 56,724</b>

**8. CAPITAL CONTRIBUTIONS**

The Commonwealth of Pennsylvania has authorized the issuance of a total of \$1,430,256, of general obligation bonds and appropriated the proceeds to PENNVEST for the improvement of water and sewer systems in the Commonwealth. Proceeds include \$230,256, approved by the electorate in 1981, \$300,000, approved by the electorate in 1988, \$350,000, approved by the electorate in 1992, \$150,000, under the provisions of P.L. 343No. 176 as authorized by the PENNVEST Act of 1988, and \$400,000, approved by the electorate in 2008. PENNVEST is authorized to utilize the proceeds for loans to borrowers. All but \$300,000 of the proceeds are considered to be revolving, as such, the principal and interest received on the loans are not required to be repaid to the Commonwealth. The balance of the proceeds, also used for loans to borrowers, ultimately received from the bond issues will require repayment as described in Note 7.

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**8. CAPITAL CONTRIBUTIONS (continued)**

PENNVEST has also received approval for \$1,904,519 and \$920,154, in Federal loan funds for water pollution control and drinking water, respectively, as of June 30, 2023. Of the \$1,904,519 and \$920,154, approved, \$1,830,395 and \$749,625, respectively, have been received as of June 30, 2023. For the period July 1, 2022 through June 30, 2023, \$45,895 and \$31,504 of Federal funds were received for water pollution control and drinking water, respectively. The State match for water pollution control and drinking water programs for the period July 1, 2022 through June 30, 2023, was \$16,217 and \$9,856, respectively. These funds have or will be utilized to make loans and the proceeds from repayments can be utilized to make new loans in the future.

The required cumulative State match for the disbursed Federal loan funds for water pollution control and drinking water as of June 30, 2023, was \$372,865 and \$156,212, respectively. As of June 30, 2023, \$372,865 and \$156,212, was the cumulative State match on disbursed loans for water pollution control and drinking water, respectively. All State match must be funded by the end of the award period.

The required cumulative State match for the disbursed Federal loan funds for water pollution control and drinking water as of June 30, 2022, was \$356,647 and \$146,357, respectively.

As of June 30, 2022, \$356,647 and \$146,357, was the cumulative State match disbursed on loans for water pollution control and drinking water, respectively. All State match must be funded by the end of the award period.

PENNVEST has been authorized by the PENNVEST Act to make grants to participants in the loan programs, if deemed necessary, to financially assist the community. As of June 30, 2023 and 2022, PENNVEST has authorized unfulfilled grant commitments of \$53,814 and \$33,533, respectively, remaining.

For the years ended June 30, 2023 and 2022, state capital contributions were \$34,728 and \$31,803, respectively. State funded grants disbursed to program participants of \$29,981 and \$21,517 are reported, for the years ended June 30, 2023 and 2022, respectively.

**9. RELATED-PARTY TRANSACTIONS**

PENNVEST contracts for services necessary to carry out its operations from various Commonwealth of Pennsylvania departments and agencies. PENNVEST paid the following departments and agencies for accounting services and loan project technical assistance during the fiscal years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Office of Comptroller Operations	\$ 314	\$ 258
Department of Environmental Protection	1,580	1,113

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**10. LITIGATION**

PENNVEST is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on PENNVEST's financial position.

**11. RETIREMENT BENEFITS**

**General Information about the Pension Plan**

Plan Description

Substantially all employees of PENNVEST participate in the Pennsylvania State Employees' Retirement System ("SERS"), a cost-sharing multiple-employer defined benefit pension plan established by the Commonwealth to provide pension benefits for employees of State government and certain independent agencies.

Membership in SERS is mandatory for most PENNVEST (and other State) employees. Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly. SERS issues a publicly available financial report that can be obtained at [www.sers.pa.gov](http://www.sers.pa.gov).

Benefits Provided

SERS provides retirement, death, and disability benefits. Member retirement benefits are determined by taking years of credited service, multiplied by final average salary, multiplied by 2%, and multiplied by class of service multiplier. PENNVEST employees participate in one of the following classes of service categories: Class A, Class AA, Class A-3 or Class A-4. According to the State Employees' Retirement Code ("SERC"), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Contributions

Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. In fiscal year 2017 and 2018, the Commonwealth paid the full actuarially required rate after being collared in previous years due to Act 2010-20.

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**11. RETIREMENT BENEFITS** (continued)

Contributions (continued)

Contributions to the pension plan from PENNVEST were \$1,018 and \$977, for the fiscal years ended June 30, 2023 and 2022, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

As of June 30, 2023 and 2022, PENNVEST reported a liability of \$10,651 and \$6,450, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. PENNVEST's proportion of the net pension liability was based on a projection of PENNVEST's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined.

As of December 31, 2022 and 2021, PENNVEST's proportion was 0.047 and 0.044 percent, respectively.

For the fiscal years ended June 30, 2023 and 2022, PENNVEST recognized pension expense of \$1,729 and \$732, respectively.

As of June 30, 2023 and 2022, PENNVEST reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2023	2022	2023	2022
Differences between expected and actual experience	\$ 155	\$ 43	\$ 30	\$ 37
Net difference between projected and actual investment earnings on pension plan investments	1,447	-	-	1,866
Changes in proportion	888	875	-	4
Changes in assumptions	718	664	-	-
Differences between PENNVEST contributions and proportionate share of contribution	15	21	21	15
PENNVEST contributions subsequent to measurement date	511	452	-	-
<b>Total</b>	<u>\$ 3,734</u>	<u>\$ 2,055</u>	<u>\$ 51</u>	<u>\$ 1,922</u>

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
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**11. RETIREMENT BENEFITS** (continued)

The \$511 and \$452, reported as deferred outflows of resources related to pension resulting from PENNVEST contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2023 and 2022, respectively. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2024	\$ 525
2025	785
2026	779
2027	1,053
2028	<u>30</u>
Total	<u>\$ 3,172</u>

Actuarial Assumptions

The following methods and assumptions were used in the December 31, 2021 and 2020, actuarial valuations. These methods and assumptions did not change from prior year and were applied to all periods included in the measurement:

Actuarial method	Entry age
Investment rate of return	6.875%, net of manager fees including inflation
Projected salary increases	Average of 4.55% with range of 3.30% -6.95% including inflation
Inflation	2.50%
Mortality rate	Projected PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement
Cost of living adjustments	Ad hoc

Some of the methods and assumptions mentioned above are based on the *19<sup>th</sup> Investigation of Actuarial Experience*, which was published in March 2016, and analyzed experience from 2015 through 2019. The Commonwealth's actuary made recommendations with respect to the actuarial assumptions and methods based on their analysis.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
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**11. RETIREMENT BENEFITS** (continued)

The long-term expected real rate of return on pension plan investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2022 and 2021, are summarized in the following table:

Asset Class	December 31, 2022		December 31, 2021	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Private Equity	16%	5.75%	12%	6.25%
Private credit	0%	0.00%	4%	4.25%
Real Estate	7%	5.12%	7%	5.60%
U.S. equity	31%	4.35%	31%	4.90%
International developed markets equity	14%	4.25%	14%	4.75%
Emerging markets equity	5%	4.65%	5%	5.00%
Fixed income- core	22%	-0.50%	22%	1.50%
Inflation protection (TIPS)	3%	1.00%	3%	1.50%
Cash	2%	-1.05%	2%	0.25%
<b>Total</b>	<b>100%</b>		<b>100%</b>	

Discount Rate

The discount rates used to measure the total pension liability were 6.875% and 7.000%, respectively, for 2022 and 2021 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary. Based on the assumptions, SERS fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active SERS members. Therefore, the long-term expected rate of return on SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**11. RETIREMENT BENEFITS** (continued)

Sensitivity of PENNVEST’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following schedule presents PENNVEST’s proportionate share of the 2022 and 2021 net pension liability calculated using the discount rate of 6.875% and 7.000%, respectively, for 2022 and 2021. It also shows what PENNVEST’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 5.875%	Current 6.875%	1% Increase 7.875%
Net Pension Liability as of December 31, 2022 (Measurement Date)	\$ 12,560	\$ 10,651	\$ 7,466
	1% Decrease 6.000%	Current 7.000%	1% Increase 8.000%
Net Pension Liability as of December 31, 2021 (Measurement Date)	\$ 10,125	\$ 6,450	\$ 5,512

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued SERS financial report.

**12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”)**

PENNVEST, through the Commonwealth’s Retired Employees Health Plan (“REHP”), provides healthcare as a post-employment benefit to its employees that qualify for this benefit when they retire. The REHP has been established under pertinent statutory authority.

General Information about the REHP

Plan Description and Administration

The REHP is a single employer defined benefit OPEB plan that includes Commonwealth agencies and some component units. The REHP is established as a trust equivalent arrangement for some Commonwealth agencies and component units. The REHP is administered by the Pennsylvania Employee Benefits Trust Fund (“PEBTF”), which acts as a third-party administrator under an administrative agreement with the Commonwealth. All policy decision types and levels of benefits for the REHP fall under the purview of the Commonwealth’s Executive Board, and the Secretary of Administration. The REHP does not have a governing board.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
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**12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”)**  
 (continued)

The REHP is reported in the Commonwealth’s ACFR as a Pension (and Other Employee Benefit) Trust. The REHP is reported using the economic resources measurement focus and the accrual basis of accounting. The ACFR is an audited financial statement and is available at [www.budget.pa.us](http://www.budget.pa.us).

Contributions

REHP employer contribution requirements are established by the Commonwealth Office of Administration and the Office of the Budget. PENNVEST contributed \$300/\$188 (not in thousands) per biweekly pay period for each REHP eligible active employee to REHP per the actuarial valuation report as of June 30, 2022 and 2021. Total contributions to the REHP were \$189 and \$203 for the years ended June 30, 2022 and 2021, respectively. These contributions are included in the determination of OPEB liability as of June 30, 2022, and 2021.

Benefits and Eligibility

The REHP covers retirees and their eligible dependents with medical and prescription drug plans. PENNVEST pays the insurance premiums for retirees with the exception of the following amounts received from the retiree:

<b>Retirement Date:</b>	<b>Retiree share of cost of benefits:</b>
Before July 1, 2005	Zero – PENNVEST pays full cost
July 1, 2005 to June 30, 2007	1% of final annual salary
July 1, 2005 to June 30, 2011	3% for non-Medicare and 1.5% for Medicare eligible retirees of either final gross annual base salary or final average salary, whichever is less
After June 30, 2011	3% for non-Medicare and 1.5% for Medicare eligible retirees final average salary

Employees who retire from PENNVEST at any age with 25 or more years of service are eligible to receive REHP benefits. In addition, employees who retire at or over age 60 with a minimum of 20 years of service are eligible for coverage under the REHP. Coverage under disability retirement requires five years of service. Spouses and dependents are eligible for subsidized postemployment medical coverage while the retiree is alive. Surviving spouses of deceased retirees may continue to participate in the plan if they pay the full cost of the coverage.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
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**12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”)**  
(continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

As of June 30, 2023 and 2022, PENNVEST reported a liability of \$4,230 and \$4,489, respectively, for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured by an actuarial valuation as of June 30, 2022 and 2021, with the exception that the census data information which was as of December 31, 2021 and 2020. PENNVEST’s proportion of the collective net OPEB liability was based on PENNVEST’s contractually required contributions to the REHP relative to the contractually required contributions of all employers participating in the REHP. As of June 30, 2022 and 2021, the measurement date, PENNVEST’s proportionate share was 0.04 percent.

For the years ended June 30, 2023 and 2022, PENNVEST recognized OPEB expense of \$1,260 and \$62, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (continued)

As of June 30, 2023 and 2022, PENNVEST reported deferred outflows and deferred inflows of resources related to OPEB from the following:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Differences between expected and actual earnings on plan investments	\$ 17	\$ -	\$ -	\$ 43
Differences between expected and actual experience	161	4	1,262	2,178
Changes in proportion	729	951	245	211
Changes in assumptions	383	547	780	630
PENNVEST contributions subsequent to measurement date	189	203	-	-
<b>Total</b>	<u>\$ 1,479</u>	<u>\$ 1,705</u>	<u>\$ 2,287</u>	<u>\$ 3,062</u>

Deferred outflows of resources related to OPEB resulting from PENNVEST’s contributions subsequent to the measurement dates, June 30, 2nd 2021, but prior to the reporting dates, June 30, 2023 and 2022, of \$189 and \$203, respectively, will be recognized as a reduction of the OPEB liability at reporting dates June 30, 2023 and 2022, respectively.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in the PENNVEST's OPEB expense as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2024	\$ (684)
2025	(260)
2026	(33)
2027	(72)
2028	52
Total	<u>\$ (997)</u>

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
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**12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”)**  
(continued)

Actuarial Methods and Assumptions

The following methods and assumptions were used in the June 30, 2022 and 2021, actuarial valuation.

Actuarial cost method	Entry age normal
Discount rate	4.67% as of June 30, 2022; 3.63% as of June 30, 2021 Based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date
Investment rate of return	6.75%
Initial medical trend rate	7.3% (non-Medicare)/6.3% (Medicare) as of June 30, 2022; 6.9% (non-Medicare)/6.7% (Medicare) as of June 30, 2021
Ultimate medical trend rate	3.90% and 4.00% as of June 30, 2021 and 2020, respectively
Inflation	2.50% and 2.60% as June 30, 2021 and 2020, respectively
Payroll growth	2.80%
Year ultimate trend rate reached	2075
Mortality rate	PUB-2010 Mortality Tables

The above actuarial assumptions were determined, in-part, based on the SERS experience studies performed periodically to determine reasonable and appropriate economic and demographic assumptions for purposes of valuing the defined benefit pension plan. The most recent SERS experience study covered the years 2015 through 2019 and was presented to the State Employees’ Retirement Board in July 2020. The approved recommendations from that study were used to determine the assumptions for the REHP valuation, where applicable.

One significant assumption where the recommendation of the experience study is not applicable to the retiree health benefit valuation is the discount rate. Since REHP has insufficient assets to meet next year’s projected benefit payments, as prescribed by GASB Nos. 74 and 75, the discount rate is based on the index rate for 20-year tax exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date. The Commonwealth elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 4.67% and 3.63% as of June 30, 2022 and 2021, respectively.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on REHP plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. Best estimates of arithmetic real rates of return for each major assets class included in the target asset allocation are summarized in the following table:

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**12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”) (continued)**

Long-term Expected Return on Plan Assets (continued)

<u>Asset Class</u>	<u>June 30, 2022</u>		<u>June 30, 2021</u>	
	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
U.S Equity	40%	5.1%	40%	5.1%
International Equity	27%	5.5%	27%	5.5%
Real Estate	8%	4.7%	8%	4.7%
Private Equity	0.5%	8.3%	0.5%	8.3%
U.S. Fixed Income	23%	1.6%	23%	1.6%
Cash Equivalent	1.5%	0.0%	1.5%	0.0%
<b>Total</b>	<b>100%</b>		<b>100%</b>	

Sensitivity of PENNVEST’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents PENNVEST’s 2023 and 2022 OPEB liability calculated using the discount rate of 4.67% and 3.63% %, respectively, as well as what PENNVEST’s OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease 3.67%</u>	<u>Current Discount Rate 4.67%</u>	<u>1% Increase 5.67%</u>
Total OPEB Liability as of June 30, 2023	\$ 564	\$ 4,230	\$ (475)
	<u>1% Decrease 2.63%</u>	<u>Current Discount Rate 3.63%</u>	<u>1% Increase 4.63%</u>
Total OPEB Liability as of June 30, 2022	\$ 3,945	\$ 4,489	\$ 5,144

Sensitivity of PENNVEST’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents PENNVEST’s 2023 OPEB liability calculated using the assumed trend rates of 7.83% / 6.4%, grading down to 3.9%, as well as what PENNVEST’s OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”) (continued)**

Sensitivity of PENNVEST’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (continued)

	1% Decrease 6.83%/5.4% <u>Down to 2.9%</u>	Current Trend 7.83%/6.4% <u>Down to 3.9%</u>	1% Increase 8.83%/7.4% <u>Down to 4.9%</u>
Total OPEB Liability as of June 30, 2023	\$ (576)	\$ 4,230	\$ 707

The following presents PENNVEST’s 2019 OPEB liability calculated using the assumed trend rates of 6.90% / 6.70% grading down to 4.00%, as well as what PENNVEST’s OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 5.90%/5.70% <u>Down to 3.00%</u>	Current Trend Rate 6.90%/6.70% <u>Down to 4.00%</u>	1% Increase 7.90%/7.70% <u>Down to 5.00%</u>
Total OPEB Liability as of June 30, 2022	\$ 3,818	\$ 4,489	\$ 5,327

**13. SUBSEQUENT EVENTS**

PENNVEST has evaluated subsequent events through October 18, 2023, the date which the financial report was available to be issued.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
 SCHEDULES OF PENNVEST'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM  
 PRIOR 10 FISCAL YEARS\*  
 (In Thousands Except for Percentages)

	2023	2022	2021	2020	2019	2018	2017	2016
PENNVEST's proportion of the collective net pension liability	0.04662621%	4.42571300%	0.04347820%	0.03924610%	0.03635722%	0.03530670%	0.03577823%	0.03585011%
PENNVEST's proportionate share of the collective net pension liability	\$ 10,651	\$ 6450	\$ 7,955	\$ 7,134	\$ 7,573	\$ 6,105	\$ 6,891	\$ 6,519
PENNVEST's covered-employee payroll	3,003	2,813	2,806	2,496	2,262	2,101	2,125	2,191
PENNVEST's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	354.68%	229.29%	283.50%	285.82%	334.79%	290.58%	324.28%	297.54%
Plan's fiduciary net position as a percentage of the total pension liability	61.50%	76.00%	67.00%	63.10%	56.40%	61.56%	57.80%	58.90%

\*The amounts presented for the fiscal year were determined as of the calendar year-end (12-31) that occurred within each fiscal year. PENNVEST adopted GASB 68 on a prospective basis in fiscal year 2015; therefore, only eight years are presented in the above schedule.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
 SCHEDULES OF PENNVEST'S CONTRIBUTIONS - PENSION  
 PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM  
 PRIOR 10 FISCAL YEARS\*  
 (In Thousands Except for Percentages)

	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 1,019	\$ 977	\$ 922	\$ 796	\$ 738	\$ 675	\$ 560	\$ 537
Contributions in relation to the contractually required contribution	(1,019)	(977)	(922)	(796)	(738)	(675)	(560)	(537)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PENNVEST's covered-employee payroll	\$ 3,003	\$ 2,813	\$ 2,806	\$ 2,496	\$ 2,262	\$ 2,101	\$ 2,125	\$ 2,191
Contributions as a percentage of covered-employee payroll	33.93%	34.73%	32.86%	31.89%	32.63%	32.13%	26.35%	24.51%

NOTES TO SCHEDULE:

Contributions rates are calculated as of December 31, for the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial valuation date: December 31,								
Actuarial cost method								
Amortization method								
Investment rate of return, net of manager fees including inflation	6.88%	7.00%	7.00%	7.13%	7.25%	7.25%	7.25%	7.50%
Projected salary increases	4.55%	4.60%	4.60%	5.60%	5.60%	5.60%	5.60%	5.70%
Asset valuation method								
Inflation	2.50%	2.50%	2.50%	2.60%	2.60%	2.60%	2.60%	2.75%
Mortality rate								
Cost of living adjustments	None							

\* PENNVEST adopted GASB 68 on a prospective basis in fiscal year 2015; therefore, only eight years are presented in the above schedule.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
 SCHEDULES OF PENNVEST'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 RETIRED EMPLOYEES HEALTH PLAN  
 LAST 10 FISCAL YEARS\*  
 (In Thousands Except for Percentages)

	2023	2022	2021	2020	2019	2018
PENNVEST's proportion of the collective net OPEB liability	0.042874%	0.043872%	0.038810%	0.037755%	0.039208%	0.040139%
PENNVEST's proportionate share of the collective net OPEB liability	\$ 4,230	\$ 4,489	\$ 4,930	\$ 3,846	\$ 5,644	\$ 7,899
PENNVEST's covered-employee payroll	1,796	1,826	1,682	1,507	1,603	1,874
PENNVEST's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	235.52%	245.84%	293.10%	255.21%	352.09%	421.50%
REHP fiduciary net position as a percentage of the total OPEB liability	5.90%	6.10%	3.70%	3.80%	2.20%	1.40%



PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
FEDERAL CLEAN WATER STATE REVOLVING LOAN FUND  
SCHEDULES OF NET POSITION  
JUNE 30, 2023 AND 2022  
(In Thousands)

	2023	2022
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 117,372	\$ 239,898
Investments	895,257	749,521
Investment - securities lending	21,681	14,902
Loans receivable	101,330	99,106
Accounts receivables, net	2,824	1,094
Accrued interest receivable	1,569	1,806
Due from Other PENNVEST Funds	-	40
Due from Commonwealth of Pennsylvania	188	711
Due from federal government	233	-
<b>Total Current Assets</b>	<b>1,140,454</b>	<b>1,107,078</b>
 <b>Noncurrent Assets:</b>		
Loans receivable	1,477,124	1,450,141
Allowance for loan losses	(12,279)	(12,378)
<b>Total Noncurrent Assets, net</b>	<b>1,464,845</b>	<b>1,437,763</b>
<b>TOTAL ASSETS</b>	<b>2,605,299</b>	<b>2,544,841</b>
 <b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	964	203
Due to Other PENNVEST Funds	42	37
Due to Commonwealth of Pennsylvania	708	618
Current portion of revenue bonds payable	3,251	3,097
Short-term obligations	-	-
Securities lending obligation	21,681	14,902
<b>Total Current Liabilities</b>	<b>26,646</b>	<b>18,857</b>
 <b>Noncurrent Liabilities:</b>		
Noncurrent revenue bonds payable, net	17,398	21,186
<b>Total Noncurrent Liabilities</b>	<b>17,398</b>	<b>21,186</b>
<b>TOTAL LIABILITIES</b>	<b>44,044</b>	<b>40,043</b>
 <b>NET POSITION</b>		
Restricted for Federal Clean Water State Revolving Loan Fund	2,561,255	2,504,798
<b>TOTAL NET POSITION</b>	<b>\$ 2,561,255</b>	<b>\$ 2,504,798</b>

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
 FEDERAL CLEAN WATER STATE REVOLVING LOAN FUND  
 SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEARS ENDED JUNE 30, 2023 AND 2022  
 (In Thousands)

	2023	2022
<b>Operating Revenues</b>		
Interest on loans receivable	\$ 18,311	\$ 18,589
Other federal grants	<u>22,062</u>	<u>-</u>
Operating revenues before provision for loan loss	40,373	18,589
Recovery for Loan Loss	<u>99</u>	<u>519</u>
<b>Net Operating Revenues</b>	<u>40,472</u>	<u>19,108</u>
<b>Operating Expenses</b>		
Administration	5,531	4,134
Other state and Federal "principal forgiveness" to program participants	<u>18,815</u>	<u>22,677</u>
<b>Total Operating Expenses</b>	<u>24,346</u>	<u>26,811</u>
<b>Operating Income (Loss)</b>	<u>16,126</u>	<u>(7,703)</u>
<b>Nonoperating Revenues (Expense)</b>		
Investment (loss) income	39,084	(34,839)
Interest and amortization expense	<u>(803)</u>	<u>(679)</u>
<b>Net Nonoperating Revenues</b>	<u>38,281</u>	<u>(35,518)</u>
<b>Capital Contributions</b>		
Other Federal and state	<u>62,050</u>	<u>75,698</u>
<b>Total Capital Contributions</b>	<u>62,050</u>	<u>75,698</u>
<b>Other Financing Uses</b>		
Transfer to Federal Drinking Water State Revolving Loan Fund	<u>(60,000)</u>	<u>-</u>
	<u>(60,000)</u>	<u>-</u>
<b>Increase in Net Position</b>	56,457	32,477
<b>Net Position- Beginning of Year</b>	<u>2,504,798</u>	<u>2,472,321</u>
<b>Net Position- End of Year</b>	<u>\$ 2,561,255</u>	<u>\$ 2,504,798</u>

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
FEDERAL CLEAN WATER STATE REVOLVING LOAN FUND  
SCHEDULES OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022  
(In Thousands)

	2023	2022
Cash Flows from Operating Activities:		
Loan receipts from borrowers	\$ 119,811	\$ 142,153
Grant receipts	22,062	-
Loan disbursements to borrowers	(132,726)	(119,387)
Payments for goods and services	(4,387)	(4,287)
Grants/"principal forgiveness" to program participants	<u>(18,815)</u>	<u>(21,639)</u>
Net Cash From Operating Activities	<u>(14,055)</u>	<u>(3,160)</u>
Cash Flows from Capital Financing Activities:		
Repayment of short term obligations	-	(30,356)
Repayment of bonds payable	(3,634)	(3,487)
Advance to Commonwealth of Pennsylvania	523	(322)
Payment of interest on bonds payable	(803)	(679)
Other Federal and state grants received	<u>62,050</u>	<u>75,698</u>
Net Cash from Capital Financing Activities	<u>58,136</u>	<u>40,854</u>
Cash flows from Non-Capital Financing Activities		
Transfer to Federal Drinking Water State Revolving Loan Fund	<u>(59,955)</u>	<u>40</u>
Net Cash from Non-Capital Financing Activities	<u>(59,955)</u>	<u>40</u>
Cash Flows from Investing Activities:		
Receipts from depositories	39,084	(34,839)
Net sales (purchases) of State Treasury Commonwealth Investment Pool	<u>(145,736)</u>	<u>2,021</u>
Net Cash from Investing Activities	<u>(106,652)</u>	<u>(32,818)</u>
(Decrease)/Increase in Cash and Cash Equivalents	(122,526)	4,916
Cash and Cash Equivalents, Beginning of Year	<u>239,898</u>	<u>234,982</u>
Cash and Cash Equivalents, End of Year	<u>\$ 117,372</u>	<u>\$ 239,898</u>
Reconciliation of operating income to net cash		
from operating activities:		
Operating income (loss)	\$ 16,126	\$ (7,703)
Adjustments to reconcile operating loss to net cash used in		
Recovery of loan losses	(99)	(519)
Effect of changes in non-cash operating assets and liabilities:		
Loan receivable, gross	(29,207)	5,699
Accounts receivables, net	(1,730)	(662)
Accrued interest receivable	237	(9)
Due from/to the Commonwealth of Pennsylvania	90	83
Due from/to Federal government	(233)	-
Accounts payable and accrued liabilities	<u>761</u>	<u>(49)</u>
Total adjustments	<u>(30,181)</u>	<u>4,543</u>
Net Cash from Operating Activities	<u>\$ (14,055)</u>	<u>\$ (3,160)</u>

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
FEDERAL DRINKING WATER STATE REVOLVING LOAN FUND  
SCHEDULES OF NET POSITION  
JJUNE 30, 2023 AND 2022  
(In Thousands)

	2023	2022
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 71,391	\$ 54,395
Investments	311,943	336,542
Investment-securities lending	11,606	8,591
Loans receivable	46,161	42,598
Accounts receivables, net	861	724
Accrued interest receivable	751	714
Due from Other PENNVEST Funds	-	25
Due from federal government	3,252	-
<b>Total Current Assets</b>	<b>445,965</b>	<b>443,589</b>
<b>Noncurrent Assets:</b>		
Loans receivable	592,108	540,901
Allowance for loan losses	(1,900)	(1,813)
<b>Total Noncurrent Assets, net</b>	<b>590,208</b>	<b>539,088</b>
<b>TOTAL ASSETS</b>	<b>1,036,173</b>	<b>982,677</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	286	79
Due to Other PENNVEST Funds	24	59
Due to Commonwealth of PA	3,449	435
Current portion of revenue bonds payable	1,829	1,742
Securities lending obligation	11,606	8,591
<b>Total Current Liabilities</b>	<b>17,194</b>	<b>10,906</b>
<b>Noncurrent Liabilities:</b>		
Noncurrent revenue bonds payable, net	9,786	11,917
<b>Total Noncurrent Liabilities</b>	<b>9,786</b>	<b>11,917</b>
<b>TOTAL LIABILITIES</b>	<b>26,980</b>	<b>22,823</b>
<b>NET POSITION</b>		
Restricted for Federal Drinking Water State Revolving Loan Fund	1,009,193	959,854
<b>TOTAL NET POSITION</b>	<b>\$ 1,009,193</b>	<b>\$ 959,854</b>

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
FEDERAL DRINKING WATER STATE REVOLVING LOAN FUND  
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022  
(In Thousands)

	<b>2023</b>	<b>2022</b>
<b>Operating Revenues</b>		
Interest and fee income on loans	\$ 8,806	\$ 8,639
Other Federal grants	<u>10,178</u>	<u>5,470</u>
Operating revenues before provision for loan loss	<b>18,984</b>	14,109
Provision (Recovery) for Loan Loss	<u>87</u>	<u>(27)</u>
<b>Net Operating Revenues</b>	<u><b>18,897</b></u>	<u>14,136</u>
<b>Operating Expenses</b>		
Administration	12,297	5,649
Other state and Federal "principal forgiveness" to program participants	<u>61,698</u>	<u>12,131</u>
<b>Total Operating Expenses</b>	<u><b>73,995</b></u>	<u>17,780</u>
<b>Operating Loss</b>	<u><b>(55,098)</b></u>	<u>(3,644)</u>
<b>Nonoperating Revenues (Expense)</b>		
Investment (loss) income	13,413	(20,431)
Interest and amortization expense	<u>(452)</u>	<u>(364)</u>
<b>Net Nonoperating Revenues</b>	<u><b>12,961</b></u>	<u>(20,795)</u>
<b>Capital Contributions</b>		
Other Federal and state	<u>31,476</u>	<u>30,249</u>
<b>Total Capital Contributions</b>	<u><b>31,476</b></u>	<u>30,249</u>
<b>Other Financing Sources</b>		
Transfer From Federal Clean Water State Revolving Loan Fund	<u>60,000</u>	-
	<u><b>60,000</b></u>	-
<b>Increase in Net Position</b>	<b>49,339</b>	5,810
<b>Net Position- Beginning of Year</b>	<u><b>959,854</b></u>	<u>954,044</u>
<b>Net Position- End of Year</b>	<u><b>\$ 1,009,193</b></u>	<u>\$ 959,854</u>

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
FEDERAL DRINKING WATER STATE REVOLVING LOAN FUND  
SCHEDULES OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022  
(In Thousands)

	2023	2022
Cash Flows from Operating Activities:		
Loan receipts from borrowers	\$ 51,261	\$ 56,974
Loan disbursements to borrowers	(96,833)	(70,068)
Payments for goods and services	(12,554)	(7,458)
Grants/"principal forgiveness" to program participants	(61,698)	(12,131)
Other Federal and state receipts	6,789	4,918
Net Cash from Operating Activities	(113,035)	(27,765)
Cash Flows from Capital Financing Activities:		
Repayment of bonds payable	(2,044)	(1,962)
Payments to Commonwealth of Pennsylvania	3,014	319
Payment of interest on bonds payable	(452)	(364)
Other federal and state grants received	31,476	30,249
Net Cash from Capital Financing Activities	31,994	28,242
Cash flows from Non-Capital Financing Activities		
Transfer from Federal Clean Water State Revolving Loan Fund	60,025	(25)
Net Cash from Non-Capital Financing Activities	60,025	(25)
Cash Flows from Investing Activities:		
Receipts from depositories	13,413	(20,431)
Net purchases of State Treasury Commonwealth Investment Pool	24,599	20,916
Net Cash from Investing Activities	38,012	485
Increase in Cash and Cash Equivalents	16,996	937
Cash and Cash Equivalents, Beginning of Year	54,395	53,458
Cash and Cash Equivalents, End of Year	\$ 71,391	\$ 54,395
Reconciliation of operating income to net cash from operating activities:		
Operating loss	\$ (55,098)	\$ (3,644)
Adjustments to reconcile operating loss to net cash used in (Recovery)/Provision of loan losses	87	(27)
Effect of changes in non-cash operating assets and liabilities:		
Loan receivable, gross	(54,770)	(23,528)
Accrued interest receivable	(37)	14
Due from/to Federal government	(3,252)	-
Accounts receivables, net	(137)	(552)
Accounts payable and accrued liabilities	172	(28)
Total adjustments	(57,937)	(24,121)
Net Cash from Operating Activities	\$ (113,035)	\$ (27,765)

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FUND SCHEDULES  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022  
(In Thousands)

**1. GENERAL**

The accompanying schedules present the activity for two of the five funds maintained by PENNVEST: the Federal Clean Water State Revolving Loan Fund, which accounts for the financial activity resulting from capitalization grants received from the Federal government under the State Revolving Loan Funds Program; and the Federal Drinking Water State Revolving Loan Fund which accounts for the financial activity resulting from grants received from the federal government under the State Revolving Loan Funds Program. The activity resulting from the Commonwealth of Pennsylvania capital contributed to PENNVEST, and the 2010 and 1990 trust funds have not been presented in the schedules except for the transactions with these two funds. The schedules have been presented to comply with contractual arrangements with the funding sources.

**2. BASIS OF ACCOUNTING**

The accompanying schedules are presented using the accrual basis of accounting, which is described in Note 1 of PENNVEST's financial statements.

**3. TRANSFER OF LOANS BETWEEN FUNDS**

When PENNVEST transfers a loan receivable between the funds identified above, the loan transfer is recorded in contributed capital and the provision for loan losses related to the transferred loans is reflected as an adjustment to net position.

**4. ALLOWANCE FOR LOAN LOSSES**

The allowance for loan losses was \$12,279 and \$1,900, for the Federal Clean Water State Revolving Loan Fund, and the Federal Drinking Water State Loan Fund, respectively, as of June 30, 2023, and \$12,378 and \$1,813, respectively, as of June 30, 2022.

**5. COMMITMENTS & CONTINGENT LIABILITIES**

As of June 30, 2023, PENNVEST had approved approximately \$857,344 and \$802,923 respectively, of Federal Clean Water and Federal Drinking Water loans that had not yet been disbursed. The monies needed to fund these loans will be generated from contributions by the federal government or the Commonwealth of Pennsylvania, revenue bonds, and principal repayments on existing loans.

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time, although PENNVEST expects such amounts, if any, to be immaterial.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
SCHEDULES OF DELINQUENT LOANS  
CLEAN WATER PROGRAM ON-LOT LOANS  
FEDERAL CLEAN WATER PROGRAM  
(UNAUDITED)

Federal Clean Water Program On-Lot Loans

<u>Loan Number</u>	<u>Delinquent Amount</u>	<u>Original Loan Balance</u>	<u>Loan Balance as of June 30, 2023</u>
1853514	\$ 97	\$ 14,412	\$ 59
3100351	3,822	21,596	14,633
3152287	94	19,016	13,210
3224698	124	25,000	18,677
3475605	313	21,138	18,163
3481348	124	25,000	21,290
3498243	97	19,590	16,535
3773876	247	25,000	20,113
3882016	70	14,250	13,951
3937356	124	25,000	12,877
	<u>\$ 5,111</u>	<u>\$ 210,002</u>	<u>\$ 149,508</u>

<u>Loan Number</u>	<u>Delinquent Amount</u>	<u>Original Loan Balance</u>	<u>Loan Balance as of June 30, 2022</u>
1239839	\$ 197	\$ 17,393	\$ 3,823
3100351	3,140	21,596	15,434
3127651	122	24,651	10,541
3133584	47	9,431	7,121
3256286	69	13,931	9,773
3281243	61	12,435	10,143
3285046	159	16,090	12,980
3297017	112	22,673	18,321
3358678	1,468	22,850	20,328
3325305	42	8,403	7,012
3680014	84	17,000	12,760
3753159	124	25,000	24,457
3773876	124	25,000	21,232
	<u>\$ 5,749</u>	<u>\$ 236,453</u>	<u>\$ 173,925</u>



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS' ON INTERNAL CONTROLS  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors  
Pennsylvania Infrastructure Investment Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pennsylvania Infrastructure Investment Authority (PENNVEST) a component unit of the Commonwealth of Pennsylvania, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2022.

***Report on Internal Controls over Financial Reporting***

In planning and performing our audit of the financial statements, we considered PENNVEST's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PENNVEST's internal controls. Accordingly, we do not express an opinion on the effectiveness of PENNVEST's internal controls.

*A deficiency in internal controls* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



**S B & COMPANY, LLC**  
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### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether PENNVEST's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Philadelphia, Pennsylvania  
October 18, 2023

*SB & Company, LLC*



# PENNVEST

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PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

333 Market Street, 18th Floor, Harrisburg, PA 17101  
[www.pennvest.pa.gov](http://www.pennvest.pa.gov)

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Appalachian Utilities, Inc. for a :  
Certificate of Public Convenience Evidencing the :  
Evidencing the Pennsylvania Public Utility : Docket No. A-2024-3046068  
Commission's Approval of the Transfer of 40% of :  
Outstanding and Issued Stock in Appalachian :  
Utilities, Inc. :

Joint Application of Pennsylvania-American :  
Water Company and Appalachian Utilities, Inc., :  
Pursuant to Section 1102 of the Public Utility :  
Code, for approval of (1) the transfer to American :  
Water Works Company, Inc., by merger, of all :  
property of Appalachian Utilities, Inc. used and :  
useful in the public service; (2) the transfer to : Docket Nos.  
Pennsylvania-American Water Company, : A-2024-3046084  
by merger, of all property of Appalachian : A-2024-3046092  
Utilities, Inc. used or useful in the public service, :  
(3) the right of Pennsylvania American Water :  
Company to begin to offer, render, furnish and :  
supply water service to the public in the Borough :  
of Avis and Townships of Pine Creek and :  
Dunnstable, Clinton County, Pennsylvania, and :  
(4) the abandonment by Appalachian Utilities, :  
Inc. of all water service :

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**DIRECT TESTIMONY OF  
MARCUS KOHL, ON BEHALF OF  
PENNSYLVANIA-AMERICAN WATER COMPANY  
PUBLIC VERSION**

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Date: July 11, 2024

PAWC Statement No. 1

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**DIRECT TESTIMONY OF  
MARCUS KOHL**

**INTRODUCTION**

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**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

**A.** My name is Marcus Kohl and my business address is 852 Wesley Drive, Mechanicsburg, PA 17055.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

**A.** I am employed by Pennsylvania-American Water Company (“PAWC” or the “Company”) as Director of Business Development.

**Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF BUSINESS DEVELOPMENT?**

**A.** I develop and maintain necessary contacts to stay abreast of new business opportunities. I manage the acquisition from initial contact, responding to Requests for Qualifications, Requests for Proposals, Requests for Bids, preparation of the Application for submission to the Pennsylvania Public Utility Commission (“Commission”) and I manage the workflows required to close the acquisition. These responsibilities necessitate that I maintain a working knowledge of regulatory and technical developments, recent technologies and current trends as they affect the water and wastewater utility industries, and that I be familiar with legislation, regulations and public policy affecting business opportunities.

1 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EDUCATION AND EXPERIENCE.**

2 **A.** I received my Bachelor of Science in Speech Communications from Millersville  
3 University in 2001. Prior to my role as Director of Business Development for PAWC, I  
4 served as the Director for Water Quality and Environmental Compliance. In that role, my  
5 primary responsibilities included the oversight of drinking water and wastewater  
6 compliance and reporting, which included aiding operations staff in the application of  
7 proper treatment techniques necessary to maintain compliance with applicable permits.  
8 Before joining PAWC, I served in various roles, including leadership positions, within the  
9 Pennsylvania Department of Environmental Protection (“PA DEP”). In my nearly 20 years  
10 with PA DEP, I held roles in the Office of Water Management, including participation in  
11 the development of policy, guidance, and regulations applicable to both drinking water and  
12 wastewater. Much of my career with PA DEP was in the role of Director for the  
13 Northcentral Region. In this capacity, I was responsible for all aspects of regulatory  
14 oversight for safe drinking water, clean water, waste management, air quality, waterways  
15 engineering and wetlands, and environmental cleanup and storage tanks programs within  
16 the 14-county region. In this capacity I supervised nearly 130 staff directly or indirectly.

17

18 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

19 **A.** Yes, I have testified in prior Commission proceedings. I provided rebuttal testimony in  
20 Docket Nos. R-2022-3031672 and R-2022-3031673. I also provided direct, rebuttal and  
21 rejoinder testimony in Docket Nos. A-2023-304418, A-2023-304419, A-2023-304421 and  
22 A-2023-3044422.

1 **DESCRIPTION OF THE APPLICATION**

2 **Q. PLEASE PROVIDE AN OVERVIEW OF THE APPLICATION (THE**  
3 **“APPLICATION”) THAT WAS JOINTLY FILED BY PAWC AND**  
4 **APPALACHIAN UTILITIES, INC. (“APPALACHIAN”) IN THIS MATTER.**

5 **A.** The Application was filed on February 2, 2024, by PAWC and Appalachian (together, the  
6 “Applicants”). The Application requests Commission approval of:

- 7 •
- 8 • the transfer to American Water Works Company (“American”) of all the  
9 capital stock of Appalachian and merger with AUI Acquisition Company, LLC  
10 (“Merger Sub”) of all property and rights of Appalachian used and useful in the  
11 public service in accordance with the Agreement and Plan of Merger (“Merger  
12 Agreement”);
  - 13 • The transfer to PAWC, by merger, of all the property and rights of Appalachian  
14 used and useful in the public service in accordance with the Merger Agreement;
  - 15 • PAWC’s right to begin to offer, render, furnish and supply water service in  
16 Appalachian’s service territory;
  - 17 • Appalachian’s abandonment, due to the merger of Appalachian into PAWC, of  
18 public utility service;
  - 19 • pursuant to 66 Pa. C.S. § 2102, approval of an arrangement with affiliated  
20 interests; and
  - 21 • issuance of any other approvals or certificates appropriate, customary, or  
22 necessary under the Pennsylvania Public Utility Code (“Code”)

23 For the sake of brevity, PAWC’s acquisition of Appalachian will be referred to as the  
24 “Transaction.”

25  
26 **DESCRIPTION OF TESTIMONY TO BE SUBMITTED IN SUPPORT OF THE**  
27 **APPLICATION**

28 **Q. PLEASE IDENTIFY THE OTHER PAWC WITNESSES WHO WILL BE**  
29 **PROVIDING WRITTEN DIRECT TESTIMONY AND THEIR SUBJECT**  
30 **MATTER AREAS.**

1 A. In addition to my direct testimony, PAWC will submit the written direct testimony of Mr.  
2 Michael J. Guntrum, P.E., a Senior Project Engineer for PAWC (PAWC Statement No. 2),  
3 and Ms. Ashley E. Everette, American Water Works Service Company, Senior Director of  
4 Rates and Regulatory (PAWC Statement No. 3).

5 Mr. Guntrum will describe engineering and environmental challenges associated  
6 with the Appalachian water system (the "System"). Mr. Guntrum will also support  
7 PAWC's technical fitness to operate the System, explain certain commitments and  
8 improvements to be made by PAWC, and other matters. Mr. Guntrum will also address  
9 the anticipated day-to-day operation of the System once it is acquired by PAWC, including  
10 staffing, and the customer service enhancements that PAWC intends to implement for the  
11 benefit of the System's customers.

12 Ms. Everette will address the initial rates, rules, and regulations for the System's  
13 customers as well as the impact of the acquisitions on PAWC's existing customers. Ms.  
14 Everette will also discuss the financing of the acquisitions and PAWC's overall financial  
15 fitness.

16  
17 **Q. WILL APPALACIAN ALSO SUBMIT DIRECT TESTIMONY IN SUPPORT OF**  
18 **THE APPLICATION?**

19 A. Yes. It is anticipated that Appalachian will introduce the testimony of Frank R. Sargent,  
20 Jr.

1 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**  
2 **PROCEEDING?**

3 **A.** My direct testimony describes the Transaction. I will explain why the Transaction is in the  
4 public interest and provides an affirmative public benefit of a substantial nature, and why  
5 the Transaction should be promptly approved by the Commission. I will also discuss why  
6 PAWC is legally, financially, and technically fit to acquire and operate the System.

7  
8 **DESCRIPTION OF THE TRANSACTION**

9 **Q. PLEASE PROVIDE AN OVERVIEW OF THE MERGER AGREEMENT.**

10 **A.** American, Merger Sub, Appalachian, and Frank R. Sargent, Jr., as sole shareholder of  
11 Appalachian, entered into the Merger Agreement on September 22, 2023, by which  
12 American will acquire Appalachian through a two-step process: (1) first, the statutory  
13 merger of Merger Sub with and into Appalachian, with Appalachian as the surviving  
14 corporation (“Appalachian-Merger Sub Merger”), and (2) second, the statutory merger of  
15 Appalachian with and into PAWC, with PAWC as the surviving corporation (“PAWC-  
16 Appalachian Merger”). A copy of the Agreement and Plan of Merger is attached as  
17 **PAWC Exhibit MK-1 (CONFIDENTIAL).**

18 At the effective time of the Appalachian-Merger Sub Merger, all issued and  
19 outstanding shares of the capital stock of Appalachian shall be cancelled and extinguished  
20 and converted to the right to receive American Common Stock equal to the merger  
21 consideration identified in Article 2.7 of the Agreement. At the time of the -Appalachian-  
22 Merger Sub Merger closing, PAWC and Appalachian will be affiliated with each other.  
23 Both entities will be wholly-owned subsidiaries of American, a Delaware corporation. The  
24 Appalachian-Merger Sub Merger is authorized by the Business Corporation Law of 1988,

1 15 Pa. C.S. § 1101, *et seq.*, and pursuant to said act, a Statement of Merger will be filed  
2 with the Department of State.

3 Promptly following the Appalachian-Merger Sub Merger, Appalachian will be  
4 merged with and into PAWC, and PAWC will continue as the surviving corporation. The  
5 PAWC-Appalachian Merger is authorized by the Business Corporation Law of 1988, 15  
6 Pa. C.S. §1101, *et seq.*, and pursuant to said act, a Statement of Merger will be filed with  
7 the Department of State. The Applicants will advise the Commission of the effective date  
8 of the PAWC-Appalachian Merger. Appalachian will then cease to exist. [BEGIN

9 **CONFIDENTIAL]** [REDACTED]  
10 [REDACTED] [END CONFIDENTIAL]

11 **Q. AFTER CLOSING ON THE TRANSACTION, DOES PAWC INTEND TO**  
12 **OPERATE APPALACHIAN AS A WHOLLY OWNED SUBSIDIARY?**

13 **A.** No. Appalachian will ultimately be merged with and into PAWC, which will be the  
14 surviving corporation.

15  
16 **Q. TO THE BEST OF YOUR KNOWLEDGE, WHY DOES APPALACHIAN WANT**  
17 **TO SELL THE SYSTEM?**

18 **A.** Witnesses for Appalachian will discuss this in more detail in their testimony but based on  
19 my conversations with personnel from Appalachian, it is my understanding that the current  
20 owners wish to exit the business due to their desire to pursue other interests and due to the  
21 new and future regulatory challenges for water purveyors. As regulations become more  
22 complex and compliance with changing regulations more costly, ownership realized that a  
23 larger company is more capable to operate the System while investing the necessary capital

1 to provide reliable and compliant water service to its customers. The current ownership  
2 desired to exit the business and sell to a company that could be trusted to provide service  
3 to existing customers and handle the changing regulatory landscape.  
4

5 **Q. PLEASE PROVIDE A DESCRIPTION OF THE TRANSACTION NEGOTIATION**  
6 **PROCESS.**

7 **A.** In terms of the negotiation of the Merger Agreement, the negotiations were conducted over  
8 several months by PAWC and the owners of Appalachian. These were arm's length  
9 negotiations. PAWC is not an affiliate of Appalachian.  
10

11 **Q. PLEASE EXPLAIN THE RATES THAT WILL APPLY TO APPALACHIAN'S**  
12 **CUSTOMERS FOLLOWING THE CLOSING OF THE TRANSACTION.**

13 **A.** As will be explained more fully in the direct testimony of Ms. Everette, PAWC Statement  
14 No. 3, PAWC will incorporate Appalachian's rates into PAWC's water tariff as a separate  
15 rate zone. Appalachian's rates are currently comprised of a service charge based on the  
16 size of the customer's meter and a usage charge.

17 Immediately upon Closing, Appalachian's customers will be subject to PAWC's  
18 prevailing water tariff on file with the Commission with respect to miscellaneous fees and  
19 charges and rules and regulations for water service. Appalachian's customers will move  
20 to monthly billing from the bi-monthly billing model currently followed by Appalachian

1 **Q. DOES PAWC HAVE CAPITAL INVESTMENT AND OPERATIONAL PLANS**  
2 **FOR APPALACHIAN'S SYSTEM?**

3 **A.** Yes, my colleague, Mr. Guntrum, will discuss PAWC's capital investment plans in greater  
4 detail in his written direct testimony, PAWC Statement No. 2. Mr. Guntrum will also  
5 testify about the anticipated day-to-day operation of the System once it is acquired by  
6 PAWC.

7  
8 **Q. WILL PAWC BE ASSUMING ANY CONTRACTS WITH MUNICIPAL**  
9 **CORPORATIONS AS PART OF THE TRANSACTION?**

10 **A.** No.

11  
12 **BACKGROUND INFORMATION ON PAWC AND ITS SYSTEMS**

13 **Q. PLEASE PROVIDE AN OVERVIEW OF PAWC.**

14 **A.** PAWC, a subsidiary of American, is the largest regulated public utility corporation duly  
15 organized and existing under the laws of the Commonwealth of Pennsylvania, engaged in  
16 the business of collecting, treating, storing, supplying, distributing, and selling water to the  
17 public, and collecting, treating, transporting and disposing of wastewater for the public.  
18 Water and wastewater services are furnished by PAWC to the public in a service territory  
19 encompassing more than 418 communities in 37 counties. Overall, PAWC serves a  
20 combined population of over 2.4 million people across the Commonwealth and is  
21 American's largest subsidiary.

22 As of December 31, 2023, PAWC furnished water service to approximately  
23 683,201 customers in Pennsylvania.

1 PAWC currently employs approximately 1,150 professionals with expertise in all  
2 areas of water and wastewater utility operations, including engineering, regulatory  
3 compliance, water and wastewater treatment plant operation and maintenance, distribution  
4 and collection system operation and maintenance, materials management, risk  
5 management, human resources, legal, accounting, and customer service. PAWC has the  
6 expertise, the record of environmental compliance, the commitment to invest in necessary  
7 capital improvements and resources, and the experienced managerial and operating  
8 personnel necessary to provide safe and reliable water services to the residents of the  
9 service area.

10 PAWC takes pride in being a good corporate citizen by sponsoring and  
11 participating in local community events, providing environmental and firefighting support  
12 grants, offering the “H2O Help to Others Assistance Program” to help low-income  
13 customers pay their bills, and supporting economic growth through infrastructure  
14 improvements in the communities served by PAWC. In 2023, PAWC donated more than  
15 \$1,490,000 to organizations in the communities it serves through grants, scholarships, and  
16 general charitable giving across 390 organizations across Pennsylvania. Also in 2023,  
17 PAWC’s annual contributions for hardship fund grants to income-eligible water and  
18 wastewater customers were \$625,000 and \$125,000, respectively.

19 During the 2023 calendar year, grants totaling \$1,089,958 for water customers and  
20 \$231,434 for wastewater customers were distributed. As a result, 3,144 water customers  
21 received an average hardship fund grant of \$347, and 594 wastewater customers received  
22 an average hardship grant of \$390.



1 As of February 2024, Appalachian furnished water service to approximately 1,456  
2 customers within Avis Borough, Pine Creek Township, and Dunstable Township in  
3 Clinton County, Pennsylvania.  
4

5 **DESCRIPTION OF THE SERVICE AREA**

6 **Q. PLEASE EXPLAIN THE WATER SERVICE AREA SOUGHT BY PAWC IN THE**  
7 **APPLICATION.**

8 **A.** PAWC is seeking the right to provide water service in the area shown on **PAWC Exhibit**  
9 **MK-2**. This is the same territory that is currently served by Appalachian. No municipal  
10 authority, corporation, partnership or individual other than the Appalachian System is now  
11 furnishing or has corporate or franchise rights to furnish service similar to that to be  
12 rendered by PAWC in this service area, and no competitive condition will be created.  
13

14 **PAWC IS LEGALLY, FINANCIALLY AND TECHNICALLY FIT**

15 **Q. DO YOU BELIEVE PAWC IS LEGALLY, FINANCIALLY AND TECHNICALLY**  
16 **FIT TO ACQUIRE AND OPERATE THE SYSTEM?**

17 **A.** Yes. I am advised by counsel that, as an existing public utility, PAWC is presumed to be  
18 legally, financially and technically fit. Nevertheless, I will explain why PAWC is legally,  
19 financially and technically fit to acquire and operate the System.  
20

21 **Q. PLEASE EXPLAIN WHY PAWC IS LEGALLY FIT TO ACQUIRE AND**  
22 **OPERATE THE SYSTEM.**

23 **A.** PAWC has a good history of complying with the Pennsylvania Public Utility Code  
24 (“Code”) and other applicable laws, including environmental laws. There are no pending

1 legal proceedings that would suggest that PAWC is not legally fit to provide service to  
2 customers of the System.

3  
4 **Q. PLEASE EXPLAIN WHY PAWC IS FINANCIALLY FIT TO ACQUIRE AND**  
5 **OPERATE THE SYSTEM.**

6 **A.** PAWC has a long-demonstrated history of financial stability. My colleague, Ms. Everette,  
7 will provide additional details on the financial health of PAWC and its ability to access  
8 capital. I have attached the audited internal balance sheet, as of December 31, 2023 for  
9 PAWC, as well as the audited income statement, as of December 31, 2023, for PAWC. I  
10 have attached these documents as **PAWC Exhibits MK-3 and MK-4**. Those documents  
11 show that PAWC had total assets of approximately \$7.3 billion as of December 31, 2023.  
12 Further, they show that PAWC had net income of approximately \$300 million for the 12  
13 months ending December 31, 2023. These figures are further demonstration that PAWC  
14 has the financial stability and wherewithal to acquire the System and operate it in the public  
15 interest.

16  
17 **Q. PLEASE EXPLAIN WHY PAWC IS TECHNICALLY FIT TO ACQUIRE AND**  
18 **OPERATE THE SYSTEM.**

19 **A.** As I discussed earlier, PAWC is engaged in the business of treating and storing,  
20 distributing, and providing drinking water to the public and collecting, treating,  
21 transporting and disposing of wastewater for the public. PAWC is the largest investor-  
22 owned water and wastewater utility in the Commonwealth of Pennsylvania and PAWC  
23 already has significant water and wastewater operations throughout Pennsylvania. PAWC

1 is experienced in undertaking and completing water and wastewater system acquisitions  
2 with public and private sector owners and successfully integrating those assets into our  
3 business operations. In fact, PAWC is often called upon by the Commission to step in and  
4 resolve troubled water and wastewater systems, resolving compliance issues and providing  
5 the excellent service that customers expect and deserve. Very recently, PAWC was granted  
6 receivership of the East Dunkard Water Authority by the Commission, taking over a  
7 troubled water system that was unable to maintain compliance and was under a Compliance  
8 Order by the PA DEP. Since taking over operation of the East Dunkard system, PAWC  
9 has implemented numerous changes resulting in improved water quality and more efficient  
10 operations. Other recent examples include the Winola Water Company, Delaware Sewer  
11 Company, Clean Treatment Sewage Company, Nittany Water Company, Wildcat Park  
12 Corporation, and the Sewer Authority of the City of Scranton. In all these examples,  
13 PAWC quickly improved the reliability and safety of those systems by investing the  
14 necessary capital to move the systems toward regulatory compliance. My colleague, Mr.  
15 Guntrum, will explain in greater detail in PAWC Statement No. 2, specifically how PAWC  
16 intends to operate the System once acquired.

17  
18 **THE TRANSACTION IS IN THE PUBLIC INTEREST**

19 **Q. DO YOU BELIEVE THE TRANSACTION AFFIRMATIVELY BENEFITS THE**  
20 **PUBLIC IN A SUBSTANTIAL WAY?**

21 **A.** Yes. The sale of Appalachian to a capable company such as PAWC ensures that the current  
22 customers of Appalachian continue to receive quality service into the future. The owners  
23 of Appalachian desire to exit the business due, at least in part, to the increasing regulatory  
24 complexity required to provide public water. New federal and state regulations continue

1 to be promulgated, requiring more attention and specialization. These challenges are  
2 difficult to overcome without sufficient staffing and expertise, and Appalachian only has 3  
3 employees. Appalachian would have to add this expertise and may struggle to do so due  
4 to the challenge of hiring and maintaining individuals in an area of the state with a relatively  
5 small population. PAWC already has this expertise.

6 Without a sale, Appalachian may be forced to rely on outside contractors, subject  
7 to availability and pricing, for day-to-day operations, repairs and equipment upgrades.

8  
9 **Q. PLEASE EXPLAIN WHY YOU BELIEVE THAT SELLING THE SYSTEM TO**  
10 **PAWC WOULD AFFIRMATIVELY BENEFIT THE PUBLIC IN A**  
11 **SUBSTANTIAL WAY.**

12 **A.** I am advised by counsel that a transaction provides an affirmative public benefit if the  
13 benefits of the transaction outweigh the detriments of the transaction. I am further advised  
14 that, when looking at the benefits and detriments of a transaction, the focus must be on all  
15 affected parties, not just the customers of Appalachian or PAWC. Nevertheless, a  
16 transaction does not need to yield net benefits to every individual in order to provide an  
17 affirmative public benefit.

18 Permitting PAWC to purchase Appalachian would have an affirmative public  
19 benefit because specific benefits are certain to flow from the Transaction if it is approved.  
20 In contrast, there are no material detriments due to the Transaction. Considering this fact,  
21 it is clear that the benefits of the Transaction would outweigh the detriments for all affected  
22 stakeholder groups. Consequently, the aggregate benefits of the Transaction would

1 obviously outweigh the lack of aggregate detriments of the Transaction for the public as a  
2 whole.

3 This is especially true when one considers what would happen if the Commission  
4 would disapprove the Transaction. As discussed above, selling the System is the best  
5 option for providing adequate, safe and reliable service to the System's customers going  
6 forward. While Appalachian is not currently struggling to provide compliant water, the  
7 reality is that the System's owner no longer wants to continue to own and operate the  
8 System. Owners that seek to proactively sell to ensure that their customers are provided  
9 with the highest level of service should be both promoted and commended as they are doing  
10 exactly what the Commission, the OCA and the OSBA should want - ensuring their  
11 customers continue to receive a necessary public service by a company that is capable and  
12 interested in providing said service.

13 Owners may seek to sell for a variety of reasons such as the realization that  
14 regulatory complexity has progressed so much that they cannot in good faith be confident  
15 they can continue to provide compliant service over the long term, they may be of an age  
16 where they are not capable of continuing to run the business due to personal health  
17 challenges, or they may have other reasons. Regardless, the Commission should allow the  
18 System to be sold now, when the Transaction can occur in an orderly fashion, rather than  
19 waiting until service declines.

20  
21 **Q. PLEASE DESCRIBE THE PARTIES THAT WILL BE AFFECTED BY THE**  
22 **TRANSACTION.**

1 A. There are five relevant stakeholder groups that will be affected by the Transaction: the  
2 public-at-large (all residents of the Commonwealth, whether or not they are customers of  
3 PAWC or Appalachian), the Sellers of the System (as defined later in my testimony), the  
4 existing customers of the System, the Buyer of the System, and the existing customers of  
5 the Buyer.

6

7 **Q. PLEASE EXPLAIN HOW THE BENEFITS OF THE TRANSACTION**  
8 **OUTWEIGH THE DETRIMENTS FOR THE PUBLIC-AT-LARGE.**

9 A. I do not see that the Transaction has any material detriments for the public-at-large, but it  
10 has significant benefits for the public-at-large. Consequently, I think it is clear that the  
11 Transaction would benefit the public-at-large.

12 One benefit of the Transaction for the public-at-large is that the Transaction would  
13 promote the Commission's stated goal of consolidating and regionalizing water systems.  
14 52 Pa. Code § 69.721. In business and finance, "To consolidate (consolidation) is to  
15 combine assets, liabilities, and other financial items of two or more entities into one."<sup>1</sup> The  
16 Transaction promotes consolidation by combining two public utilities into one. This  
17 Transaction also promotes regionalization because the System is located near two existing  
18 PAWC operations, Nittany and Boggs, adding valuable scale to the area. Both current  
19 PAWC water systems are groundwater systems. Having these similar facilities nearby  
20 allows us to operate the systems efficiently, sharing resources and expertise easily. A  
21 regionalized system provides for additional staffing and equipment generally, and in the  
22 event of emergencies such as a main break, will allow for faster resolution.

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<sup>1</sup> <https://www.investopedia.com/terms/c/consolidate.asp>

1 Consolidation is in the public interest because it reduces costs. As I will explain in  
2 greater detail later in my testimony, some examples of the benefits of consolidation include  
3 reduced costs for equipment and materials and compliance monitoring. In addition to cost  
4 reductions, PAWC handling of laboratory analysis in-house will provide faster results and  
5 greater control of samples from collection to final results reporting. Also, as regulated  
6 public utilities, PAWC and Appalachian each must have tariffs and each must file annual  
7 reports and other Commission-required filings on a regular basis. If the Transaction is  
8 approved, water service to customers of Appalachian would be provided under the rules  
9 and regulations of PAWC's tariffs, and reporting requirements would be fulfilled by  
10 PAWC rather than separate reports being filed by PAWC and Appalachian. This will  
11 eliminate redundant costs for utility customers. It will also conserve resources for the  
12 Commission, which will no longer need to review filings from two separate public utilities.

13 Another benefit of the Transaction for the public-at-large is that the Transaction  
14 would provide significant environmental benefits. Mr. Guntrum discusses the  
15 environmental benefits of the Transaction in detail in his direct testimony. He also  
16 demonstrates that these benefits would not occur if the Transaction is disapproved.

17 I am advised by counsel that the Environmental Rights Amendment, PA. CONST.  
18 art. I, § 27, states: "The people have a right to clean air, pure water, and to the preservation  
19 of the natural, scenic, historic and esthetic values of the environment." The environmental  
20 benefits of the Transaction are not just benefits to the customers of the System; they  
21 promote the environmental rights of all residents of the Commonwealth.

1 **Q. PLEASE EXPLAIN HOW THE BENEFITS OF THE TRANSACTION**  
2 **OUTWEIGH THE DETRIMENTS FOR THE SELLERS.**

3 **A.** I do not see that the Transaction has any material detriments for the current owners of  
4 Appalachian (the "Sellers"), but the Transaction has significant benefits for the Sellers.  
5 Consequently, it is clear that the Transaction would produce net benefits for the Sellers.

6 The Sellers would benefit from the Transaction because they would receive the  
7 proceeds of the Transaction. In addition, the owners would be able to exit the water  
8 industry in Pennsylvania as they desire and sell the company to a capable utility that will  
9 provide quality service to existing customers in the long-term.

10  
11 **Q. PLEASE EXPLAIN HOW THE BENEFITS OF THE TRANSACTION**  
12 **OUTWEIGH THE DETRIMENTS FOR THE EXISTING CUSTOMERS OF THE**  
13 **SYSTEM.**

14 **A.** Let me begin by discussing the detriments of the Transaction for the existing  
15 customers of the System (the "Appalachian Customers"). The primary detriment is the risk  
16 of an increase in rates that they could experience as a result of the Transaction. This case  
17 is not a Section 1329 acquisition. Consequently, the rate base attributable to the  
18 Transaction will not be decided in this proceeding (nor will it be decided in PAWC's on-  
19 going rate case, because Appalachian is not included in that rate case). This is only one  
20 reason why the risk of an increase in rates is speculative. Another reason is that the  
21 Commission has numerous tools at its disposal to ensure that rates to Appalachian  
22 Customers will continue to be just and reasonable in the future. Finally, in discussions  
23 with Appalachian, they have made it clear that should they not sell, they are likely to seek

1 a rate increase through the Commission. The last rate increase for Appalachian was in  
2 2016.

3 Therefore, it is likely that, regardless of the sale of the System, customers of  
4 Appalachian will experience an increase in rates. Given the smaller number of customers  
5 that would share the burden of capital improvements driven by increasingly stringent  
6 regulations and aging infrastructure necessitating investment in the System, it is possible  
7 that those rates would be higher in the scenario where a sale does not occur.

8 What is certain in this case is that rates to Appalachian Customers will not increase  
9 immediately as a result of the Transaction. PAWC will adopt Appalachian's rates at  
10 Closing.

11 The customers of Appalachian are certain to receive a large number of benefits  
12 from the Transaction. The Appalachian System will become part of a larger organization  
13 that is viable from a costs and rates standpoint and is committed to providing improved  
14 service in the future. Any necessary improvements to the System can be completed within  
15 a reasonable period of time, without adversely affecting service to PAWC's existing  
16 customers.

17 Let me be more specific about the benefits that will flow from this particular  
18 Transaction. The Transaction will benefit the Appalachian Customers financially because  
19 those customers will become part of a system with a large customer base, allowing them  
20 to share the costs of system improvements with many other customers. Customers of small  
21 systems are constantly exposed to the risk of rate spikes in the event of a significant expense  
22 for the system. This is more than just a hypothetical possibility for the customers of  
23 Appalachian; a significant expense could be required due to new regulatory requirements

1 such as revisions to the Lead and Copper Rule and newly established limits for per—and  
2 polyfluoroalkyl substances (“PFAS”) in Pennsylvania. It is worth noting that the  
3 Environmental Protection Agency (“EPA”) recently finalized more stringent limits than  
4 those established by the PA DEP. The Transaction will significantly reduce this risk of  
5 rate spikes to Appalachian Customers.

6 The Transaction will also benefit Appalachian Customers financially because low-  
7 income customers will become eligible for PAWC’s low-income assistance programs.  
8 According to available census data, approximately 12.9% of the population within Clinton  
9 County are living in poverty and will possibly be eligible for assistance under the program.  
10 Appalachian does not have a low-income assistance program. Ms. Everette and Mr.  
11 Guntrum provide information about PAWC’s low-income assistance programs in their  
12 Direct Testimony.

13 The Transaction will also benefit the Appalachian Customers financially because  
14 PAWC will be able to operate the System more efficiently. The integration, by acquisition  
15 and merger, of the Appalachian System and PAWC’s existing operations creates  
16 opportunities for functional and operational consolidation, and associated efficiencies and  
17 cost savings. Examples of cost savings include reductions in compliance monitoring costs  
18 through our centralized lab. Other examples include:

- 19 • PAWC’s ability to obtain supplies (such as mains, treatment chemicals and  
20 purchased power costs (electricity, natural gas and diesel fuel)) at lower  
21 rates because PAWC is able to buy in bulk;
- 22 • PAWC’s ability to move equipment (such as emergency generators,  
23 portable pumps, excavating equipment, and vacuum-jetter trucks) around  
24 its system, whereas the System currently must buy or rent any equipment it  
25 needs;

- PAWC’s staffed engineering department allows it to perform planning, design construction management services internally rather than contracting the work out at higher cost to consulting engineers; and
- PAWC maintains a local state accredited laboratory for Coliform which reduces costs and allows for quicker turnaround in boil water situations, benefitting the customers by ensuring that safe water is available sooner than it might have otherwise been.

In addition, Appalachian Customers will benefit from improved service as a result of the Transaction. As noted above, PAWC can use its centralized laboratory to perform laboratory analyses in-house. This saves time as well as money. The improved timeliness of sample reporting allows for better management of the System and an improved ability to manage treatment to ensure compliance with permitting requirements. PAWC has a robust monitoring and reporting process that helps to ensure all monitoring and reporting requirements are met. Appalachian has had violations related to monitoring and reporting in the past. PAWC will greatly reduce monitoring and reporting violations, which ensures water quality and improves customer confidence. In some cases, Appalachian has been unable to proactively maintain the System to ensure reliability for customers.

PAWC also will make significant improvements related to one of the entry points of the System. Specifically, PAWC intends to make a major improvement and modernization to disinfection residual times and add continuous monitoring and a sample station. Currently, daily samples are taken (this is permissible per PA DEP’s rules) which only reflect disinfection levels at that point in time. Continuous monitoring will ensure that disinfection levels are constantly monitored and provide a higher level of identifying and more quickly reacting should levels fall below regulatory requirements. Continuous monitoring will also result in cost savings as Appalachian’s current grab samples practice must be taken daily, requiring overtime for existing employees. The addition of additional

1 contact time in front of the entry point will also allow for the connection of a new customer  
2 currently served by a private well. Thus, the acquisition, accompanied by SCADA  
3 improvements, will allow for the remote monitoring of the System 24/7 as opposed to the  
4 existing practice of using site alarms.

5 Additional service improvements will result from capital improvements that  
6 PAWC will make in the System. For example, through its distribution system  
7 improvement charge (“DSIC”) program, PAWC will replace mains at a faster rate than  
8 Appalachian currently replaces mains. Replacing mains more quickly will enhance the  
9 reliability of service and reduce interruptions in service. Replacing mains more quickly  
10 will also reduce the amount of Appalachian’s non-revenue water. Appalachian’s non-  
11 revenue water is approximately 20% -- close to the level that the Commission considers  
12 excessive. Improving the distribution systems further will ensure non-revenue water  
13 remains at an acceptable level.

14 PAWC will also ensure that uninterrupted power is available to critical  
15 infrastructure. This upgrade will help improve system reliability and meet established  
16 regulatory requirements. Appalachian does not currently plan to improve system reliability  
17 related to power outages. [OBJ]

18 PAWC will also improve service by improving the safety and security of the  
19 System. Recently, several Pennsylvania water providers were victimized by separate cyber  
20 incidents,<sup>2</sup> which serves as a reminder of the importance of security at utility systems.

21 Several of the System’s facilities have security concerns. PAWC will bring the System

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<sup>2</sup> <https://www.wnep.com/article/news/state/water-authority-hacked-pennsylvania-cybersecurity-warnings-federal-security-officials/523-1b311bd6-5f7c-416e-ac80-975e1a1447e1>; <https://mywater.veolia.us/veolia-responds-cyber-incident>

1 into compliance with PAWC’s security standards. In addition, PAWC will bring the  
2 System into compliance with PAWC’s safety standards (which will also benefit PAWC by  
3 reducing the risks of injury to its employees).

4 PAWC will also improve service to customers by providing an enhanced ability to  
5 comply with increasingly strict laws and regulations. For example, PAWC is better able  
6 than Appalachian to ensure compliance with the recent revision of the Lead and Copper  
7 Rule, including the required lead service line inventory. Appalachian, due to its limited  
8 staff, does not have the expertise, particularly GIS expertise, in-house to complete the  
9 required lead service line inventory and public facing map of service line materials.  
10 Instead, should the Transaction not be approved, Appalachian is likely to submit an  
11 inventory that lacks information on a majority of service line materials and be slower to  
12 determine the “unknown” service lines within the System.

13 PAWC is well positioned to meet all requirements of 25 Pa Code § 109.202(a)(4)  
14 related to maximum contaminant levels for PFAS. Sampling requirements began in 2024  
15 and PAWC’s central lab is accredited to analyze compliance samples. Appalachian is  
16 currently using an outside lab at considerable expense.

17 PAWC will also improve service to Appalachian’s Customers through PAWC’s  
18 enhanced and proven customer service. Mr. Guntrum discusses these customer service  
19 enhancements in more detail in PAWC Statement No. 2. I will just note that these  
20 enhancements include, but are not limited to, extended customer service and call center  
21 hours, enhanced customer information and educational programs and access to PAWC’s  
22 customer assistance program.

1           Additionally, through community giving, partnerships and volunteering, PAWC  
2 demonstrates its commitment to programs that address community-specific needs. One  
3 example is PAWC's H2O – Help to Others Program, which for more than twenty-five years  
4 has assisted low-income customers. Ms. Everette will provide more details about this  
5 program in her testimony. PAWC Statement No. 3.

6  
7 **Q. PLEASE EXPLAIN HOW THE BENEFITS OF THE TRANSACTION**  
8 **OUTWEIGH THE DETRIMENTS FOR PAWC (THE BUYER OF THE SYSTEM).**

9  
10 **A.** I do not see that the Transaction has any material detriments for PAWC as the Buyer of the  
11 System. For example, Ms. Everette states in her Direct Testimony that the Transaction is  
12 not expected to have a negative impact on PAWC's cash flows, credit ratings or access to  
13 capital, and therefore will not deteriorate in any manner PAWC's ability to continue to  
14 provide safe, adequate and reasonable service to its existing customers at just and  
15 reasonable rates. In contrast, the Transaction has significant benefits for PAWC(discussed  
16 below). Consequently, I think it is clear that the Transaction would benefit the Buyer.

17           PAWC would acquire an additional system near existing small service territories at  
18 a very reasonable price per customer. The Company would gain approximately 1,456  
19 additional water customers as a result of the Transaction. As a result, PAWC would be a  
20 larger, financially stronger and more stable public utility – which would ultimately benefit  
21 all current and future PAWC customers. **[BEGIN CONFIDENTIAL]** [REDACTED]

22 [REDACTED]

23 [REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED] [END CONFIDENTIAL]

**PAWC § 1102 TRANSACTION SINCE 2018**

<b>Date of Closing</b>	<b>System</b>	<b>Purchase Price</b>	<b>Customers</b>	<b>PP/C</b>
7/24/2019	Turbotville Water	\$635,000	330	\$1,900
7/24/2019	Turbotville Wastewater	\$365,000	318	\$1,100
10/27/2022	Foster Township Wastewater	\$3,750,000	456	\$8,200
6/21/2023	Creekside Water	\$171,580	78	\$2,200
Average				\$3,350

**Q. PLEASE EXPLAIN HOW THE BENEFITS OF THE TRANSACTION OUTWEIGH THE DETRIMENTS FOR THE CUSTOMERS OF PAWC.**

**A.** As discussed above, PAWC’s existing customers will benefit because the Transaction will make PAWC a larger, financially stronger and more stable company – which benefits all existing and future PAWC customers. Additionally, PAWC’s existing customers will benefit in the long-term because the Transaction will expand PAWC’s water customer base. By adding additional customers to the entire PAWC system, there are more customers to share future infrastructure investment costs. Increasing the number of customers promotes stable rates across the entire PAWC system. Customers who benefit from near-term improvements will one day help pay for improvements on behalf of other customers on other parts of the PAWC system. Being able to spread the costs of investing in and maintaining public water and wastewater systems over a growing customer base, particularly in a time of increased environmental requirements, is essential to the continued

1 success and longevity of water and wastewater systems and maintaining reasonable rates  
2 for customers.

3 Rates for PAWC's existing customers will not increase immediately as a result of  
4 the Transaction. The impact of the Transaction on rates for existing PAWC customers will  
5 be decided by the Commission in future rate proceedings. The outcome of those  
6 proceedings is highly speculative at this time, in part, because the increase in rate base due  
7 to the Transaction is unknown. In addition, as discussed above, the Commission has many  
8 tools available to it to ensure that rates to PAWC's customers remain just and reasonable.  
9 Considering the certainty of the benefits to PAWC's customers from the Transaction, and  
10 the uncertainty of the detriments to PAWC's customers from the Transaction, the  
11 Transaction yields a net benefit to this stakeholder group.

12  
13 **Q. CONSIDERING THE BENEFITS AND DETRIMENTS FOR ALL OF THE**  
14 **STAKEHOLDER GROUPS, DO YOU BELIEVE THE TRANSACTION WILL**  
15 **RESULT IN AN AFFIRMATIVE PUBLIC BENEFIT OF A SUBSTANTIAL**  
16 **NATURE?**

17 **A.** Yes. I believe the Transaction has a net benefit for each relevant stakeholder group.  
18 Therefore, I believe the net benefits of the Transaction outweigh the net detriments of the  
19 Transaction, considered as a whole.

20  
21 **CONCLUSION**

22 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

23 **A.** Yes. However, I reserve the right to supplement my testimony as additional issues or facts  
24 arise during the course of this proceeding. Thank you.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

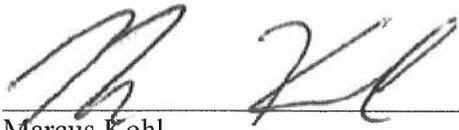
Application of Appalachian Utilities, Inc. for a :  
Certificate of Public Convenience Evidencing the :  
Evidencing the Pennsylvania Public Utility : Docket No. A-2024-3046068  
Commission's Approval of the Transfer of 40% of :  
Outstanding and Issued Stock in Appalachian :  
Utilities, Inc. :

Joint Application of Pennsylvania-American :  
Water Company and Appalachian Utilities, Inc., :  
Pursuant to Section 1102 of the Public Utility :  
Code, for approval of (1) the transfer to American :  
Water Works Company, Inc., by merger, of all :  
property of Appalachian Utilities, Inc. used and :  
useful in the public service; (2) the transfer to : Docket Nos.  
Pennsylvania-American Water Company, : A-2024-3046084  
by merger, of all property of Appalachian : A-2024-3046092  
Utilities, Inc. used or useful in the public service, :  
(3) the right of Pennsylvania American Water :  
Company to begin to offer, render, furnish and :  
supply water service to the public in the Borough :  
of Avis and Townships of Pine Creek and :  
Dunnstable, Clinton County, Pennsylvania, and :  
(4) the abandonment by Appalachian Utilities, :  
Inc. of all water service :

VERIFICATION

I, MARCUS KOHL, hereby state that the facts set forth in the Direct Testimony at PAWC Statement No. 1 and accompanying exhibits, if any, are true and correct to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: July 11, 2024

  
\_\_\_\_\_  
Marcus Kohl  
Director of Business Development  
Pennsylvania-American Water Company

**PAWC EXHIBIT MK-1 (CONFIDENTIAL)**

**PAWC EXHIBIT MK-2**

**PAWC Exhibit MK-2**

Pennsylvania-American Water Company  
Balance Sheet  
December 31, 2023  
(Dollars in thousands)

	PA American Water December 31, 2023 (Audited)	
<b>Assets</b>		
Cash and cash equivalents	\$	2,778
Other current assets		405,814
Total property plant and equipment		6,634,647
Regulatory assets & other L/T Assets		306,252
Total Assets	\$	<u>7,349,491</u>
Capitalization and liabilities		
Short Term Debt	\$	-
Current Portion of Long-term Debt		71,205
Other current liabilities		280,013
Total Long-term Debt		2,277,660
Regulatory & Other Long Term Liabilities		1,261,069
Stockholder's equity		3,223,481
Contributions in aid of construction		236,063
Total Capitalization and liabilities	\$	<u>7,349,491</u>

**PAWC EXHIBIT MK-3**

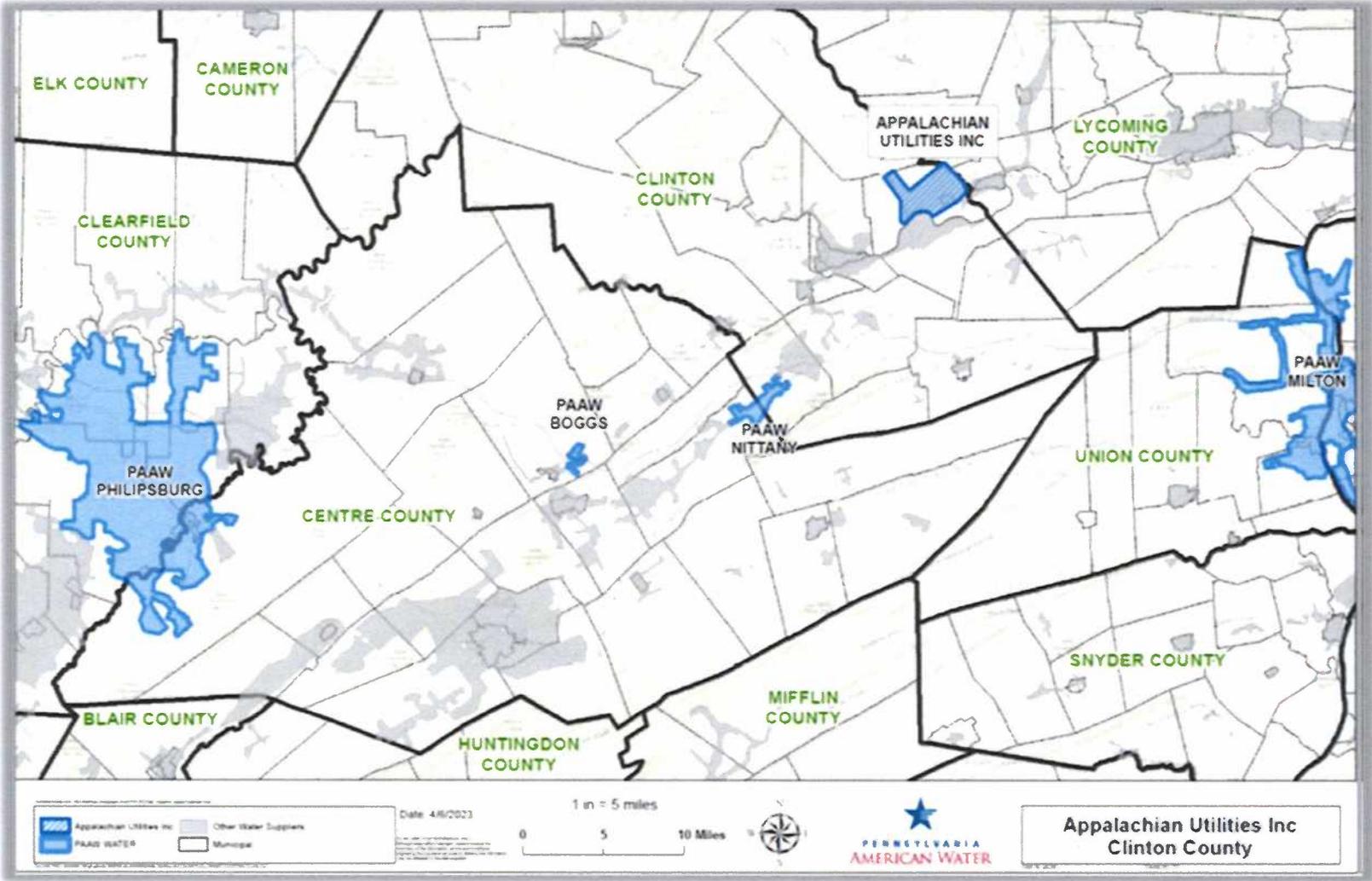
Pennsylvania-American Water Company  
Income Statement  
for the 12 Months Ended December 31, 2023  
(Dollars in thousands)

**PAWC Exhibit MK-3**

	PA American Water 12 Months Ended December 31, 2023 (Audited)
Operating Revenues	\$ 965,232
Operating Expenses	
Operation and Maintenance	286,743
Depreciation and Amortization	195,951
General Taxes and Other	17,297
Total Operating Expenses	499,991
Operating Income	465,241
Other Income/(Expenses)	
Other Income/(Expense), Net	16,136
Interest Expense, Net	(80,976)
Total Other Expenses	(64,840)
Income Before Income Taxes	400,401
Provision for Income Taxes	100,372
Net Income	\$ 300,029

**PAWC EXHIBIT MK-4**

Nearby PAWC Service Territories to Appalachian Utilities Inc.



**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Appalachian Utilities, Inc. for a Certificate of Public Convenience Evidencing the Pennsylvania Public Utility Commission’s Approval of the Transfer of 40% of Outstanding and Issued Stock in Appalachian Utilities, Inc.	Docket No. A-2024-3046068
--	------------------------------

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1102(a), for approval of (1) the transfer to American Water Works Company, Inc., by merger of all property of Appalachian Utilities Inc. used and useful in the public service; (2) the transfer to Pennsylvania- American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service.	Docket Nos.: A-2024-3046084 A-2024-3046092
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**REBUTTAL TESTIMONY OF  
MARCUS KOHL ON BEHALF OF  
PENNSYLVANIA-AMERICAN WATER COMPANY**

---

Date: August 30, 2024

PAWC Statement No. 1-R

**REBUTTAL TESTIMONY OF  
MARCUS KOHL**

**INTRODUCTION**

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**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

A. My name is Marcus Kohl and my business address is 852 Wesley Drive, Mechanicsburg,  
PA 17055.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am employed by PAWC<sup>1</sup> as Director of Business Development.

**Q. HAVE YOU SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

A. Yes, I submitted Direct Testimony identified as PAWC Statement No. 1.

**Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

A. My rebuttal testimony responds to the Direct Testimony of Morgan N. DeAngelo, who testified on behalf of the Office of Consumer Advocate (“OCA”). Specifically, I will address Ms. DeAngelo’s testimony regarding the affirmative public benefit test and the purchase price of the Transaction.

**REBUTTAL OF MORGAN N. DEANGELO’S DIRECT TESTIMONY**

**Q. DO YOU CONTINUE TO BELIEVE THAT AFFIRMATIVE BENEFITS WILL  
RESULT FROM THIS TRANSACTION FOR THE PUBLIC AT LARGE?**

---

<sup>1</sup> For ease of reference, capitalized terms and abbreviations used here are defined as set forth in my Direct Testimony, PAWC Statement No. 1.

1 A. Yes. In her testimony Ms. DeAngelo asserts that PAWC has not sufficiently established  
2 how this Transaction benefits the public-at-large, nor have we established how long it will  
3 take for these benefits to be achieved. I disagree with these assertions.

4 I am advised by counsel that the Commission has adopted a Statement of Policy promoting  
5 consolidation and regionalization. 52 Pa. Code Section 69.721. This Statement of Policy  
6 finds that benefits can be derived from the regionalization and consolidation of water and  
7 wastewater systems. I am unaware of any deadlines for those benefits to be derived.

8 The Direct Testimony of Mr. Guntrum outlines the System improvements that PAWC feels  
9 are necessary to ensure the reliability and safety of consumers (PAWC St. No. 2, pp.4-17;  
10 PAWC Exhibit MJG-3). A more reliable system, one that benefits from compliance with  
11 the obligations in the operations and maintenance program plan, benefits both the public-  
12 at-large and customers of the Appalachian System. When comparing the benefits of the  
13 Transaction to the *status quo* (which will continue if the Transaction is disapproved), the  
14 fact is that approval of the Transaction would promote the regionalization and  
15 consolidation of the water industry, whereas the disapproval of the Transaction would not.

16  
17 **Q. WOULD YOU PLEASE EXPLAIN HOW A STANDALONE SYSTEM CAN STILL**  
18 **SUPPORT THE COMMISSION'S POLICY OF PROMOTING**  
19 **REGIONALIZATION AND CONSOLIDATION?**

20 A. Ms. DeAngelo contends that an acquisition does not promote regionalization and  
21 consolidation where the system will not become interconnected. I disagree that systems  
22 must be interconnected for an acquisition to achieve the benefits of regionalization and  
23 consolidation.

1           In *Application of Pennsylvania-American Water Company for the Acquisition of*  
2           *the Borough of Brentwood's Wastewater System*, Docket No. A-2021- 3024058 (Opinion  
3           and Order entered March 4, 2024) p. 76, the Commission stated that the goal of  
4           regionalization and consolidation is not simply to acquire as many systems as possible, but  
5           to consolidate systems in a way that benefits customers. As discussed above, the  
6           Transaction will benefit customers by promoting the System's reliability and safety, even  
7           without an interconnection.

8           In addition, the benefits from shared management and resources include reducing  
9           costs overall. In part, this is due to shared staffing and equipment. It is PAWC's plan after  
10          closing to share staff among the Appalachian System and PAWC's nearby Nittany, Boggs  
11          and Milton systems. Equipment used throughout PAWC's systems will be used in the  
12          Appalachian System as needed, especially in emergency situations. PAWC's ability to  
13          utilize one centralized laboratory for sample processing will yield benefits, not only in  
14          timeliness for results, but also aid in ensuring compliant regulatory reporting. These and  
15          several other benefits associated with consolidation and regionalization are included in my  
16          Direct Testimony.

17  
18   **Q. IS PAWC SEEKING APPROVAL FROM THE COMMISSION FOR RECOVERY**  
19   **OF AN ACQUISITION ADJUSTMENT UNDER SECTION 1327 IN THIS**  
20   **APPLICATION?**

21   **A.** No. While in her testimony Ms. DeAngelo suggests that the benefits to the seller are not  
22          strong, she does so by noting that this is "because this transaction would require PAWC's  
23          consumers to pay for in rates the purchase price premium". (OCA St. No. 1, pp. 8-9). While

1 that might be true if PAWC elected to seek to recover the full purchase price as allowed  
2 under Section 1327, and the request was approved by the Commission, no such request  
3 has been made in the instant proceeding. Since PAWC has not yet determined whether it  
4 will even seek to recover an acquisition adjustment under Section 1327, Ms. DeAngelo's  
5 argument that the public benefits of the Transaction are "not strong support" is inaccurate  
6 at this time.

7 Further, I disagree with the general suggestion that the desire to exit the business  
8 by the owner of a utility is not a benefit. The current owners of Appalachian should be able  
9 to exit the business should they so desire. Increasing regulatory pressure and challenges in  
10 maintaining staff are challenges within the industry. These are challenges that larger  
11 companies such as PAWC are capable of handling. Owners that do not wish to take on  
12 those challenges should be able to turn their business over as long as the entity responsible  
13 for providing service is capable of doing so.

14  
15 **Q. IN HER TESTIMONY, MS. DEANGELO SUGGESTS THAT PAWC'S LEAD**  
16 **SERVICE LINE REPLACEMENT PROGRAM IS A SPECULATIVE BENEFIT,**  
17 **DO YOU AGREE?**

18 A. Not entirely. Ms. DeAngelo's point is that, should there not be lead lines present, then the  
19 replacement program is not a benefit; however, this argument does not take into account  
20 that achieving compliance with the Lead and Copper Rule Revision ("LCRR") itself is a  
21 benefit. The LCRR requires the development of an inventory, which is resource and time  
22 intensive. The LCRR requires that once developed, notifications be made to customers  
23 should their service line material be lead, galvanized requiring replacement or if the

1 material is unknown. The LCRR outlines more robust testing requirements and risk  
2 mitigation measures. All of these requirements are substantial and apply to systems of all  
3 sizes. PAWC has the expertise and established programs to comply – much more so than  
4 Appalachian does. Should lead service lines be identified, the benefit is enhanced by the  
5 existence of PAWC’s lead line replacement program.

6  
7 **Q. WILL CUSTOMER SERVICE BE ENHANCED IN OTHER WAYS THAN THE**  
8 **INCREASED METHODS FOR PAYMENT?**

9 A. Yes. These additional benefits are discussed in my Direct Testimony. For example,  
10 customer notification will be improved as a result of the Transaction. This is especially  
11 beneficial to customers in emergency situations. PAWC is much better equipped, both in  
12 terms of staffing and access to large scale communication tools, to provide notice and  
13 updates to customers in emergency situations.

14  
15 **Q. DO YOU AGREE WITH MS. DEANGELO’S SUGGESTION TO INCLUDE**  
16 **CONDITIONS RELATED TO RECOVERABILITY OF PURCHASE PRICE**  
17 **SHOULD THE TRANSACTION BE APPROVED?**

18 A. No. PAWC has not made a decision whether it will seek recovery of the full amount of the  
19 purchase price, or whether it will place the depreciated original cost of the System into  
20 rate base. I am advised by counsel that, if PAWC seeks recovery of the full purchase price  
21 pursuant to Section 1327, PAWC would be required to prove that certain criteria are  
22 satisfied, including whether the purchase price is reasonable. If the purchase price is not  
23 reasonable the Commission will not grant a Section 1327 acquisition adjustment for the

1 Transaction, and PAWC will place the depreciated original cost of the System into rate  
2 base. In that situation, PAWC's shareholders will have to fund the difference between the  
3 purchase price and the depreciated original cost. I should note that this is at least the third  
4 recent PAWC acquisition in which PAWC has not requested a Section 1327 acquisition  
5 adjustment, but the OCA has asked the Commission to impose a condition that would  
6 prevent PAWC from requesting a Section 1327 acquisition adjustment in a future base rate  
7 proceeding. The other proceedings are the *Joint Application of PAWC, the Manwalamink*  
8 *Water Company and the Manwalamink Sewer Company*, Docket Nos. A-2023-3044418 *et*  
9 *al.* and the *Joint Application of PAWC and the Audubon Water Company*, Docket Nos. A-  
10 2023-3043194. Apparently, the OCA has decided to ask the Commission to impose such  
11 a condition in every Section 1102 acquisition proceeding in which the purchase price is  
12 greater than the depreciated original cost. I should note that this is at least the third recent  
13 PAWC acquisition in which PAWC has not requested a Section 1327 acquisition  
14 adjustment, but the OCA has asked the Commission to impose a condition that would  
15 prevent PAWC from requesting a Section 1327 acquisition adjustment in a future base rate  
16 proceeding. The other proceedings are the *Joint Application of PAWC, the Manwalamink*  
17 *Water Company and the Manwalamink Sewer Company*, Docket Nos. A-2023-3044418 *et*  
18 *al.* and the *Joint Application of PAWC and the Audubon Water Company*, Docket Nos. A-  
19 2023-3043194. Apparently, the OCA has decided to ask the Commission to impose such  
20 a condition in every Section 1102 acquisition proceeding in which the purchase price is  
21 greater than the depreciated original cost.

22 The Commission should deny this condition, among other reasons, because it  
23 would be bad public policy. The OCA asks the Commission to rule that, if a utility does

1 not request a Section 1327 acquisition adjustment in an acquisition proceeding, the  
2 Commission can take away the utility's right to *ever* request a Section 1327 acquisition  
3 adjustment for that acquisition. Such a condition would be unreasonable as contrary to the  
4 law.

5 The consequences of such a ruling are clearly foreseeable – and clearly undesirable.  
6 Any utility that is even considering requesting an acquisition adjustment in the future will  
7 be forced to request Section 1327 treatment in the acquisition proceeding. This choice will  
8 lead to the litigation of many acquisition proceedings that would otherwise be uncontested,  
9 clogging the Commission's dockets.

10 Similarly, such a ruling would prevent an acquiring utility from pursuing the much  
11 more efficient approach of requesting Section 1327 treatment of several acquisitions in a  
12 single base rate case. Instead, the acquiring utility would need to litigate the issue in every  
13 acquisition proceeding. This result would not promote administrative efficiency.  
14 Moreover, the resulting increase in litigation expenses would be passed on to ratepayers.

15 The Commission should deny the OCA's requested condition because it will give  
16 rise to unnecessary litigation, which is not in the public interest. Instead, the Commission  
17 should trust the process that the Legislature created when it enacted Section 1327, which  
18 gives an acquiring utility the option of requesting an acquisition adjustment in the  
19 acquisition proceeding or a subsequent base rate case.

20 **CONCLUSION**

21 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

22 **A.** Yes. However, I reserve the right to supplement my testimony as additional issues or facts  
23 arise during the course of this proceeding. Thank you.

Application of Appalachian Utilities, Inc. for a Certificate of  
Public Convenience Evidencing the Pennsylvania Public Utility  
Commission's Approval of the Transfer of 40% of Outstanding  
and Issued Stock in Appalachian Utilities, Inc.

Docket No.  
A-2024-3046068

Joint Application of Pennsylvania-American Water Company and  
Appalachian Utilities, Inc., Pursuant to Section 1102 of the  
Pennsylvania Public Utility Code, 66 Pa. C.S. § 1102(a), for  
approval of (1) the transfer to American Water Works Company,  
Inc., by merger of all property of Appalachian Utilities Inc. used  
and useful in the public service; (2) the transfer to Pennsylvania-  
American Water Company, by merger, of all property of  
Appalachian Utilities, Inc. used or useful in the public service, (3)  
the right of Pennsylvania-American Water Company to begin to  
offer, render, furnish and supply water service to the public in the  
Borough of Avis and Townships of Pine Creek and Dunstable,  
Clinton County, Pennsylvania, and (4) the abandonment by  
Appalachian Utilities, Inc. of all water service.

Docket Nos.:  
A-2024-3046084  
A-2024-3046092

VERIFICATION

I, Marcus Kohl, hereby state that the facts set forth in PAWC Statement No. 1-R, are true and correct to the best of my knowledge, information, and belief, and that I expect to be able to prove the same at a hearing if held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: August 30, 2024



Marcus Kohl  
Director of Business Development  
Pennsylvania-American Water Company



September 16, 2024

**VIA E-MAIL**

**David P. Zambito**

Direct Phone 717-703-5892

Direct Fax 215-989-4216

dzambito@cozen.com

Administrative Law Judge Conrad A. Johnson  
Office of Administrative Law Judge  
Pennsylvania Public Utility Commission  
Piatt Place, Suite 220  
301 Fifth Avenue  
Pittsburgh, PA 15222

**Re: Application of Appalachian Utilities, Inc. for a Certificate of Public Convenience Evidencing the Pennsylvania Public Utility Commission's Approval of the Transfer of 40% of Outstanding and Issued Stock in Appalachian Utilities, Inc; and Joint Application of Pennsylvania American Water Company and Appalachian Utilities, Inc. Pursuant to Section 1102 of the Public Utility Code for Approval of (1) the Transfer to American Water Works Company, Inc., by Merger, of All Property of Appalachian Utilities, Inc. Used and Useful in the Public Service; (2) the Transfer to Pennsylvania-American Water Company, by Merger, of All Property of Appalachian Utilities, Inc. Used or Useful in the Public Service, (3) the Right of Pennsylvania-American Water Company to Begin to Offer, Render, Furnish and Supply Water Service to the Public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the Abandonment by Appalachian Utilities, Inc. of All Water Service; Docket Nos. A-2024-3046068, A-2024-3046084 and A-2024-3046092**

**Surrebuttal Testimony of Pennsylvania-American Water Company**

Dear Administrative Law Judge Johnson:

Enclosed please find the Surrebuttal Testimony of Pennsylvania-American Water Company ("PAWC") in the above-referenced matters. Specifically, enclosed please find:

1. PAWC Statement No. 1-SR, Surrebuttal Testimony of Marcus Kohl, together with PAWC Exhibit MK-1SR and PAWC Exhibit MK-2SR.

Copies have been served as shown on the attached Certificate of Service.

Thank you for your attention to this matter. Please contact me if you have any questions or concerns.

Sincerely,

COZEN O'CONNOR



By: David P. Zambito  
Counsel for *Pennsylvania-American Water  
Company*

Enclosures

cc: Secretary Rosemary Chiavetta (*Cover Letter and Certificate of Service Only*)  
Per Certificate of Service  
Erin K. Fure, Esq.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Pennsylvania-American :  
Water Company and Appalachian Utilities, Inc., :  
Pursuant to Section 1102 of the Public Utility :  
Code, for approval of (1) the transfer to American :           Docket Nos. A-2024-3046068  
Water Works Company, Inc., by merger, of all :                           A-2024-3046084  
property of Appalachian Utilities, Inc. used and :                           A-2024-3046092  
useful in the public service; (2) the transfer to :  
Pennsylvania-American Water Company, by :  
merger, of all property of Appalachian Utilities, :  
Inc. used or useful in the public service, (3) the :  
right of Pennsylvania-American Water Company :  
to begin to offer, render, furnish and supply water :  
service to the public in the Borough of Avis and :  
Townships of Pine Creek and Dunnstable, Clinton :  
County, Pennsylvania, and (4) the abandonment :  
by Appalachian Utilities, Inc. of all water service :

**CERTIFICATE OF SERVICE**

I hereby certify that I am this 16<sup>th</sup> day of September, 2024, serving the foregoing **Surrebuttal Testimony of Pennsylvania-American Water Company** 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 by E-mail**

Thomas J. Sniscak, Esq.  
Todd S. Stewart, Esq.  
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Harrisburg, PA 17101-1923  
MDeAngelo@paoca.org

Respectfully submitted,



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David P. Zambito, Esq.  
Counsel for  
*Pennsylvania-American Water Company*

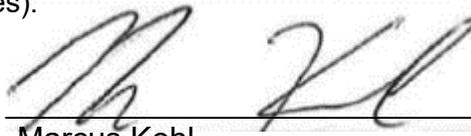
Application of Appalachian Utilities, Inc. for a Certificate of : Docket No.  
Public Convenience Evidencing the Pennsylvania Public Utility : A-2024-3046068  
Commission’s Approval of the Transfer of 40% of Outstanding :  
and Issued Stock in Appalachian Utilities, Inc. :

Joint Application of Pennsylvania-American Water Company and :  
Appalachian Utilities, Inc., Pursuant to Section 1102 of the :  
Pennsylvania Public Utility Code, 66 Pa. C.S. § 1102(a), for :  
approval of (1) the transfer to American Water Works Company, : Docket Nos.:  
Inc., by merger of all property of Appalachian Utilities Inc. used : A-2024-3046084  
and useful in the public service; (2) the transfer to Pennsylvania- : A-2024-3046092  
American Water Company, by merger, of all property of :  
Appalachian Utilities, Inc. used or useful in the public service, (3) :  
the right of Pennsylvania-American Water Company to begin to :  
offer, render, furnish and supply water service to the public in the :  
Borough of Avis and Townships of Pine Creek and Dunstable, :  
Clinton County, Pennsylvania, and (4) the abandonment by :  
Appalachian Utilities, Inc. of all water service. :

VERIFICATION

I, Marcus Kohl, hereby state that the facts set forth in PAWC Statement No. 1-SR and accompanying exhibits, are true and correct to the best of my knowledge, information, and belief, and that I expect to be able to prove the same at a hearing if held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: September 16, 2024



Marcus Kohl  
Director of Business Development  
Pennsylvania-American Water Company

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Appalachian Utilities, Inc. for a Certificate of Public Convenience Evidencing the Pennsylvania Public Utility Commission's Approval of the Transfer of 40% of Outstanding and Issued Stock in Appalachian Utilities, Inc.	:	Docket No. A-2024-3046068
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Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1102(a), for approval of (1) the transfer to American Water Works Company, Inc., by merger of all property of Appalachian Utilities Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service.	:	Docket Nos.: A-2024-3046084 A-2024-3046092
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**SURREBUTTAL TESTIMONY OF  
MARCUS KOHL ON BEHALF OF  
PENNSYLVANIA-AMERICAN WATER COMPANY**

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Date: September 16, 2024

PAWC Statement No. 1-SR

**SURREBUTTAL TESTIMONY OF  
MARCUS KOHL**

**INTRODUCTION**

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**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

**A.** My name is Marcus Kohl and my business address is 852 Wesley Drive, Mechanicsburg, PA 17055.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

**A.** I am employed by PAWC<sup>1</sup> as Director of Business Development.

**Q. HAVE YOU SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

**A.** Yes, I submitted Direct Testimony identified as PAWC Statement No. 1 and Rebuttal Testimony identified as PAWC Statement No. 1-R.

**Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

**A.** My surrebuttal testimony responds to the Rebuttal Testimony of Morgan N. DeAngelo, who testified on behalf of the Office of Consumer Advocate (“OCA”). Specifically, I will address Ms. DeAngelo’s testimony related to the consideration of this acquisition under Chapter 1102.

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<sup>1</sup> For ease of reference, capitalized terms and abbreviations used here are defined as set forth in my Direct Testimony, PAWC Statement No. 1.

1           **SURREBUTTAL OF MORGAN N. DEANGELO’S REBUTTAL TESTIMONY**

2   **Q.   WHAT ARE YOUR CONCERNS WITH THE REBUTTAL TESTIMONY OF**  
3   **MS. DEANGELO?**

4   **A.**   My concerns are limited, but significant. On page 4 of her Rebuttal Testimony,  
5   Ms. DeAngelo discusses the applicability to this case of the Reasonableness Review Ratio  
6   (“RRR”) for Section 1329 applications. In this testimony, Ms. DeAngelo repeatedly notes  
7   that RRR is applicable to Section 1329 applications and not Section 1327 proceedings.  
8   These statements are accurate, however Ms. DeAngelo’s testimony implies that this  
9   application should be reviewed using Section 1327 as the standard. Specifically referring  
10   to the RRR, she states “It should not be used in situations where a utility is seeking a section  
11   1327 acquisition adjustment such as this case.” OCA St. 1R (emphasis added)

12  
13   **Q.   IS PAWC SEEKING A SECTION 1327 ACQUISITION ADJUSTMENT IN THIS**  
14   **CASE?**

15   **A.**   No. As was stated clearly on page 4 of PAWC Statement No. 1-R, PAWC is not seeking  
16   an acquisition adjustment in this case. Further, Ms. Everette’s Rebuttal Testimony, PAWC  
17   Statement No. 3-R, also addresses this issue directly, noting on page 2 that “PAWC will  
18   address the proposed rate base in the first base rate case that includes the System.” PAWC  
19   has repeatedly stated this position in this and several other acquisitions currently before the  
20   Commission, yet the OCA continues to try to portray this case as a Section 1327  
21   proceeding. I have also indicated in response to OCA-1-4 and OSBA-I-1(f) that PAWC  
22   has not made a decision at this time whether it will seek an acquisition adjustment under

1 Section 1327. These responses are attached as PAWC Exhibit MK-1SR and PAWC Exhibit  
2 MK-2SR.

3 **CONCLUSION**

4 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

5 **A.** Yes. However, I reserve the right to supplement my testimony as additional issues or facts  
6 arise during the course of this proceeding. Thank you.

# **PAWC Exhibit MK-1SR**

Pennsylvania-American Water Company's Responses to the  
Office of Consumer Advocate Interrogatories Set 1

Docket Nos. A-2024-3046084, A-2024-3046092, A-2024-3046068

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service

OCA-1-4. Will PAWC seek an acquisition adjustment under 66 Pa. C.S. § 1327 for the system?

Response: The decision as to whether PAWC will seek an acquisition adjustment under § 1327 has not been made at this time. If PAWC determines that it is appropriate to seek an acquisition adjustment under § 1327, such request will be presented in the first rate case filed by PAWC that includes Appalachian Utilities.

Name: Marcus Kohl  
Title: Director, Business Development  
Pennsylvania-American Water Company

# **PAWC Exhibit MK-2SR**

Pennsylvania-American Water Company's Responses to the  
Office of Small Business Advocate Interrogatories Set I

Docket Nos. A-2024-3046084, A-2024-3046092, A-2024-3046068

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service

- e. Please quantify the difference between the acquisition price that PAWC has offered to pay for the Appalachian system, in the form of Stock Considerations, and the depreciated original cost of the Appalachian system.

Response: The depreciated original cost as of the date of closing is not yet known.

- f. Does PAWC intend to recover in rates the difference between the acquisition cost that PAWC has offered for the Appalachian system and the depreciated original cost of the Appalachian system? If yes, does PAWC intend to recover a portion of this difference from PAWC's non-Appalachian ratepayers?

Response: The decision as to whether PAWC will seek an acquisition adjustment under Section 1327 has not been made at this time. If PAWC determines that it is appropriate to seek an acquisition adjustment under Section 1327, such request will be made in the first rate case filed by PAWC that includes the Appalachian system.

OSBA-I-1(a-d)

Name: Frank Sargent, Jr.  
Title: President  
Appalachian Utilities, Inc.

OSBA-I-1(e-f)

Name: Marcus Kohl  
Title: Director, Business Development  
Pennsylvania-American Water Company

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Appalachian Utilities, Inc. for a Certificate of : Docket No.  
Public Convenience Evidencing the Pennsylvania Public Utility : A-2024-3046068  
Commission’s Approval of the Transfer of 40% of Outstanding :  
and Issued Stock in Appalachian Utilities, Inc. :

Joint Application of Pennsylvania-American Water Company and :  
Appalachian Utilities, Inc., Pursuant to Section 1102 of the : Docket Nos.:  
Pennsylvania Public Utility Code, 66 Pa. C.S. § 1102(a), for : A-2024-3046084  
approval of (1) the transfer to American Water Works Company, : A-2024-3046092  
Inc., by merger of all property of Appalachian Utilities Inc. used :  
and useful in the public service; (2) the transfer to Pennsylvania- :  
American Water Company, by merger, of all property of :  
Appalachian Utilities, Inc. used or useful in the public service, :  
(3) the right of Pennsylvania-American Water Company to begin :  
to offer, render, furnish and supply water service to the public in :  
the Borough of Avis and Townships of Pine Creek and Dunstable, :  
Clinton County, Pennsylvania, and (4) the abandonment by :  
Appalachian Utilities, Inc. of all water service. :

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**REJOINDER TESTIMONY OF  
MARCUS KOHL, ON BEHALF OF  
PENNSYLVANIA-AMERICAN WATER COMPANY**

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Date: September 26, 2024

PAWC Statement No. 1-RJ

**REJOINDER TESTIMONY OF  
MARCUS KOHL**

**INTRODUCTION**

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**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

**A.** My name is Marcus Kohl and my business address is 852 Wesley Drive, Mechanicsburg, PA 17055.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

**A.** I am employed by PAWC<sup>1</sup>as Director of Business Development.

**Q. HAVE YOU SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

**A.** Yes, I submitted Direct Testimony identified as PAWC Statement No. 1, Rebuttal Testimony identified as PAWC Statement No. 1R, and Surrebuttal Testimony identified as PAWC Statement 1-SR.

**Q. WHAT IS THE PURPOSE OF YOUR WRITTEN REJOINDER TESTIMONY?**

**A.** My written Rejoinder Testimony responds to the Surrebuttal Testimony of Morgan N. DeAngelo who testified on behalf of the Office of Consumer Advocate (“OCA”). Specifically, I will address Ms. DeAngelo’s testimony regarding the limiting of rate base, the acquisition’s benefit to regionalization and consolidation goals, and the benefits of the acquisition for the sellers.

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<sup>1</sup> For ease of reference, capitalized terms and abbreviations used here are defined as set forth in my Direct Testimony, PAWC Statement No. 1.

1 **REJOINDER OF MORGAN N. DEANGELO'S SURREBUTTAL TESTIMONY**

2  
3 **Q. AGAIN IN HER TESTIMONY, MS. DEANGELO DISCUSSES THE INCLUSION**  
4 **OF A CONDITION TO LIMIT THE AMOUNT OF THE ACQUISITION PRICE**  
5 **THAT IS RECOVERABLE. HOW DO YOU RESPOND?**

6 **A.** I understand that the parties will brief the question of whether the Commission has the  
7 authority to impose such a condition. Even if the Commission does have the authority to  
8 impose the requested condition, I do not agree that it should in this case. As was noted in  
9 prior testimony, this issue is not ripe for the Commission to address at this time.  
10 Additionally, the inclusion of a condition is not necessary because there are existing  
11 processes in place to examine such rate base claims, specifically a base rate case. Any rate  
12 base claim for this System will be raised, litigated, and decided in a future base rate case  
13 proceeding. At that time, should PAWC elect to seek recovery under Section 1327 – and it  
14 should be noted that the test for such a determination is significant and detailed – all the  
15 necessary information will be available to the Commission to determine if the requirements  
16 under Section 1327 have been met. In the event the conditions are met, by law, PAWC  
17 should be able to include that amount in rate base. Ms. DeAngelo suggests that the  
18 Commission should preemptively deny PAWC the opportunity to even request recovery of  
19 the allowable amount. To be clear, PAWC has not made a determination as to whether it  
20 will seek to request recovery under Section 1327 in a future rate case, but it is clear PAWC  
21 is not seeking that determination in the instant proceeding. PAWC is aware that, should it  
22 not seek to recover an acquisition adjustment under Section 1327, the portion of the  
23 purchase price over the depreciated original cost of the system will be paid by the  
24 shareholders, not the ratepayers. The existing statute, 66 Pa. C.S. § 1327, and process for

1 making a determination on the ability to recover the full purchase price already protects  
2 ratepayers, the condition proposed by the OCA is not necessary to do so.

3 **Q. BASED ON YOUR EXPERIENCE IN BUSINESS DEVELOPMENT WITH PAWC**  
4 **AND YOUR EXPERIENCE WITH PA DEP, DO YOU BELIEVE THAT OCA'S**  
5 **POSITION THAT THE COMMISSION SHOULD CONDITION APPROVAL,**  
6 **ESSENTIALLY DETERMINING RECOVERY OF AN ACQUISITION AMOUNT**  
7 **GREATER THAN DEPRECIATED ORIGINAL COST UNDER SECTION 1327 AT**  
8 **THE APPLICATION STAGE, IS GOOD PUBLIC POLICY FOR THE**  
9 **COMMISSION TO ADOPT?**

10 **A.** No. I believe that decisions such as this should be made only when considering all relevant  
11 information, which is not present in this or most acquisition applications.

12 Moreover, the very purpose of Section 1327 is to give the owners of small systems  
13 some incentive to sell. Without this incentive, the small system's owner will likely simply  
14 hold onto the system and run it into the ground. Eventually, the PA DEP and the  
15 Commission would be forced to pursue a receivership of the system or a proceeding under  
16 Section 529 of the Public Utility Code for a forced takeover by a capable public utility. In  
17 the event of a forced takeover, the owner of the system could actually recover the fair  
18 market value of the assets if eminent domain is used. In almost all cases, fair market value  
19 would exceed the depreciated original cost of the system. This highlights the absurdity of  
20 OCA's suggestion that the acquiring utility should not pay more than the depreciated  
21 original cost.

1           As I discuss in my testimony and as Ms. Everette discusses in her testimony, the  
2 risk is upon the shareholders of the acquiring utility that the Commission will not allow  
3 full recovery of the acquisition premium in the context of a future base rate proceeding.

4 **Q. IN HER TESTIMONY, MS. DEANGELO ADDRESSED YOUR TESTIMONY AS IT**  
5 **RELATED TO THE DESIRE OF THE OWNERS TO EXIT THE BUSINESS. WILL YOU**  
6 **ELABORATE FURTHER ON YOUR PRIOR TESTIMONY ?**

7 **A.** Yes, Ms. DeAngelo correctly notes that an “owner seeking to exit the business does not  
8 equate to being a troubled system.” That was not a suggestion I was making. Additionally,  
9 it is my understanding that a system does not need to be “troubled” to be acquired.

10           Nevertheless, I would suggest that an owner’s desire to exit the business has the  
11 potential to contribute to a system becoming a troubled system. If an owner that desires to  
12 exit the business due to their desire to retire and due to the mounting challenges of running  
13 a water system with the changing regulatory climate, that owner is likely to invest less and  
14 less time and resources into the business. Eventually, this lack of focus and investment will  
15 have an impact on the customers due to the eventual unreliability of the system and the  
16 failure to meet regulatory requirements such as completing required testing or reporting  
17 results timely.

18 **Q. WHAT IS YOUR RESPONSE TO MS. DEANGELO’S SURREBUTTAL**  
19 **STATEMENTS ON REGIONALIZATION AND CONSOLIDATION?**

20 **A.** Ms. DeAngelo suggests that the benefits of regionalization and consolidation in this  
21 acquisition are general in nature and related to the size and technical and legal fitness of  
22 PAWC. I disagree; the benefits of regionalization and consolidation stem from the facts of  
23 this particular Transaction. There are very real benefits to a regionalized and consolidated  
24 approach, both for the Appalachian System being acquired and for other systems already

1 owned and operated by PAWC. As was noted in my Direct Testimony, PAWC's Boggs  
2 System and Nittany System are in close proximity to the Appalachian System. The Boggs  
3 and Nittany Systems are small systems that will benefit from the resources, both equipment  
4 and personnel, of the Appalachian System. These small systems are remote in relation to  
5 our existing systems and the proximity of these three systems to each other will provide a  
6 very real benefit to the customers of all three systems, with the additional staffing available  
7 to support each other in emergency situations. Further, our nearby Milton System is a larger  
8 system than the Appalachian System, with resources such as equipment and personnel that  
9 can and will be used to support the Appalachian System. The Milton System and the  
10 Appalachian System will support each other in the same manner that Appalachian and  
11 Boggs and Nittany will support each other. Increased scale in the area, while not required  
12 to be achieved by PAWC, will result from the Transaction due to the fact that the  
13 Appalachian System allows for a regionalized approach to managing water systems in  
14 areas of the state that are more remote. The System is a relatively large system in between  
15 our two existing larger systems (Philipsburg and Milton) in Northcentral Pennsylvania,  
16 making it a great fit for a regionalized approach to providing cost-effective and safe  
17 drinking water to our customers.

18  
19 **Q. WHAT IS YOUR RESPONSE TO MS. DEANGELO'S STATEMENT RELATED**  
20 **TO THE RISK OF GROWTH FOR PAWC?**

21 **A.** I believe the business risks she outlines in her testimony (OCA Statement 1 SR, p. 5) are  
22 significantly less of a risk for a large and capable organization such as PAWC than they  
23 are for smaller systems. As PAWC has grown – and the growth has been steady and

1 occurring for many years – PAWC has successfully mitigated the issues inherently  
2 encountered when acquiring new systems, identified by Ms. DeAngelo. That is because  
3 PAWC is not simply looking to grow as a business, but to be a solution for systems that  
4 are experiencing some of the challenges Ms. DeAngelo lists on page 5 of her Surrebuttal  
5 Testimony. PAWC believes that by acquiring systems, we are ensuring that safe and  
6 reliable service is provided to more customers. We believe the risk of quality issues to the  
7 customers is reduced, not expanded, due to our investment in the acquired systems to  
8 improve reliability of the systems in the long-term. In addition, PAWC focuses attention  
9 on environmental compliance, with a team of dedicated professionals devoted solely to  
10 ensuring water quality and providing service that meets or exceeds regulatory  
11 requirements.

12  
13 **CONCLUSION**

14 **Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?**

15 **A.** Yes. However, I reserve the right to supplement my testimony as additional issues or facts  
16 arise during the course of this proceeding. Thank you.



**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Appalachian Utilities, Inc. for a :  
Certificate of Public Convenience Evidencing the :  
Evidencing the Pennsylvania Public Utility : Docket No. A-2024-3046068  
Commission’s Approval of the Transfer of 40% of :  
Outstanding and Issued Stock in Appalachian :  
Utilities, Inc. :

Joint Application of Pennsylvania-American :  
Water Company and Appalachian Utilities, Inc., :  
Pursuant to Section 1102 of the Public Utility :  
Code, for approval of (1) the transfer to American :  
Water Works Company, Inc., by merger, of all :  
property of Appalachian Utilities, Inc. used and :  
useful in the public service; (2) the transfer to : Docket Nos.  
Pennsylvania-American Water Company, : A-2024-3046084  
by merger, of all property of Appalachian : A-2024-3046092  
Utilities, Inc. used or useful in the public service, :  
(3) the right of Pennsylvania American Water :  
Company to begin to offer, render, furnish and :  
supply water service to the public in the Borough :  
of Avis and Townships of Pine Creek and :  
Dunnstable, Clinton County, Pennsylvania, and :  
(4) the abandonment by Appalachian Utilities, :  
Inc. of all water service :

---

**DIRECT TESTIMONY OF  
MICHAEL J. GUNTRUM, P.E., ON BEHALF OF  
PENNSYLVANIA-AMERICAN WATER COMPANY**

---

Date: July 11, 2024

PAWC Statement No. 2

**DIRECT TESTIMONY OF  
MICHAEL J. GUNTRUM**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 **A.** My name is Michael J. Guntrum, P.E., and my business address is 852 Wesley Drive,  
3 Mechanicsburg, PA 17055.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A.** I am employed by Pennsylvania-American Water Company (“PAWC”) as a Senior Project  
7 Engineer.

8

9 **Q. WHAT ARE YOUR RESPONSIBILITIES AS A SENIOR PROJECT ENGINEER?**

10 **A.** As a Senior Project Engineer for PAWC, I am responsible for the performance of due  
11 diligence activities related to potential water and wastewater acquisitions in the  
12 Commonwealth of Pennsylvania.

13

14 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EDUCATION AND EXPERIENCE.**

15 **A.** I received my Bachelor of Science (B.S.) degree in civil engineering in 1994 and a Master  
16 of Engineering degree (M.E.) in Environmental Engineering in 1995 from the University  
17 of Idaho. In 2010, I received my Master in Business Administration (MBA) from Lebanon  
18 Valley College. I have worked in various engineering roles and have over 30 years of  
19 experience in environmental engineering related to municipal and industrial water and  
20 wastewater treatment. I have worked at PAWC since 2003 in roles related to the  
21 acquisition of water and wastewater facilities. I am a registered Professional Engineer in  
22 Pennsylvania.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**  
2 **PUBLIC UTILITY COMMISSION (“COMMISSION”)?**

3 **A.** Yes. I have testified before the Commission on several occasions, including both water  
4 and wastewater proceedings. Please see my resume and dockets at which I’ve testified  
5 attached as **PAWC Exhibit MJG-1**.

6

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

8 **A.** My testimony will describe the water distribution, production wells and treatment systems  
9 (“System”) currently owned by Appalachian Utilities Inc. (“Appalachian”) that PAWC has  
10 agreed to acquire (the “Transaction”). I will also explain how the acquired System will be  
11 integrated into PAWC’s existing operations, describe PAWC’s technical fitness to run the  
12 System and discuss the public benefits of the Transaction.

13

14 **Q. PLEASE DESCRIBE THE APPALACHIAN SYSTEM.**

15 **A.** The Appalachian System consists of two separate systems (Woolrich and Avis) that  
16 normally run separately but are interconnected in case the need arises to feed water from  
17 one system to another.

18

19 Summary of the Woolrich system:

20 The Woolrich system has 2 wells, Well No. 3 and Well No. 4. A 7.5 horsepower (hp)  
21 peerless submersible pump is installed in Well No. 4 which yields 105 gallons per minute  
22 (“GPM”) or 151,200 gallons per day (“GPD”). Well No. 4 is the main source of supply  
23 for the Woolrich system. Well No. 3 is used to provide redundancy and reliability to the

1 Woolrich system and is used as a backup to Well No. 4. There is a total of 1,000,000  
2 gallons of storage in the Woolrich system.

3  
4 Summary of the Avis system:

5 The Avis system has 2 wells, Well Nos. 5 and 6A 40 hp peerless submersible pump is  
6 installed in Well No. 5, which yields 300 GPM or 432,000 GPD. A 50 hp peerless  
7 submersible pump is installed in Well No. 6 which yields 400 GPM or 576,000 GPD.  
8 Finished water from these wells is supplied to the distribution system or is stored in the  
9 1,000,000 gallon Avis Storage Reservoir.

10  
11 **Q. PLEASE DESCRIBE THE APPALACHIAN SERVICE AREA.**

12 **A.** The area served by the Appalachian system is shown on **PAWC Exhibit MJG-2.**

13  
14 **Q. DOES THE TRANSACTION INCLUDE ALL OF APPALACHIAN'S WATER**  
15 **ASSETS?**

16 **A.** Yes.

17  
18 **Q. DOES APPALACHIAN RECEIVE WATER FROM ANY SURROUNDING**  
19 **SYSTEMS AND/OR SUPPLY WATER INTO ANY SURROUNDING SYSTEMS?**

20 **A.** No.

21  
22 **Q. DOES THE TRANSACTION INCLUDE PAWC'S ACQUISITION OF PROPERTY**  
23 **NOT OWNED BY APPALACHIAN?**

1 A. No.

2

3 **Q. PLEASE DESCRIBE HOW PAWC WILL MANAGE THE DAY-TO-DAY**  
4 **OPERATIONS OF THE APPALACHIAN SYSTEM ONCE IT IS ACQUIRED.**

5 A. The System will be incorporated into PAWC's North Central Area operations. The  
6 management team consists of a Senior Operations Superintendent, Senior Operations  
7 Manager, and Water Quality Supervisor. This will facilitate the integration of the  
8 Appalachian System into the local water operations strategy and culture, leverage synergies  
9 between the systems, provide cross functional support, and offer enhanced availability of  
10 shared resources for day-to-day and emergency situations.

11

12 **Q. ARE OTHER PAWC EMPLOYEES AVAILABLE TO ASSIST WITH WATER**  
13 **OPERATIONS, AS NEEDED?**

14 A. Yes. Current PAWC employees in all North Central operation districts will be under the  
15 same area management and supported by a shared support team supporting common  
16 functions such as external affairs, supply chain, environmental compliance, health and  
17 safety, customer service, human resources, and engineering. Employees in the North  
18 Central operation districts will support each other when appropriate and necessary,  
19 particularly in emergency situations. All operations and employees within PAWC and  
20 within the broader American Water Works Company, Inc. ("American Water") footprint  
21 have access to each other when circumstances require or when a very specialized skill or  
22 experience is required to support all local issues.

1 **Q. WILL THERE BE ANY UNNECESSARY DUPLICATION OF OPERATIONS**  
2 **FACILITIES FOLLOWING THE ACQUISITION?**

3 **A.** No, the System upon acquisition will initially be operated as a stand-alone water district.  
4 The System will have the support of PAWC’s surrounding water operations as well as  
5 PAWC’s operations throughout the Commonwealth and American Water’s nationwide  
6 resources.

7

8 **Q. DOES PAWC PLAN INTERCONNECTIONS BETWEEN APPALACHIAN AND**  
9 **OTHER PAWC WATER SYSTEMS?**

10 **A.** There are no plans to interconnect the Appalachian System to any existing nearby PAWC  
11 water systems.

12

13 **Q. WHAT ARE THE ESTIMATED CAPITAL COSTS FOR THE SYSTEMS?**

14 **A.** The five-year capital plan for the Systems is shown on **PAWC Exhibit MJG-3.**

15

16 **Q. HOW DID PAWC DEVELOP THIS PLAN?**

17 **A.** The capital plan estimate is based on preliminary cost estimates of individual projects that  
18 will be required for increased supply and reliability, and other recurring capital work  
19 needed to comply with obligations in the operations and maintenance (“O&M”) Program  
20 Plan and in the ordinary course of business.

1 **Q. PLEASE DESCRIBE PAWC’S SYSTEM PLANNING, CAPITAL BUDGETING,**  
2 **AND CONSTRUCTION MANAGEMENT PROCESS, WHICH WILL APPLY TO**  
3 **THE SYSTEM AFTER CLOSING.**

4 **A.** PAWC has an established track record of successfully managing large capital investment  
5 projects in order to provide safe, reliable service to the communities it serves. PAWC has  
6 an ongoing program of capital investment focused on systematically replacing and adding  
7 new pipes, treatment and pumping facilities, and other water and wastewater infrastructure,  
8 thereby minimizing customer disruption caused by infrastructure failure. PAWC has  
9 funded in excess of \$1 billion in capital construction over the past five years with  
10 expenditures expected to total \$470 million to \$600 million per year for the next five years.  
11 Capital planning is performed on a five-year planning horizon by in-house engineering  
12 staff and operations to establish capacity needs, regulatory impacts, service adequacy and  
13 reliability for PAWC’s systems. As projects are delivered, project costs, alternatives and  
14 risks are further developed, and competitive bidding for consulting engineering  
15 design/permitting services and construction is utilized to keep costs as low as possible.  
16 Comprehensive periodic oversight of water and wastewater assets during the annual  
17 budgeting process and ongoing governance reviews gives PAWC a clear and objective  
18 view of needs and potential capital project solutions. Once approved through the capital  
19 governance process, the individual capital projects will be led and managed by PAWC  
20 engineers working in the local North Central Operations area, which will allow them to  
21 maintain clear visibility to the projects and react to conditions as they develop.

22 **Q. DOES APPALACHIAN HAVE ANY HISTORY OF ENVIRONMENTAL**  
23 **COMPLIANCE ISSUES?**

1 A. Like many systems throughout Pennsylvania, Appalachian does show violations in  
2 publicly available databases. While all have been resolved and the system has quickly  
3 returned to compliance, all water providers strive to ensure compliance with regulatory  
4 requirements at all times. That challenge becomes more difficult in small systems with a  
5 limited number of staff that also manage a variety of other responsibilities day to day.  
6 PAWC is better equipped to ensure compliance than Appalachian. PAWC has dedicated  
7 staff that are focused exclusively on ensuring the highest water quality and compliance  
8 with governing regulations. Post acquisition, this team will ensure that water flowing to  
9 Appalachian customers is compliant by improving compliance monitoring and ensuring  
10 timely submission of required data to DEP, issues that have challenged Appalachian in the  
11 past.

12

13 **Q. IN YOUR OPINION, IS PAWC BETTER EQUIPPED THAN APPALACHIAN TO**  
14 **OPERATE AND MAINTAIN THE SYSTEM IN COMPLIANCE WITH**  
15 **APPLICABLE ENVIRONMENTAL STATUTES AND REGULATIONS?**

16 A. Yes. As an experienced public utility, PAWC has extensive experience in complying with  
17 current environmental regulations and being proactive with capital investments to maintain  
18 system integrity and reliability. Once Appalachian's assets are in PAWC's GIS system,  
19 PAWC will install remote monitoring equipment and perform leak detection. Leaking  
20 assets in the distribution system will be identified and then a plan to reduce non-revenue  
21 water ("NRW") will be developed and implemented. Appalachian does not have the  
22 personnel, access to advanced equipment, or expertise to address NRW like PAWC will be  
23 able to do.

1 PAWC can draw upon a much broader range of engineering and operational  
2 experience, as well as deeper operational and financial resources, to address environmental  
3 compliance challenges. In addition, given PAWC's experience with the operation of  
4 similar groundwater systems in proximity to Appalachian, I believe that PAWC is best  
5 positioned to provide those services on a cost-effective basis.

6 PAWC is the Commonwealth's largest investor-owned provider of water and  
7 wastewater services. As a leading water provider in Pennsylvania, PAWC brings industry  
8 leading expertise and has extensive technical experience in upgrading, operating, and  
9 maintaining water facilities. PAWC is a recognized leader in providing communities in  
10 the Commonwealth with well-maintained and reliable water and wastewater services and  
11 has extensive local knowledge due to PAWC's decades of experience providing water  
12 service to the North Central district.

13 PAWC currently employs approximately 1,150 professionals with expertise in all  
14 areas of water and wastewater utility operations including engineering, regulatory  
15 compliance, water and wastewater treatment plant operation and maintenance, distribution  
16 and collection system operation and maintenance, material management, risk management,  
17 human resources, legal, accounting, and customer service. As a subsidiary of American  
18 Water, PAWC has available to it additional resources of highly trained professionals who  
19 have expertise in various specialized areas. This experience is available to support  
20 PAWC's operations staff and facilities.

21 A 50-person team of American Water corporate engineers has handled a wide  
22 variety of system assessments, treatment process evaluations and design reviews for water  
23 and wastewater treatment systems in order to improve operations and prioritize capital

1 improvements. For example, PAWC successfully leveraged its corporate engineering  
2 expertise following two recent acquisitions, the Steelton water system, and the Exeter  
3 wastewater system. For both of these systems, subject matter experts from the corporate  
4 engineering team conducted process evaluations of the water and wastewater treatment  
5 processes and identified solutions to remedy on-going operational challenges.

6 Prudent renewal and replacement of the aging System's infrastructure through  
7 capital investment is the key to achieving and maintaining long-term environmental  
8 compliance, and it is clear that PAWC is much better equipped than Appalachian to make  
9 those ongoing capital commitments.

10  
11 **Q. IF THE TRANSACTION WOULD NOT OCCUR, DO YOU BELIEVE THAT**  
12 **APPALACHIAN WOULD HAVE THE FINANCIAL AND TECHNICAL**  
13 **CAPABILITIES TO IMPROVE MATERIALLY ITS ENVIRONMENTAL**  
14 **PERFORMANCE IN THE FUTURE?**

15 **A.** As discussed in greater detail in PAWC Statement No. 1, Appalachian faces staffing  
16 challenges that are likely to be exacerbated, not improved, in the future. If the Transaction  
17 does not occur, I believe that Appalachian will continue to experience staffing challenges  
18 and environmental compliance issues.

19  
20 **Q. PLEASE DESCRIBE PAWC'S TECHNICAL FITNESS TO PROVIDE WATER**  
21 **SERVICE TO APPALACHIAN'S CUSTOMERS.**

22 **A.** In addition to the points that I discussed earlier, as of December 31, 2023, PAWC had  
23 approximately 683,202 water customers across the Commonwealth. PAWC has

1 experienced no material issues in complying with the Pennsylvania Public Utility Code  
2 (“Code”), the SWDA, or other regulatory requirements. Moreover, PAWC has the  
3 resources, skills, and expertise to respond to ever-increasing environmental standards for  
4 the treatment of water and to manage the long-term infrastructure renewal and replacement  
5 needs inherent in water systems.

6 I am advised by counsel that the Commission recently adopted a Statement of  
7 Policy regarding Public Fire Protection Service and System Hydraulic Monitoring. This  
8 Statement of Policy recommends that a water public utility, during the acquisition due  
9 diligence process, consider the expenditures and timeframes necessary to bring fire  
10 protection service to the water utility’s operating characteristics. 52 Pa. Code § 69.1503(d).  
11 If the Transaction is approved, PAWC will upon closing test each hydrant to determine if  
12 any fire hydrants do not meet standards for flow and residual pressure. The Appalachian  
13 System will be surveyed and water assets will be loaded into PAWC’s GIS system to  
14 include pipe sizes and elevations. Hydraulic and water quality modeling will be performed  
15 to ensure all hydrants provide the necessary fire service. Estimated costs for these activities  
16 are included in PAWC’s capital improvement plan for Appalachian.

17  
18 **Q. DOES PAWC MAINTAIN CYBER SECURITY, PHYSICAL SECURITY,**  
19 **BUSINESS CONTINUITY AND EMERGENCY PLANS?**

20 **A.** Yes. Cyber and physical security plans are maintained and monitored by American Water  
21 for each of its subsidiaries. PAWC maintains emergency response plans (“ERPs”) and  
22 operations and maintenance manuals, both of which have operational business continuity  
23 included within the plans and are updated each year. These plans are tested each year

1 through emergency response tabletop exercises. Each plan is overseen and managed by  
2 various groups and individuals to provide overarching support to PAWC. These groups  
3 are responsible for testing, reviewing, and updating their respective plan(s).

4 The departments assigned to Physical Security, Emergency Response, Business  
5 Continuity, and Cyber Security plans are as follows:

- 6 • Physical Security Plan - Operational Risk Management Security (American  
7 Water Works Service Company, Inc. (“AWWSC”));
- 8 • Cyber Security Plan - Operational Risk Management Security (AWWSC);
- 9 • Emergency Response Plan - Operations (PAWC); and
- 10 • Business Continuity Plan - Operational Risk Management (PAWC) and  
11 Operations (PAWC).
- 12
- 13
- 14

15 To constantly protect physical and cyber resources, the designated groups have  
16 developed procedures to ensure that PAWC operates in a safe, secure, and reliable  
17 environment. A major commitment in assuring plans are kept current is performing various  
18 testing on an annual basis. Types of testing performed by AWWSC and PAWC include  
19 vulnerability assessments, system operational testing, full scale exercises, media backups,  
20 and real-life events.

21 In contrast, while Appalachian has a physical security plan, due to its staffing issues  
22 and lack of expertise in security, PAWC is more capable of maintaining security at critical  
23 assets of Appalachian. PAWC has recognized the need for security improvements at  
24 Appalachian and has budgeted capital to address those needs. Capital improvements will  
25 include fencing improvements as well as remote monitoring.

26  
27 **Q. PLEASE DESCRIBE PAWC’S CYBERSECURITY CONTROLS.**

1 A. PAWC's cybersecurity controls are consistent with the National Institute of Standards and  
2 Technology ("NIST") cyber security framework and the American Water Works  
3 Association ("AWWA") Process Control System Security Guidance for the Water Sector.  
4

5 **Q. PLEASE DESCRIBE PAWC'S RELATIONSHIPS WITH COMMISSION**  
6 **EMERGENCY RESPONSE STAFF, PENNSYLVANIA EMERGENCY**  
7 **MANAGEMENT AGENCY ("PEMA") STAFF, AND LOCAL FIRST**  
8 **RESPONDERS.**

9 A. PAWC has a strong working relationship with the Commission's Emergency Response  
10 Staff. PAWC provides the Commission with emergency response numbers for all PAWC  
11 operating areas each year. The Commission provides emergency numbers for its staff,  
12 which PAWC distributes to all of PAWC's operating areas for inclusion in the PAWC  
13 Emergency Response Plans. For those emergencies that warrant communication to the  
14 Commission's Emergency Preparedness Liaison Officer ("EPLO"), PAWC has contacted  
15 Commission staff in the past to advise them of situations and actions taken by PAWC.  
16 Each year, PAWC conducts emergency response tabletop exercises to test responses to  
17 emergency situations, including weather emergencies, slug discharges of industrial wastes  
18 into the sewer system, damage to facilities, cyber-attack, and other perils. The  
19 Commission's emergency response staff has participated in those exercises each year since  
20 2006. PAWC also invites local first responders to participate, such as fire departments,  
21 police departments, hazmat responders, local prison personnel, as well as DEP and the  
22 Governor's Office of Homeland Security personnel.

1 PAWC has participated in Pennsylvania Water/Wastewater Agency Response  
2 Network (“PaWARN”) and PEMA-sponsored exercises over the years. PAWC’s current  
3 relationship with PEMA is through the Commission’s EPLO and PaWARN. PAWC is a  
4 member in good standing of PaWARN.

5 In contrast, Appalachian is not a member of PaWARN. I would say that PAWC is  
6 better prepared than Appalachian in terms of emergency preparedness.

7  
8 **Q. PLEASE DESCRIBE PAWC'S PARTICIPATION IN PENNSYLVANIA'S “ONE**  
9 **CALL” SYSTEM AND THE RESOURCES THAT PAWC DEDICATES TO THE**  
10 **PROGRAM.**

11 **A.** All of PAWC's operating districts are members of Pennsylvania One Call System Inc. and  
12 complete excavator requested mark outs on a daily basis. Each district has a minimum of  
13 one person dedicated to completing dig notifications utilizing a third-party internet-based  
14 One Call ticket management system, known as Korweb, that is accessible via vehicle  
15 mounted computers for real time response to any PA One Call dig notification.

16 PAWC has an excellent track record of compliance with the requirements of the  
17 “One Call” system. PAWC achieved a 99.83 percent ticket completion rate in 2023.  
18 PAWC’s late ticket completion rate for 2023 was 0.9 percent. Through November 2023  
19 PAWC has achieved a 100 percent ticket completion rate for 19 consecutive months, a  
20 99.83% completion rate in December 2023, and 100% in January 2024.

21 Appalachian has limited resources and manpower to respond timely to One Call  
22 tickets and relies on outside contractors, in contrast to PAWC which has dedicated  
23 resources.

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**Q. WHAT EFFORTS, IF ANY, WILL PAWC UNDERTAKE TO EDUCATE APPALACHIAN’S CUSTOMERS REGARDING PAWC OWNERSHIP OF THE SYSTEM?**

**A.** As the Transaction is nearing Closing, PAWC plans to produce bill inserts or onserts and/or letters to customers to explain the transition, billing, payment options and other items associated with the change in ownership. PAWC's website will also add content to help educate customers and to address frequently asked questions.

**Q. WHAT, IF ANY, CUSTOMER ENHANCEMENTS CAN APPALACHIAN’S CUSTOMERS EXPECT AS A RESULT OF THE TRANSACTION?**

**A.** PAWC prides itself on providing superior customer service. As part of its commitment to customer service, PAWC offers its customers a number of enhanced services, including extended call center hours, additional bill payment options, enhanced customer information and education programs, and access to PAWC's customer assistance program.

**Q. PLEASE PROVIDE ADDITIONAL DETAIL ON EACH OF THESE CUSTOMER SERVICE ENHANCEMENTS.**

**A.** *Customer Service.* As discussed above, PAWC’s call center is available from 7:00 a.m. to 7:00 p.m., Monday through Friday for routine business and 24/7/365 for emergency situations. Customers dealing with emergency situations can always contact a live customer service representative. Customers can also reach a customer service representative via email at [infopa@amwater.com](mailto:infopa@amwater.com). In addition, PAWC’s customers have

1 the ability to manage their account via PAWC's "My H20" online portal. Finally, PAWC  
2 offers local field service support 24 hours a day, seven days a week for customer  
3 emergencies. All of this means that PAWC is very responsive to its customers and any  
4 issues they may have. PAWC will provide the same responsive approach to Appalachian's  
5 customers once PAWC acquires the System.

6 In comparison, Appalachian's customer service is not as robust as that offered by  
7 PAWC. As stated before, manpower constraints at Appalachian limit the timeliness of  
8 customer service response. Appalachian is not staffed 24 hours a day/7 days a week which  
9 increases customer response time after hours, weekend, and holidays.

10  
11 **Bill Payment Options.** PAWC offers a number of bill payment options. Customers have  
12 the option to receive paper bills through the mail or go paperless and receive their bills  
13 electronically via the "My H20" on-line portal. Either way, customers can pay their bill  
14 by mail, online, or over the phone with a debit or credit card. They can also pay by e-check  
15 or an electronic funds transfer (which can be set up at the "My H20" online portal) or pay  
16 in-person at multiple authorized payment locations across the state.

17  
18 **Customer Information and Education Programs.** PAWC provides extensive customer  
19 information and education programs that will be available to Appalachian's current  
20 customers through brochures, bill inserts, and educational videos posted on PAWC's  
21 website. PAWC's customers always have full access to a wide range of topics, including  
22 information on preventing sewer overflows, preventing frozen pipes, beneficially re-using  
23 residuals from water treatment plants for community gardens, detecting and fixing silent

1 toilet leaks, properly disposing of unused pharmaceuticals to keep them out of the  
2 wastewater system, conserving water, installing expansion tanks, obtaining Fire  
3 Department Grants, and protecting customers from utility imposters.

4  
5 ***Customer Assistance Programs.*** Finally, as new PAWC customers, Appalachian’s  
6 customers will have access to PAWC's customer assistance program called the “H2O Help  
7 to Others Program.” For water customers, this program offers two main services: (1) grants  
8 of up to \$500 per year and (2) a tiered discount on water service charges and water usage  
9 charges based on percentage of Federal Poverty Level (“FPL”) (Tier 1 0%-50% of FPL  
10 80% discount on both water usage charge and water service charge; Tier 2 51%-100% of  
11 FPL 65% discount on water service charge and 50% discount on water usage charge; Tier  
12 3 101%-150% of FPL 40% discount on water service charge and 25% discount on water  
13 usage charge). Additionally, PAWC offers payment arrangements and budget billing to  
14 residential customers who qualify for the programs.

15 PAWC’s strong collaboration and coordination with the Pennsylvania Department  
16 of Human Services (“DHS”), and its significant customer outreach, have allowed PAWC’s  
17 customers to enjoy significant benefits from the low-income household water assistance  
18 program (“LIHWAP”). In 2022, over 13,000 LIHWAP grants were processed by the DHS  
19 for PAWC customers providing \$7.6 million in assistance.

20 In comparison, Appalachian has no formal low-income customer service assistance  
21 programs nor any formal income-based repayment options.

1 **Q. DOES PAWC HAVE A PROGRAM TO PROTECT ITS CUSTOMERS AGAINST**  
2 **UTILITY EMPLOYEE IMPOSTERS?**

3 **A.** Yes, PAWC has developed communications tools and programs to regularly educate  
4 customers about the tactics used by utility employee imposters and what homeowners need  
5 to know to protect themselves. The communications vehicles include bill inserts, news  
6 releases, social media posts and website information about imposter-related crimes and  
7 precautions that customers can take. In addition, PAWC helped form the Keystone  
8 Alliance to Stop Utility Imposters, a coalition of water, gas, and electric utilities, along  
9 with the Commission, Pennsylvania District Attorneys Association and Pennsylvania  
10 Chiefs of Police Association, to launch a public awareness campaign using public service  
11 announcements, print materials, posters, and community presentations.

12  
13 **CONCLUSION**

14 **Q. DO YOU BELIEVE PAWC HAS THE ABILITY TO PROVIDE SAFE,**  
15 **ADEQUATE, AND RELIABLE WATER SERVICE TO APPALACHIAN'S**  
16 **CUSTOMERS?**

17 **A.** Yes.

18  
19 **Q. DO YOU BELIEVE THAT THE PROPOSED TRANSACTION WOULD RESULT**  
20 **IN AN AFFIRMATIVE PUBLIC BENEFIT OF A SUBSTANTIAL NATURE?**

21 **A.** Yes. For the reasons stated in my testimony, PAWC, as the largest investor-owned water  
22 and wastewater company in the Commonwealth, will be able to provide an enhanced level  
23 of operational expertise and customer service. The Transaction will also improve the

1 System's environmental compliance and solve the staffing issues currently experienced by  
2 Appalachian as PAWC will be able to provide a full complement of staff to be available  
3 locally to operate the System and address the needs of the System's customers. Approval  
4 of the Transaction would be consistent with the Pennsylvania Constitution, Article I  
5 Section 27.

6

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.



**PAWC EXHIBIT MJG-1**

# PAWC Exhibit MJG-1

**Michael J. Guntrum, P.E., MBA**  
Michael.guntrum@amwater.com

## **Management Professional/Project Manager/Environmental Engineer/Veteran**

### **SUMMARY**

Management professional offering 25 years of experience in Business Development, Project Management and Engineering and 32 years of experience in leadership roles. Involved in all aspects of Business Development at Pennsylvania American Water with solid knowledge of the Business Development process to include client contact and management, management of the bid process, formulation of a Bid-to-Win strategy, and development of the financial model and Risk Register. Has worked successfully with all functional groups within Pennsylvania American Water. Background includes capital planning and budgeting for water and wastewater projects, conducting presentations, ensuring projects remain within budget, and the construction and operations of high-quality water and wastewater systems. Earned an undergraduate and graduate degree in Civil/Environmental Engineering and a Masters of Business Administration. Supervised engineers and designers, guided engineering decisions, provided design support, and approved final design work.

### **COMPETANCY**

- Professional – Masters degree in Engineering and Masters of Business Administration. Professional Engineering license in Environmental Engineering. Proficient in MS Word, Excel, Power Point, Project, and Visio. Excellent problem-solving skills. Continuously seeking to improve skills in management, project management, and engineering.
- Social – Leadership and team developmental skills attained through military training and wide-ranging professional experience. Ability to work with key stakeholders within and outside of the organization to accomplish objectives.
- Managerial – Creates opportunities for individual and team development. Communicates a plan for long term professional development. Ability to relate team goals to organization goals and values.
- Entrepreneurial – Continuously looking for ways to leverage diverse skills and experience to take advantage of strategic opportunities in the marketplace. Ability to quickly synthesize information to take decisive action while recognizing risk.
- Transforming – Understands diverse cultures through living and working in Germany for four years and the study of Russian language and culture. Focused on meeting and exceeding customer expectations. Ability to leverage diverse personal and professional experience to recognize opportunities for change.

### **EXPERIENCE**

PENNSYLVANIA AMERICAN WATER, Hershey, PA  
***Senior Engineering Manager in Business Development***

2003 - Present

Responsible for the review, study, and design of municipal water and wastewater treatment systems for the purpose of contract operations, acquisition, and post-acquisition integration. Professional experience includes reviewing operational information of the facility, developing operation and maintenance budgets, analyzing required capital expenditures, and writing engineering evaluations that are read and reviewed by functional groups and management. Works closely with every department within Pennsylvania American to include Management, Finance, Rates, Legal, Engineering, Water Quality, Production, and Loss Control. Attended NARUC Utility Rate School in 2007.

Was involved in the due diligence, acquisition, preparing testimony, regulatory filing, and integration of the following systems:

(\* Denotes Provided Testimony in Proceeding)

- York Wastewater\*
- Royersford Wastewater\*
- Valley Water and Wastewater\*
- Upper Pottsgrove Wastewater\*
- Kane Wastewater\*
- Steelton Water
- Exeter Wastewater
- McKeesport Wastewater
- Scranton Wastewater
- Fairview Wastewater
- New Cumberland wastewater
- McEwensville water
- McEwensville wastewater
- Shipperville wastewater
- Paint-Elk Wastewater
- Paint Township water
- Scott Township water
- Berry Hollow Water
- Franklin Township wastewater
- Hamiltonban wastewater
- Marcel Lakes wastewater
- Pocono Mountain Lake Forest water
- Koppel wastewater
- Indian Rocks water
- Olwen Heights water
- Fernwood water
- All Seasons water
- Lake Spangenberg water
- Wildcat water
- Applewood water
- Birch Acres water
- Sutton Hills water
- Nittany water
- Saxonburg water
- Boggs Water
- Clarion Area Authority wastewater
- Three Lane Utilities water
- Claysville-Donnegal water
- Claysville-Donnegal wastewater
- Mountain Top HOA water
- Lexington Woods water
- Pine Ridge HOA water

- Blue Mountain Lake water
- Blue Mountain Lake wastewater

Brinjac Engineering, Inc., Harrisburg, PA

1999 - 2003

***Project Manager***

Responsible for the study, design, and review of municipal wastewater treatment systems and potable water treatment and storage facilities. Professional experience includes the selection, evaluation, design engineering, and procurement of process equipment, pumping systems, piping, blowers, compressors, dry and liquid feed systems, solids conveying systems, flow and level measurement, and other process instrumentation. Also responsible for integration of process equipment into existing systems to include coordination with electrical, instrumentation, and control systems. Significant assignments have included:

- Design Engineer and Project Manager responsible for permitting and design of a new 1.5 million gallon per day wastewater treatment plant in Pine Grove Township. Total estimated project cost \$5,000,000.
- Project manager responsible for the feasibility study, preliminary design, final design, permitting, and construction administration for the construction of two 6-million gallon water storage tanks for the City of Harrisburg. The Project was awarded a Diamond Award in 2003 by the American Council of Engineering Companies for excellence in Water Resources Engineering. Total project cost \$4,500,000.
- Responsible for design of a new large plate and frame filter press and chemical feed systems at the Antrim Wastewater Treatment Plant. Total project cost \$850,000.
- Responsible for the engineering and project management services for the installation of a new belt filter press and chemical feed systems at the Stroudsburg wastewater treatment plant. Total project cost \$550,000.
- Design Engineer and Project Manager responsible for the design and construction services related to the installation of improvements to the existing aerobic digesters and chemical feed systems at the Stroudsburg wastewater treatment plant. Total project cost \$250,000.
- Project manager and design engineer responsible for the feasibility study, preliminary design, final design, permitting, and construction administration for the construction of improvements to the spillway at DeHart Dam. Total project cost \$250,000.
- Design Engineer and Project Manager responsible for design and installation of various improvements to the Lycoming County Wastewater Treatment Plant. Total project cost \$150,000.
- Lead the effort for the design and construction services related to the replacement of the Kautz Street Pump Station in the Borough of Stroudsburg. Total project cost \$100,000.
- Assisted the City of Harrisburg in modifying the corrosion control program for the potable water distribution system to respond to changes in the raw water supply. As a result of the new corrosion control program, customer water quality complaints have dropped significantly. Analyzed the potable water distribution system with a computerized hydraulic model to determine if water age in older parts of the distribution system could be improved by changing distribution system operations.

BLACK & VEATCH INC., Portland, Oregon

1997 - 1999

***Environmental Engineer***

Served as an Environmental Engineer for the study, design, and review of municipal wastewater treatment systems, water treatment and storage facilities, sewage and storm water collection and conveyance systems. Significant assignments included:

- Conducted Phase 1 of the Pipe Design and Life Study for the Portland Bureau of Water Works.

- Developed a program with the Portland Bureau of Water Works and their industrial customers to evaluate potential water conservation and provide mechanisms to encourage water conservation.
- Design of 2 new 42 million gallons per day slow sand filters and modifications to existing slow sand filter facility for the City of Salem. Total project cost \$4,500,000.
- Design of a new copper sulfate feed system for the City of Salem.
- Preparation of a detailed operations and maintenance manual for a chlorination/dechlorination facility at the Clackamas Filtration Plant.
- Preparation of a Risk Management Plan for the Clackamas Filtration Plant.
- Preparation of Risk Management Plans for the City of Salem.

US ARMY CORPS OF ENGINEERS, Portland, Oregon

1995 - 1997

***Engineer, (2 year term position)***

Design and analysis of hydraulic structures related to fish passage on the lower Columbia River dams. Assisted in the management and review of products from outside engineering firms. Significant assignments included:

- Participated in the evaluation of physical hydraulic model data and the design of modifications to the John Day Dam adult fish bypass system.
- Participated in the design of the Bonneville Dam First Powerhouse Juvenile Fish Bypass System.
- Provided technical support for the Dissolved Gas Abatement program.
- Design and analysis of hydraulic systems related to the juvenile bypass system at the John Day Dam.

US ARMY

1983 - 1990

***Electronic Warfare Signals Intelligence Analyst***

US Army, Field Station Augsburg, Germany, US Army detachment to the National Security Agency, Fort Meade, MD. Gathered, sorted, and scanned foreign intercept messages and signals, to include encrypted communications. Graduate of the Defense Language Institute specializing as a Russian Linguist. Awarded Top Secret Special Intelligence Security Clearance after a thorough background investigation.

## EDUCATION

Lebanon Valley College, Annville, Pennsylvania

2008 - 2010

**Masters Business Administration**

NARUC Utility Rate School

2007

University of Idaho, Moscow, Idaho

1994 - 1995

**Masters, Environmental Engineering**

University of Idaho, Moscow, Idaho

1990 - 1994

**B.S., Environmental Engineering**

Noncommissioned Officer Leadership Development Program, Augsburg Germany

1989

Defense Language Institute, Monterey California

1985 - 1986

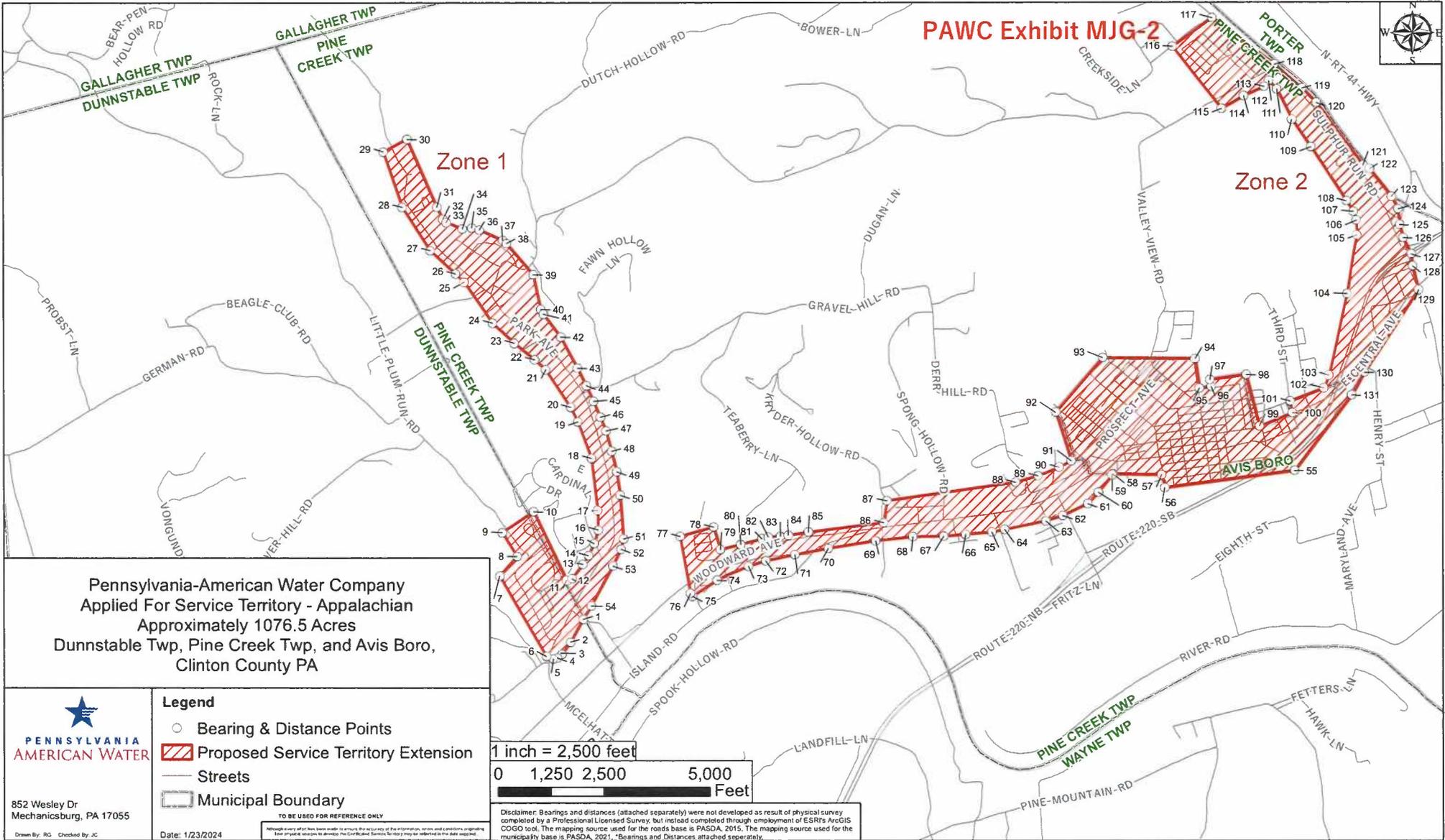
**Russian Linguist**

## LICENSES

- Professional Engineer – Pennsylvania, Oregon, Professional Engineer with a license in Environmental Engineering

**PAWC EXHIBIT MJG-2**

# PAWC Exhibit MJG-2



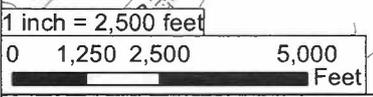
Pennsylvania-American Water Company  
 Applied For Service Territory - Appalachian  
 Approximately 1076.5 Acres  
 Dunnstable Twp, Pine Creek Twp, and Avis Boro,  
 Clinton County PA



- Legend**
- Bearing & Distance Points
  - ▨ Proposed Service Territory Extension
  - Streets
  - ▭ Municipal Boundary

852 Wesley Dr  
 Mechanicsburg, PA 17055

Date: 1/23/2024



Disclaimer: Bearings and distances (attached separately) were not developed as result of physical survey completed by a Professional Licensed Surveyor, but instead completed through employment of ESRT's ArcGIS COGO tool. The mapping source used for the roads base is PASDA, 2015. The mapping source used for the municipal base is PASDA, 2021. \*Bearings and Distances attached separately.

**PAWC EXHIBIT MJG-3**

PAWC Exhibit MJG-3

Appalachian Utilities  
Preliminary List of Capital Improvements

NARUC Accounting Code

IP Level CAPEX		Year 1	Year 2	Year 3	Year 4	Year 5	Total
Well Station Improvements	311.53	\$ 100,000	\$ 175,000	\$ 175,000	\$ -	\$ -	\$ 450,000
Generators	310.00		\$ 150,000	\$ 200,000			\$ 350,000
Well system reliability interconnection/booster	311.54				\$ 100,000	\$ 900,000	\$ 1,000,000
Reservoir replacements	330.20				\$ 200,000	\$ 2,000,000	\$ 2,200,000
Sample point improvements	307.00	\$ 50,000	\$ 100,000				\$ 150,000
Minor Improvements at Booster/Tank Sites	331.00	\$ -	\$ 75,000	\$ 75,000	\$ -	\$ -	\$ 150,000
<b>Total Yearly IP CAPEX</b>		<b>\$ 150,000</b>	<b>\$ 500,000</b>	<b>\$ 450,000</b>	<b>\$ 300,000</b>	<b>\$ 2,900,000</b>	<b>\$ 4,300,000</b>

RP Level CAPEX		Year 1	Year 2	Year 3	Year 4	Year 5	Total
Mains - New	331.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mains - Replaced / Restored	331.00	\$ -	\$ 271,250	\$ 271,250	\$ 271,250	\$ 271,250	\$ 1,085,000
Mains - Unscheduled	331.00	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 125,000
Mains - Relocated	331.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hydrants, Valves, and Manholes - New	335.00	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 25,000
Hydrants, Valves, and Manholes - Replaced	335.00	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 25,000
Services and Laterals - New	333.00	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 25,000
Services and Laterals - Replaced	333.00	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 12,500
Meter Replacement	334.00	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 125,000
ITS Equipment and Systems	346.00	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000
SCADA Equipment and Systems	346.00	\$ 25,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 65,000
Security Equipment and Systems	346.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Offices and Operations Centers	340.00	\$ 10,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 30,000
Vehicles	341.00	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ 75,000
Tools and Equipment	343.00	\$ 25,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 45,000
Process Plant Facilities and Equipment	320.20	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 250,000
System Study	303.99	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
<b>Total Yearly RP CAPEX</b>		<b>\$ 327,500</b>	<b>\$ 408,750</b>	<b>\$ 408,750</b>	<b>\$ 408,750</b>	<b>\$ 408,750</b>	<b>\$ 1,962,500</b>

<b>Total Yearly IP and RP CAPEX - ALL</b>		<b>\$ 477,500</b>	<b>\$ 908,750</b>	<b>\$ 858,750</b>	<b>\$ 708,750</b>	<b>\$ 3,308,750</b>	<b>\$ 6,262,500</b>
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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Appalachian Utilities, Inc. for a	:	
Certificate of Public Convenience Evidencing the	:	
Evidencing the Pennsylvania Public Utility	:	Docket No. A-2024-3046068
Commission's Approval of the Transfer of 40% of	:	
Outstanding and Issued Stock in Appalachian	:	
Utilities, Inc.	:	

Joint Application of Pennsylvania-American	:	
Water Company and Appalachian Utilities, Inc.,	:	
Pursuant to Section 1102 of the Public Utility	:	
Code, for approval of (1) the transfer to American	:	
Water Works Company, Inc., by merger, of all	:	
property of Appalachian Utilities, Inc. used and	:	
useful in the public service; (2) the transfer to	:	Docket Nos.
Pennsylvania-American Water Company,	:	A-2024-3046084
by merger, of all property of Appalachian	:	A-2024-3046092
Utilities, Inc. used or useful in the public service,	:	
(3) the right of Pennsylvania American Water	:	
Company to begin to offer, render, furnish and	:	
supply water service to the public in the Borough	:	
of Avis and Townships of Pine Creek and	:	
Dunnstable, Clinton County, Pennsylvania, and	:	
(4) the abandonment by Appalachian Utilities,	:	
Inc. of all water service	:	

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

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Date: July 11, 2024

PAWC Statement No. 3



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 water  
9 system (“System”) currently owned by Appalachian Utilities Inc (“Appalachian”), which  
10 PAWC has agreed to purchase (the “Transaction”). Second, my testimony addresses: (a)  
11 the rates that will be charged to Appalachian customers; (b) a description of PAWC’s low-  
12 income programs; and (c) the authentication of certain Application appendices.

13

14

#### **PAWC’S FINANCIAL FITNESS**

15 **Q. Please discuss PAWC’s financial fitness.**

16 **A.** PAWC is the Commonwealth’s largest water and wastewater provider, with total assets of  
17 \$7.3 billion and annual revenues of \$965 million for 2023. For 2023, PAWC had operating  
18 income of approximately \$465 million and net income of approximately \$300 million.  
19 These operating results produced cash flows from operations of approximately \$585  
20 million. Given its size, access to capital and its recognized strengths in system planning,  
21 capital budgeting and construction management, PAWC is well-positioned from a  
22 financial, managerial and technical perspective to ensure that high quality water and

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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 wastewater service meeting all federal and state requirements is provided to the System's  
2 customers and maintained for PAWC's existing customers.

3  
4 **Q. Please discuss PAWC's overall financial fitness and access to capital to acquire the**  
5 **Appalachian System.**

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

12  
13 **LINE OF CREDIT**

14 PAWC presently has liquidity through a \$495 million line of credit through American  
15 Water Capital Corp. ("AWCC"), a wholly owned subsidiary of American Water Works  
16 Company, Inc. ("American Water"). PAWC's strong credit ratings allow PAWC to obtain  
17 additional capacity on this line of credit.

18  
19 **LONG TERM DEBT FINANCING**

20 PAWC carries a corporate credit rating of "A3" from Moody's Investors Services and an  
21 "A" rating from Standard and Poor's Rating Services. PAWC obtains long-term debt  
22 financing through AWCC at favorable interest rates and payment terms. When applicable,  
23 PAWC also uses low-cost financing through the Pennsylvania Infrastructure Investment

1 Authority (“PENNVEST”) and the Pennsylvania Economic Development Financing  
2 Authority (“PEDFA”).

3

4 **EQUITY INVESTMENTS**

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

7

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

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

11

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

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

16

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

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

1 RATES

2 **Q. What rates will PAWC apply upon closing of the Transaction (“Closing”)?**

3 **A.** The *pro forma* tariff supplements attached as **Appendix N** to the Application reflect  
4 Appalachian’s current rates. PAWC will take on Appalachian’s existing rates at the time  
5 of Closing.

6  
7 **Q. Please describe Appalachian’s existing rates.**

8 **A.** Appalachian’s current water rates include a monthly service charge based on meter size  
9 (\$11.28 for a 5/8-inch meter) as well as a usage charge of \$0.7600 per 100 gallons, with a  
10 second block rate of \$0.3540 per hundred gallons for usage over 16,500 gallons per month.

11  
12 **Q. What impact, if any, will there be on the rates of Appalachian’s customers as a result  
13 of the acquisition of the System?**

14 **A.** PAWC will take on Appalachian’s existing rates upon acquisition. These rates will remain  
15 in effect until the Commission approves other rates for Appalachian’s customers.

16  
17 LOW-INCOME PROGRAMS

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

19 **A.** PAWC’s low-income tariff rider provides low-income customers with discounts to fixed  
20 and volumetric charges. PAWC’s low-income discount includes three tiers of discount,  
21 with the discount level dependent on the customer’s percentage of Federal Poverty Level  
22 (“FPL”). The water tariff discounts are summarized below.<sup>2</sup>

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<sup>2</sup> Refer to Tariff Water-PA P.U.C. No. 5, page 17.

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

1

2 **Q. Will Appalachian customers be eligible for these discounts upon acquisition?**

3 A. Yes. Appalachian customers will be eligible for the discount program at the time of  
4 Closing. The Commission required the Company to include income verification as part of  
5 its Arrearage Management Program (“AMP”).<sup>3</sup> PAWC anticipates that this income  
6 verification requirement will also apply to the bill discount program, and thus, will also  
7 apply to Appalachian customers.

8

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

11 A. PAWC’s low-income discount program provides discounts between 30% and 80% of the  
12 water and wastewater bill to customers with an FPL of 150% or less. These discounts have  
13 a small impact on customer’s bills of approximately \$1.30 per month for residential water  
14 customers and approximately \$2.60 per month for residential wastewater customers.<sup>4</sup>  
15 PAWC does not anticipate that enrolling eligible Appalachian customers in the discount  
16 program will have a significant impact on PAWC’s other customers.

<sup>3</sup> See Docket No. P-2021-3028195, Order entered December 28, 2022 requiring income verification and Order on remand entered December 7, 2023 approving a settlement which provided for income verification.

<sup>4</sup> Cost allocation was not disclosed in the Company’s black box rate case settlement in the Company’s 2022 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.



**CONCLUSION**

1

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

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

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Appalachian Utilities, Inc. for a :  
Certificate of Public Convenience Evidencing the :  
Evidencing the Pennsylvania Public Utility : Docket No. A-2024-3046068  
Commission's Approval of the Transfer of 40% of :  
Outstanding and Issued Stock in Appalachian :  
Utilities, Inc. :

Joint Application of Pennsylvania-American :  
Water Company and Appalachian Utilities, Inc., :  
Pursuant to Section 1102 of the Public Utility :  
Code, for approval of (1) the transfer to American :  
Water Works Company, Inc., by merger, of all :  
property of Appalachian Utilities, Inc. used and :  
useful in the public service; (2) the transfer to : Docket Nos.  
Pennsylvania-American Water Company, : A-2024-3046084  
by merger, of all property of Appalachian : A-2024-3046092  
Utilities, Inc. used or useful in the public service, :  
(3) the right of Pennsylvania American Water :  
Company to begin to offer, render, furnish and :  
supply water service to the public in the Borough :  
of Avis and Townships of Pine Creek and :  
Dunnstable, Clinton County, Pennsylvania, and :  
(4) the abandonment by Appalachian Utilities, :  
Inc. of all water service :

VERIFICATION

I, ASHLEY E. EVERETTE, hereby state that the facts set forth in the Direct Testimony at PAWC Statement No. 3 and accompanying exhibits, if any, are true and correct to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: July 11, 2024

  
\_\_\_\_\_  
Ashley E. Everette  
Senior Director of Rates and Regulatory  
American Water Works Service Company

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Appalachian Utilities, Inc. for a Certificate of : Docket No.  
Public Convenience Evidencing the Pennsylvania Public Utility : A-2024-3046068  
Commission's Approval of the Transfer of 40% of Outstanding :  
and Issued Stock in Appalachian Utilities, Inc. :

Joint Application of Pennsylvania-American Water Company and :  
Appalachian Utilities, Inc., Pursuant to Section 1102 of the : Docket Nos.:  
Pennsylvania Public Utility Code, 66 Pa. C.S. § 1102(a), for : A-2024-3046084  
approval of (1) the transfer to American Water Works Company, : A-2024-3046092  
Inc., by merger of all property of Appalachian Utilities Inc. used :  
and useful in the public service; (2) the transfer to Pennsylvania- :  
American Water Company, by merger, of all property of :  
Appalachian Utilities, Inc. used or useful in the public service, (3) :  
the right of Pennsylvania-American Water Company to begin to :  
offer, render, furnish and supply water service to the public in the :  
Borough of Avis and Townships of Pine Creek and Dunstable, :  
Clinton County, Pennsylvania, and (4) the abandonment by :  
Appalachian Utilities, Inc. of all water service. :

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**REBUTTAL TESTIMONY OF  
ASHLEY E. EVERETTE ON BEHALF OF  
PENNSYLVANIA-AMERICAN WATER COMPANY  
(PUBLIC VERSION)**

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Date: August 30, 2024

PAWC Statement No. 3-R



1 and the recommendation that PAWC include Appalachian in its long term infrastructure  
2 improvement plan (“LTIP”) within 90 days of closing on the Transaction (“Closing”).  
3

4 **RATE BASE/PURCHASE PRICE**

5 **Q. BOTH OSBA WITNESS HIGGINS AND OCA WITNESS DEANGELO**  
6 **RECOMMEND THE COMMISSION LIMIT, IN THIS PROCEEDING, THE**  
7 **RATE BASE PAWC MAY CLAIM FOR THE APPALACHIAN SYSTEM IN**  
8 **FUTURE RATE CASES. PLEASE SUMMARIZE THIS TESTIMONY.**  
9

10 **A.** OSBA witness Higgins recommends the rate base be limited to 1.34 times the depreciated  
11 original cost<sup>2</sup> while OCA witness DeAngelo recommends the Commission limit the rate  
12 base, in this proceeding, to the depreciated original cost.<sup>3</sup> Both parties recommend these  
13 limitations as a condition of approval of the transaction.  
14

15 **Q. IS PAWC REQUESTING A RATE BASE DETERMINATION IN THIS**  
16 **PROCEEDING?**  
17

18 **A.** No. Consistent with prior practice, PAWC will address the proposed rate base in the first  
19 base rate case that includes the System.  
20

21 **Q. PLEASE DISCUSS THE LIMITATION RECOMMENDED BY OSBA WITNESS**  
22 **HIGGINS.**  
23

24 **A.** Mr. Higgins’ proposal to limit the rate base PAWC can request to 1.34 times the  
25 depreciated original cost is partially based on the Commission’s current Reasonableness  
26 Review Ratio (“RRR”) that the Commission has identified as a metric for evaluating  
27 acquisitions pursuant to Section 1329 of the Pennsylvania Public Utility Code (“Code”).

---

<sup>2</sup> OSBA St. No. 1, page 11.

<sup>3</sup> OCA St. 1, page 16.

1        *See, Valuation of Acquired Municipal Water & Wastewater Systems – Act 12 of 2016*  
2        *Implementation*, Docket No. M-2016-2543193 (Final Supplemental Implementation Order  
3        entered Jul. 2, 2024) (“*FSIO 2024*”), and Bureau of Technical Utility Services Report on  
4        the Reasonableness Review Ratio for the Year Ended 12.31.2023 to Approximate Market  
5        Value in Section 1329 Proceedings, Docket No. M-2024-3050303 (“TUS RRR Report”).  
6        While the Commission has set the RRR at 1.68 times the depreciated original cost for the  
7        year ended December 31, 2023, the OSBA recommends a limit that is half of that, or 1.34  
8        times the depreciated original cost.

9                As stated above, consistent with many prior non-fair market value acquisitions  
10              approved by the Commission, the Company is not proposing a rate base valuation in this  
11              proceeding and thus no rate base determination is needed or appropriate at this time. I am  
12              not aware of any water or wastewater acquisition proceeding where the Commission pre-  
13              determined what rate base the buying utility could propose in the context of a subsequent  
14              base rate case.<sup>4</sup>

15              The Company does not agree with limiting the potential future recovery of an  
16              acquisition that may qualify under Section 1327 to the standard developed in the *FSIO*  
17              *2024* for Section 1329 proceedings. While the Company has not yet determined whether  
18              it will seek an acquisition adjustment under Section 1327 of the Code (“Code”), Section  
19              1327 creates a rebuttable presumption that the *entire* amount of the purchase price is  
20              reasonable and may be included in rate base if certain conditions are met.

21  
22    **Q.    PLEASE DISCUSS THE LIMITATION RECOMMENDED BY OCA WITNESS**  
23    **DEANGELO.**

---

<sup>4</sup> In a Section 1329 acquisition, the “ratemaking rate base” is determined within the application proceeding and the rate base does not need to be “proposed” for consideration in the context of a rate case.

1  
2 A. The OCA recommends that if the Commission approves the Application, the approval be  
3 conditioned on a requirement that “PAWC shall not be permitted to claim more than  
4 depreciated original cost of in rate base in the first base rate case after closing the  
5 Appalachian transaction.” OCA St. 1, page 17. The OCA’s proposal to decide in this  
6 proceeding a limitation on the future-proposed rate base is unnecessary and inappropriate.  
7 It is unnecessary because the Commission is able to review a rate base proposal *when the*  
8 *Company is actually requesting an addition to rate base, i.e.* within the context of a base  
9 rate case. The Rebuttal Testimony of my colleague, Marcus Kohl further discusses why  
10 this is an inappropriate condition to place on the Transaction. PAWC St. No. 1-R.

11 Additionally, Ms. DeAngelo’s testimony references Section 1311(b)(1), which  
12 states that assets are included in rate base at their depreciated original cost and claims this  
13 means the Commission *cannot* approve the Application unless it decides now that PAWC  
14 cannot claim any amount above the DOC later:

15 [T]he Public Utility Code guides the Commission on what is a just and reasonable  
16 valuation of the utility property – that is, depreciated original cost...In my view,  
17 the only means by which the Commission can approve this transaction based on the  
18 record is if it specifically conditions the issuance of a CPC on PAWC not being  
19 permitted to claim more than the depreciated original cost of the system in rate  
20 base.<sup>5</sup>

21  
22 I am advised by counsel that the OCA’s position misrepresents the Code. The Code  
23 provides that the Commission may only approve an acquisition if that acquisition would  
24 affirmatively benefit the public in a substantial way. In this case, the only identified  
25 detriment of the Transaction is the possible impact on customers’ rates. I will discuss the  
26 rate impacts of the Transaction later in my Rebuttal Testimony.

---

<sup>5</sup> OCA St. 1 at 16.

1           For now, the key point is that, if the Transaction is approved, the depreciated  
2 original cost will be placed into rate base *unless* PAWC requests a Section 1327 acquisition  
3 adjustment in a future rate case *and* the Commission approves that request. If, however,  
4 PAWC requests a Section 1327 acquisition adjustment in a future base rate case and the  
5 Commission disapproves it, shareholders (not ratepayers) would fund the difference  
6 between the depreciated original cost of the System and the purchase price.  
7

8 **Q. OCA WITNESS DEANGELO CLAIMS THAT THE CONDITIONAL APPROVAL**  
9 **SHE PROPOSED IS NECESSARY IN ORDER FOR CUSTOMERS TO NOT BE**  
10 **HARMED BY THE ACQUISITION.<sup>6</sup> IS SHE CORRECT?**

11  
12 **A.** No. By comparing what would happen if the Transaction is approved to what would  
13 happen if the Transaction is disapproved, it is obvious that the Transaction will benefit the  
14 existing customers of Appalachian as well as the existing customers of PAWC.

15           With respect to the customers of Appalachian, the Transaction will result in no rate  
16 increase in the short term (the period from closing on the Transaction until rates take effect  
17 after PAWC's next base rate case). In contrast, in his Direct Testimony, p. 4, Mr. Sargent  
18 testified that Appalachian is long overdue for a rate increase and is only holding off on  
19 filing a rate case due to the Transaction. If the Transaction would be disapproved,  
20 therefore, rates would likely increase for Appalachian's customers in the near future.

21           After that, the rate impact of the acquisition on Appalachian's customers is unclear.  
22 In PAWC's next base rate case, PAWC could seek a Section 1327 acquisition adjustment,  
23 but it is unknown whether the Commission would grant that request. What is known is  
24 that, should PAWC seek a Section 1327 acquisition adjustment in a future rate case, the

---

<sup>6</sup> OCA St. 1, pages 16-17.

1 Commission would need to analyze the factors enumerated in Section 1327 when making  
2 a determination on whether or not an acquisition adjustment should be allowed.

3 In the long term, it is anticipated that PAWC will, over time, move the System to  
4 PAWC's Zone 1 rates.<sup>7</sup> This would probably take several rate cases, over a number of  
5 years, based on such rate-making principles as gradualism and avoidance of rate shock to  
6 customers. Of course, in the long term, rates would also continue to increase if  
7 Appalachian remained a stand-alone system. In my view, the certain benefits of the  
8 Transaction for Appalachian's customers outweigh the uncertain long-term rate impacts.  
9 PAWC St. No. 1, pages 13-15, 18-24. PAWC St. No. 2, pages 4-17.

10 With respect to PAWC's customers, the Transaction will result in no rate increase  
11 in the short term (the period from closing on the Transaction until rates take effect after  
12 PAWC's next base rate case). After that, the rate impact of the Transaction on PAWC's  
13 existing water customers is unclear. Even if PAWC does seek an acquisition adjustment  
14 in its next base rate case, and even if the Commission allows that recovery, the OCA claims  
15 that PAWC would receive an acquisition adjustment of **[BEGIN CONFIDENTIAL]**

16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED] **[END CONFIDENTIAL]** The actual impact will likely be even

---

<sup>7</sup> Present rates for Appalachian are \$35.61 for 3,201 gallons whereas PAWC's 2023 rate case set Zone 1 rates at \$78.89 for 3,201 gallons.

<sup>8</sup> **[BEGIN CONFIDENTIAL]** [REDACTED]  
**[END CONFIDENTIAL]**

1 less if the Commission allows Appalachian’s rates to move toward consolidation with  
2 PAWC’s Zone 1 rates. In my view, the certain benefits of the Transaction for PAWC’s  
3 customers would outweigh the uncertain rate impacts of the Transaction. PAWC St. No. 1,  
4 pages 24-25.

5  
6 **CAPITAL IMPROVEMENTS**

7 **Q. HAS PAWC IDENTIFIED CAPITAL IMPROVEMENTS THAT ARE NEEDED IN**  
8 **THE APPALACHIAN SYSTEM?**

9  
10 A. Yes. My colleague Mr. Guntrum discussed the need for capital improvements in his Direct  
11 Testimony and the capital plan is provided in PAWC Exhibit MJG-3. Over the five-year  
12 plan, PAWC estimates more than \$6 million of investment is needed. Ms. DeAngelo states  
13 that she is “not disputing that certain improvements to the system would be a benefit” but  
14 that those improvements would be a benefit “regardless of whether AUI makes them or  
15 PAWC makes them.” OCA St. 1 at 10. She claims, without explanation, that Appalachian  
16 “appears capable of making” the improvements. OCA St. 1 at 10.

17  
18 **Q. DO YOU AGREE THAT THE RECORD SUPPORTS APPALACHIAN BEING**  
19 **CAPABLE OF MAKING NECESSARY IMPROVEMENTS?**

20  
21 A. No. Appalachian’s financial position does not indicate that it is capable of financing  
22 significant capital improvements.

23 Appalachian has minimal net income. In 2023, Appalachian’s Annual Report to the  
24 Commission reflected a **net loss** of over \$90,000. In other recent years, Appalachian has

1 had minimal net income: in the last five years, Appalachian averaged about \$45,900 of net  
2 income.<sup>9</sup>

3 Appalachian's balance sheets similarly do not support that it can raise capital or  
4 make the necessary improvements. In the last five years, Appalachian placed a grand total  
5 of \$428,323 of additions in service.<sup>10</sup> To finance a five-year capital plan of \$6 million,  
6 Appalachian would need to invest more than fourteen times its prior level of capital  
7 investment. PAWC makes substantial investment into its systems each year and is fully  
8 capable of making needed investment into the Appalachian system.

9  
10 **RATE IMPACTS**

11 **Q. FOLLOWING HER DISCUSSION COMPARING PAWC'S WATER RATES TO**  
12 **APPALACHIAN'S, OCA WITNESS DEANGELO DISCUSSES THE REVENUE**  
13 **REQUIREMENT DEFICIENCY OF THE APPALACHIAN SYSTEM UNDER**  
14 **PAWC OWNERSHIP. PLEASE DISCUSS THIS TESTIMONY.**

15  
16 A. Ms. DeAngelo's direct testimony, page 12, states as follows:

17 Under PAWC ownership, AUI will have an estimated revenue deficiency of  
18 \$458,000. (PAWC Response to OCA-1-8)

19  
20 For clarification, what the OCA requested in OCA-I-8 was the revenue deficiency or  
21 sufficiency under PAWC ownership including the full purchase price and projected capital  
22 investment. If, hypothetically, Appalachian were able to make the necessary capital  
23 improvements, Appalachian would similarly have increased costs because the cost of  
24 future capital improvements are not reflected in Appalachian's current rates. As discussed  
25 above, Appalachian has no or minimal net income, indicating that Appalachian's rates  
26 likely need to be increased in the absence of acquisition, particularly if it were to undertake

---

<sup>9</sup> Annual Report pages showing Appalachian's net income or loss are contained in Exhibit AEE-1.

<sup>10</sup> Annual Report pages showing Appalachian's capital additions are contained in Exhibit AEE-2.

1 additional capital improvements. Considering Appalachian’s small customer base, this rate  
2 increase would likely be substantial.

3 Additionally, as discussed above, PAWC is not requesting approval of the full  
4 purchase price at this time. If PAWC seeks recovery of the acquisition adjustment, it will  
5 properly do so within the context of a base rate case. If PAWC does request recovery of  
6 the acquisition adjustment in its next rate case, it will be up to the Commission to determine  
7 whether PAWC has met the requirements of Section 1327 of the Code. If PAWC meets  
8 those requirements, the statute clearly states that PAWC should receive an acquisition  
9 adjustment. The OCA’s proposed condition, however, would prevent PAWC from  
10 receiving such an acquisition adjustment—even if the Transaction satisfies the criteria of  
11 Section 1327.

12  
13 **Q. YOU TESTIFIED EARLIER THAT, IF THE TRANSACTION IS APPROVED, APPALACHIAN’S CUSTOMERS WOULD BE GRADUALLY MOVED TO PAWC’S ZONE 1 RATES OVER TIME. IS THIS A “HARM” TO THESE CUSTOMERS?**

14  
15  
16  
17  
18 **A.** No, I do not believe so. PAWC currently charges its Zone 1 customers rates that have been  
19 approved by the Commission and in accordance with Pennsylvania law are “just and  
20 reasonable.” If the Commission permits Appalachian customers’ rates to equalize with  
21 PAWC’s rates over time, I do not believe this is a detriment.

22  
23 **COST OF SERVICE STUDY**

24 **Q. MS. DEANGELO REQUESTS THAT PAWC BE REQUIRED TO PERFORM A SEPARATE REVENUE REQUIREMENT STUDY FOR APPALACHIAN AS PART OF ITS NEXT RATE CASE. PLEASE DISCUSS THIS RECOMMENDATION.**

1 A. In the conclusion section of her testimony, Ms. DeAngelo recommends the Application be  
2 conditioned as follows:

3 At the time of filing its next base rate case, PAWC will submit a cost of service  
4 study that removes all costs and revenues associated with the operation of the AUI  
5 system and will also provide a separate cost of service study for the AUI system.  
6

7 This recommendation is not discussed outside of the conclusion section of her testimony,  
8 so I do not know the rationale behind the recommendation. The Commission requires a  
9 separate cost of service studies in the first rate case post-acquisition for Section 1329  
10 acquisitions<sup>11</sup> but this is not a Section 1329 acquisition. The only previous non-Section  
11 1329 acquisition that required a separate revenue requirement study was the Company's  
12 Scranton acquisition, which was a sizeable acquisition with a purchase price that nearly  
13 doubled PAWC's wastewater rate base.<sup>12</sup> In contrast, Appalachian has a **[BEGIN**  
14 **CONFIDENTIAL]** [REDACTED]  
15 [REDACTED] **[END CONFIDENTIAL]** In other words, this system  
16 is very small compared to PAWC's water operations. Regardless of whether PAWC  
17 requests recovery of the premium over the depreciated original cost, as discussed above,  
18 the rate impact of the acquisition on the rates of other PAWC customers, if any, will be *de*  
19 *minimus*. Consequently, a separate revenue requirement study should not be required for  
20 Appalachian.  
21

22 **LTTIP RECOMMENDATION**

23 **Q. MS. DEANGELO REQUESTS THAT PAWC BE REQUIRED TO AMEND ITS**  
24 **LTTIP TO INCLUDE AUI WITHIN 90 DAYS OF CLOSING. PLEASE DISCUSS**  
25 **THIS RECOMMENDATION.**

---

<sup>11</sup> Docket No. R-2023-3043189, Order Entered July 22, 2024, pages 217-218.

<sup>12</sup> Docket No. R-2017-2595853. PAWC proposed rate base for the Scranton acquisition of \$152 million and rate base related to all other wastewater systems of \$170 million.

1  
2 A. In the conclusion section of her testimony, Ms. DeAngelo recommends the Application be  
3 conditioned on the following requirement related to PAWC’s LTIP:

4 PAWC will file an amended LTIP including the AUI customers within 90 days of  
5 closing. The proposed projects reflected in the amended LTIP should be in addition  
6 to, and not re-prioritize, any capital improvements that PAWC has already  
7 committed to undertake for existing customers. PAWC should not include System-  
8 related investments in its DSIC until PAWC collects a DSIC from System  
9 customers.

10  
11 Ms. DeAngelo does not discuss this recommendation outside of the conclusion section of  
12 her testimony and does not explain why she believes it is necessary. It appears that  
13 Ms. DeAngelo is conflating a Section 1329 acquisition, in which PAWC frequently agrees  
14 to terms similar to what OCA is proposing, with this non-Section 1329 acquisition. An  
15 important distinction is Section 1329 allows the application of a distribution system  
16 improvement charge (“DSIC”) prior to the first rate case in which the acquired system is  
17 included. Because this is not a Section 1329 acquisition, PAWC is not allowed to include  
18 Appalachian in the DSIC until it has been included in a rate case,<sup>13</sup> and therefore it is  
19 unnecessary to amend the LTIP within 90 days after Closing.

20 The DSIC will likely not apply to Appalachian customers until mid-2027 or later.  
21 The timing of PAWC’s next rate case is unknown. For illustrative purposes, if PAWC were  
22 to file a rate case at the end of the Fully Projected Future Test Year (“FPFTY”) from its  
23 last rate case, following a nine-month suspension period and a 12-month FPFTY, the DSIC  
24 would apply beginning in July 2027. Thus, the OCA’s requested condition that PAWC  
25 update the LTIP within 90 days is unwarranted.

26  

---

<sup>13</sup> Docket No. M-2012-2293611, Order Entered August 2, 2012.

1 **Q. HAVE LTIP AMENDMENTS BEEN ADDRESSED THROUGH A PRIOR**  
2 **SETTLEMENT WITH THE OCA?**

3 A. Yes. In the Joint Petition for Settlement of Rate Investigation (“Settlement”) filed on  
4 October 11, 2022 in PAWC’s 2022 rate case, Docket Nos. R-2022-3031672 and R-2022-  
5 3031673, PAWC, OCA, and other settling parties agreed as follows:

6 The Company agrees to reevaluate the timeline for future water and wastewater  
7 LTIP revisions as part of future base rate filings based on the number of water  
8 and/or wastewater customers acquired since the prior base rate case and the period  
9 since the Company’s last LTIP amendment.

10  
11 The OCA’s Statement in Support of that Settlement notes that the “Settlement reflects a  
12 compromise that largely addresses the OCA’s concerns by... agreeing that, going forward,  
13 PAWC will apply the DSIC to customers in systems not acquired under Section 1329 of  
14 the Public Utility Code, 66 Pa. C.S. § 1329, no later than in the first base rate case in which  
15 the system is included.” (Settlement, Statement C, OCA Statement in Support, p. 14). As  
16 noted above, PAWC is not allowed to apply the DSIC any sooner than the first rate case,  
17 so the agreement PAWC already made regarding the filing of LTIP amendments is  
18 sufficient to ensure that the acquired customers are included in the DSIC in a timely  
19 manner.

20  
21 **CONCLUSION**

22 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

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

APPALACHIAN UTILITIES, INC.  
(Company Name)

For the Year Ended December 31, 2023

**400. COMPARATIVE INCOME STATEMENT  
REVENUES AND EXPENSES**

Line No.	Account Number and Title (a)	Schedule No. (c)	Balance End of Year (d)	Balance Previous Year (e)	Increase/Decrease (f)
1	400.0 Operating Revenues	401	714001	732094	-18093
2					
3	UTILITY OPERATING EXPENSES		XXX	XXX	XXX
4	401.0 Operating Expenses		704,471	595,079	109,392
5	403.0 Depreciation Expense		71,180	65,561	5,619
6	406.0 Amortization of Utility Plant Acquisition Adjustment	417			
7	407.1 Amortization of Limited Term Plant	417			
8	407.2 Amortization of Property Losses	417			
9	407.3 Amortization of Other Utility Plant	417			
10	407.4 Amortization of Regulatory Assets				
11	408.0 Taxes Other Than Income	418	33,873	32,745	1,128
12	409.10 Federal Income Taxes, Utility Operating Income	419		(21)	21
13	409.11 State Income Taxes, Utility Operating Income	419		(3)	3
14	409.12 Local Income Taxes, Utility Operating Income				
15	410.0 Deferred Income Tax	420			
16	410.10 Federal	420			
17	410.11 State	420			
18	Total Deferred Income Tax	420			
19	411.1 Provision for Deferred Income Taxes - Credit, Utility Operating Income	421			
20	Tax Credits				
21	412.1 Investment Tax Credit, Deferred to Future Periods, Utility Operating Income				
22	412.2 Investment Tax Credits, Restored to Operating Income, Utility Operating Income				
23	Total Tax Credits				
24	TOTAL UTILITY OPERATING EXPENSES		809,524	693,361	116,163
25					
26	NET UTILITY OPERATING INCOME (LOSS)		(95,523)	38,733	(134,256)
27					
28	OTHER OPERATING INCOME (LOSS)		XXX	XXX	XXX
29	413.0 Income from Utility Plant Leased to Others				
30	414.0 Gains (Losses) from Disposition of Utility Property				
31	TOTAL OTHER OPERATING INCOME (LOSS)				
32					
33	NON-OPERATING INCOME		XXX	XXX	XXX
34	415.0 Revenues from Merchandising, Jobbing and Contract Work		1,480	600	880
35	419.0 Interest & Dividend Income		818	699	119
36	420.0 Allowance for Funds Used During Construction (AFUDC)				
37	421.0 Non-Utility Income		5,363	6,060	(697)
38	TOTAL NON-OPERATING INCOME		7,661	7,359	302
39					
40	NON-OPERATING DEDUCTIONS		XXX	XXX	XXX
41	408.2 Taxes Other Than Income, Other Income and Deductions				
42	409.2 Income Taxes, Oter Income and Deductions				
43	416.0 Costs & Expenses of Merchandising, Jobbing and Contract Work		(1,941)	(676)	(1,265)
44	426.0 Miscellaneous Non-Utility Expenses				
45	TOTAL NON-OPERATING INCOME & DEDUCTIONS		5,720	6,683	(963)
46					
47	INTEREST EXPENSE		XXX	XXX	XXX
48	427.0 Interest Expense		1,152	1,777	(625)
49	428.0 Amortization of Debt Discount & Expenses				
50	429.0 Amortization of Premium on Debt				
51	TOTAL INTEREST EXPENSE		1,152	1,777	(625)
52					
53	EXTRAORDINARY ITEMS		XXX	XXX	XXX
54	433.0 Income				
55	434.0 Deductions				
56	409.3 Income Taxes				
57	409.4 Other				
58	TOTAL EXTRAORDINARY ITEMS				
59	NET INCOME (LOSS)		(90,955)	43,639	(134,594)

APPALACHIAN UTILITIES, INC

For the Year Ended December 31, 2022

(Company Name)

**400. COMPARATIVE INCOME STATEMENT  
REVENUES AND EXPENSES**

Line No.	Account Number and Title (a)	Schedule No. (c)	Balance End of Year (d)	Balance Previous Year (e)	Increase/Decrease (f)
1	400.0 Operating Revenues	401	732094	730058	2036
2					
3	UTILITY OPERATING EXPENSES		XXX	XXX	XXX
4	401.0 Operating Expenses		595,079	546,902	48,177
5	403.0 Depreciation Expense		65,561	57,027	8,534
6	406.0 Amortization of Utility Plant Acquisition Adjustment	417			
7	407.1 Amortization of Limited Term Plant	417			
8	407.2 Amortization of Property Losses	417			
9	407.3 Amortization of Other Utility Plant	417			
10	407.4 Amortization of Regulatory Assets				
11	408.0 Taxes Other Than Income	418	32,745	34,378	(1,633)
12	409.10 Federal Income Taxes, Utility Operating Income	419	(21)	3,535	(3,556)
13	409.11 State Income Taxes, Utility Operating Income	419	(3)	2,764	(2,767)
14	409.12 Local Income Taxes, Utility Operating Income				
15	410.0 Deferred Income Tax	420			
16	410.10 Federal	420			
17	410.11 State	420			
18	Total Deferred Income Tax	420			
19	411.1 Provision for Deferred Income Taxes - Credit, Utility Operating Income	421			
20	Tax Credits				
21	412.1 Investment Tax Credit, Deferred to Future Periods, Utility Operating Income				
22	412.2 Investment Tax Credits, Restored to Operating Income, Utility Operating Income				
23	Total Tax Credits				
24	TOTAL UTILITY OPERATING EXPENSES		693,361	644,606	48,755
25					
26	NET UTILITY OPERATING INCOME (LOSS)		38,733	85,452	(46,719)
27					
28	OTHER OPERATING INCOME (LOSS)		XXX	XXX	XXX
29	413.0 Income from Utility Plant Leased to Others				
30	414.0 Gains (Losses) from Disposition of Utility Property				
31	TOTAL OTHER OPERATING INCOME (LOSS)				
32					
33	NON-OPERATING INCOME		XXX	XXX	XXX
34	415.0 Revenues from Merchandising, Jobbing and Contract Work		600	880	(280)
35	419.0 Interest & Dividend Income		699	212	487
36	420.0 Allowance for Funds Used During Construction (AFUDC)				
37	421.0 Non-Utility Income		6,060	140	5,920
38	TOTAL NON-OPERATING INCOME		7,359	1,232	6,127
39					
40	NON-OPERATING DEDUCTIONS		XXX	XXX	XXX
41	408.2 Taxes Other Than Income, Other Income and Deductions				
42	409.2 Income Taxes, Other Income and Deductions				
43	416.0 Costs & Expenses of Merchandising, Jobbing and Contract Work		(676)	(752)	76
44	426.0 Miscellaneous Non-Utility Expenses				
45	TOTAL NON-OPERATING INCOME & DEDUCTIONS		6,683	480	6,203
46					
47	INTEREST EXPENSE		XXX	XXX	XXX
48	427.0 Interest Expense		1,777	2,206	(429)
49	428.0 Amortization of Debt Discount & Expenses				
50	429.0 Amortization of Premium on Debt				
51	TOTAL INTEREST EXPENSE		1,777	2,206	(429)
52					
53	EXTRAORDINARY ITEMS		XXX	XXX	XXX
54	433.0 Income				
55	434.0 Deductions				
56	409.3 Income Taxes				
57	409.4 Other				
58	TOTAL EXTRAORDINARY ITEMS				
59	NET INCOME (LOSS)		43,639	83,726	(40,087)

(Company Name)

### 400. COMPARATIVE INCOME STATEMENT REVENUES AND EXPENSES

Line No.	Account Number and Title (a)	Schedule No. (c)	Balance End of Year (d)	Balance Previous Year (e)	Increase/Decrease (f)
1	400.0 Operating Revenues	401	730058	751417	-21359
2					
3	UTILITY OPERATING EXPENSES		XXX	XXX	XXX
4	401.0 Operating Expenses		546,902	585,304	(38,402)
5	403.0 Depreciation Expense		57,027	46,799	10,228
6	406.0 Amortization of Utility Plant Acquisition Adjustment	417			
7	407.1 Amortization of Limited Term Plant	417			
8	407.2 Amortization of Property Losses	417			
9	407.3 Amortization of Other Utility Plant	417			
10	407.4 Amortization of Regulatory Assets				
11	408.0 Taxes Other Than Income	418	34,378	35,054	(676)
12	409.10 Federal Income Taxes, Utility Operating Income	419	3,535	18,408	(14,873)
13	409.11 State Income Taxes, Utility Operating Income	419	2,764	8,486	(5,722)
14	409.12 Local Income Taxes, Utility Operating Income				
15	410.0 Deferred Income Tax	420			
16	410.10 Federal	420			
17	410.11 State	420			
18	Total Deferred Income Tax	420			
19	411.1 Provision for Deferred Income Taxes - Credit, Utility Operating Income	421			
20	Tax Credits				
21	412.1 Investment Tax Credit, Deferred to Future Periods, Utility Operating Income				
22	412.2 Investment Tax Credits, Restored to Operating Income, Utility Operating Income				
23	Total Tax Credits				
24	TOTAL UTILITY OPERATING EXPENSES		644,606	694,051	(49,445)
25					
26	NET UTILITY OPERATING INCOME (LOSS)		85,452	57,366	28,086
27					
28	OTHER OPERATING INCOME (LOSS)		XXX	XXX	XXX
29	413.0 Income from Utility Plant Leased to Others				
30	414.0 Gains (Losses) from Disposition of Utility Property			9,500	(9,500)
31	TOTAL OTHER OPERATING INCOME (LOSS)			9,500	(9,500)
32					
33	NON-OPERATING INCOME		XXX	XXX	XXX
34	415.0 Revenues from Merchandising, Jobbing and Contract Work		880	640	240
35	419.0 Interest & Dividend Income		212	306	(94)
36	420.0 Allowance for Funds Used During Construction (AFUDC)				
37	421.0 Non-Utility Income		140		140
38	TOTAL NON-OPERATING INCOME		1,232	946	286
39					
40	NON-OPERATING DEDUCTIONS		XXX	XXX	XXX
41	408.2 Taxes Other Than Income, Other Income and Deductions				
42	409.2 Income Taxes, Oter Income and Deductions				
43	416.0 Costs & Expenses of Merchandising, Jobbing and Contract Work		(752)	(558)	(194)
44	426.0 Miscellaneous Non-Utility Expenses				
45	TOTAL NON-OPERATING INCOME & DEDUCTIONS		480	388	92
46					
47	INTEREST EXPENSE		XXX	XXX	XXX
48	427.0 Interest Expense		2,206	783	1,423
49	428.0 Amortization of Debt Discount & Expenses				
50	429.0 Amortization of Premium on Debt				
51	TOTAL INTEREST EXPENSE		2,206	783	1,423
52					
53	EXTRAORDINARY ITEMS		XXX	XXX	XXX
54	433.0 Income				
55	434.0 Deductions				
56	409.3 Income Taxes				
57	409.4 Other			74,102	(74,102)
58	TOTAL EXTRAORDINARY ITEMS			74,102	(74,102)
59	NET INCOME (LOSS)		83,726	140,573	(56,847)

Appalachian Utilities, Inc.

For the Year Ended December 31, 2020

(Company Name)

### 400. COMPARATIVE INCOME STATEMENT REVENUES AND EXPENSES

Line No.	Account Number and Title (a)	Schedule No. (c)	Balance End of Year (d)	Balance Previous Year (e)	Increase/Decrease (f)
1	400.0 Operating Revenues	401	751417	723539	27878
2					
3	UTILITY OPERATING EXPENSES		XXX	XXX	XXX
4	401.0 Operating Expenses		585,304	538,383	46,921
5	403.0 Depreciation Expense		46,799	49,410	(2,611)
6	406.0 Amortization of Utility Plant Acquisition Adjustment	417			
7	407.1 Amortization of Limited Term Plant	417			
8	407.2 Amortization of Property Losses	417			
9	407.3 Amortization of Other Utility Plant	417			
10	407.4 Amortization of Regulatory Assets				
11	408.0 Taxes Other Than Income	418	35,054	35,230	(176)
12	409.10 Federal Income Taxes, Utility Operating Income	419	18,408	38,815	(20,407)
13	409.11 State Income Taxes, Utility Operating Income	419	8,486	10,062	(1,576)
14	409.12 Local Income Taxes, Utility Operating Income				
15	410.0 Deferred Income Tax	420			
16	410.10 Federal	420			
17	410.11 State	420			
18	Total Deferred Income Tax	420			
19	411.1 Provision for Deferred Income Taxes - Credit, Utility Operating Income	421			
20	Tax Credits				
21	412.1 Investment Tax Credit, Deferred to Future Periods, Utility Operating Income				
22	412.2 Investment Tax Credits, Restored to Operating Income, Utility Operating Income				
23	Total Tax Credits				
24	TOTAL UTILITY OPERATING EXPENSES		694,051	671,900	22,151
25					
26	NET UTILITY OPERATING INCOME (LOSS)		57,366	51,639	5,727
27					
28	OTHER OPERATING INCOME (LOSS)		XXX	XXX	XXX
29	413.0 Income from Utility Plant Leased to Others				
30	414.0 Gains (Losses) from Disposition of Utility Property		9,500		9,500
31	TOTAL OTHER OPERATING INCOME (LOSS)		9,500		9,500
32					
33	NON-OPERATING INCOME		XXX	XXX	XXX
34	415.0 Revenues from Merchandising, Jobbing and Contract Work		640	1,720	(1,080)
35	419.0 Interest & Dividend Income		306	244	62
36	420.0 Allowance for Funds Used During Construction (AFUDC)				
37	421.0 Non-Utility Income			120	(120)
38	TOTAL NON-OPERATING INCOME		946	2,084	(1,138)
39					
40	NON-OPERATING DEDUCTIONS		XXX	XXX	XXX
41	408.2 Taxes Other Than Income, Other Income and Deductions				
42	409.2 Income Taxes, Other Income and Deductions				
43	416.0 Costs & Expenses of Merchandising, Jobbing and Contract Work		(558)	(933)	375
44	426.0 Miscellaneous Non-Utility Expenses				
45	TOTAL NON-OPERATING INCOME & DEDUCTIONS		388	1,151	(763)
46					
47	INTEREST EXPENSE		XXX	XXX	XXX
48	427.0 Interest Expense		783	513	270
49	428.0 Amortization of Debt Discount & Expenses				
50	429.0 Amortization of Premium on Debt				
51	TOTAL INTEREST EXPENSE		783	513	270
52					
53	EXTRAORDINARY ITEMS		XXX	XXX	XXX
54	433.0 Income				
55	434.0 Deductions				
56	409.3 Income Taxes				
57	409.4 Other		74,102		74,102
58	TOTAL EXTRAORDINARY ITEMS		74,102		74,102
59	NET INCOME (LOSS)		140,573	52,277	88,296

Appalachian Utilities, Inc  
(Company Name)

For the Year Ended December 31, 2019

### 400. COMPARATIVE INCOME STATEMENT REVENUES AND EXPENSES

Line No.	Account Number and Title (a)	Schedule No. (c)	Balance End of Year (d)	Balance Previous Year (e)	Increase/Decrease (f)
1	400.0 Operating Revenues	401	723539	725932	-2393
2					
3	UTILITY OPERATING EXPENSES		XXX	XXX	XXX
4	401.0 Operating Expenses		538,383	497,580	40,803
5	403.0 Depreciation Expense		49,410	47,584	1,826
6	406.0 Amortization of Utility Plant Acquisition Adjustment	417			
7	407.1 Amortization of Limited Term Plant	417			
8	407.2 Amortization of Property Losses	417			
9	407.3 Amortization of Other Utility Plant	417			
10	407.4 Amortization of Regulatory Assets				
11	408.0 Taxes Other Than Income	418	35,230	35,758	(528)
12	409.10 Federal Income Taxes, Utility Operating Income	419	38,815	11,579	27,236
13	409.11 State Income Taxes, Utility Operating Income	419	10,062	10,453	(391)
14	409.12 Local Income Taxes, Utility Operating Income				
15	410.0 Deferred Income Tax	420			
16	410.10 Federal	420			
17	410.11 State	420			
18	Total Deferred Income Tax	420			
19	411.1 Provision for Deferred Income Taxes - Credit, Utility Operating Income	421			
20	Tax Credits				
21	412.1 Investment Tax Credit, Deferred to Future Periods, Utility Operating Income				
22	412.2 Investment Tax Credits, Restored to Operating Income, Utility Operating Income				
23	Total Tax Credits				
24	TOTAL UTILITY OPERATING EXPENSES		671,900	602,954	68,946
25					
26	NET UTILITY OPERATING INCOME (LOSS)		51,639	122,978	(71,339)
27					
28	OTHER OPERATING INCOME (LOSS)		XXX	XXX	XXX
29	413.0 Income from Utility Plant Leased to Others				
30	414.0 Gains (Losses) from Disposition of Utility Property				
31	TOTAL OTHER OPERATING INCOME (LOSS)				
32					
33	NON-OPERATING INCOME		XXX	XXX	XXX
34	415.0 Revenues from Merchandising, Jobbing and Contract Work		1,720	2,010	(290)
35	419.0 Interest & Dividend Income		244	156	88
36	420.0 Allowance for Funds Used During Construction (AFUDC)				
37	421.0 Non-Utility Income		120	120	
38	TOTAL NON-OPERATING INCOME		2,084	2,286	(202)
39					
40	NON-OPERATING DEDUCTIONS		XXX	XXX	XXX
41	408.2 Taxes Other Than Income, Other Income and Deductions				
42	409.2 Income Taxes, Oter Income and Deductions				
43	416.0 Costs & Expenses of Merchandising, Jobbing and Contract Work		(933)	(799)	(134)
44	426.0 Miscellaneous Non-Utility Expenses				
45	TOTAL NON-OPERATING INCOME & DEDUCTIONS		1,151	1,487	(336)
46					
47	INTEREST EXPENSE		XXX	XXX	XXX
48	427.0 Interest Expense		513	2,323	(1,810)
49	428.0 Amortization of Debt Discount & Expenses				
50	429.0 Amortization of Premium on Debt				
51	TOTAL INTEREST EXPENSE		513	2,323	(1,810)
52					
53	EXTRAORDINARY ITEMS		XXX	XXX	XXX
54	433.0 Income				
55	434.0 Deductions				
56	409.3 Income Taxes				
57	409.4 Other				
58	TOTAL EXTRAORDINARY ITEMS				
59	NET INCOME (LOSS)		52,277	122,142	(69,865)

APPALACHIAN UTILITIES, INC.  
(Company Name)

For the Year Ended December 31, 2023

**201. UTILITY PLANT IN SERVICE - Account No. 101.0**

1. Report by prescribed accounts the original cost of utility plant in service and the additions and retirements of such plant during the year.
2. Do not include as adjustments, corrections to additions and retirements for the current or preceding year. Such items should be included in appropriate Column (e) or (d).
3. Credit adjustments in Column (e) should be shown in red, or in black enclosed in parenthesis. State in a footnote the general character of any adjustments in Column (e).
4. Submit, in a footnote, an explanation of amounts included in Columns (e) and/or (f), Line 34, for lowering or changing the location of mains.

Line No.	Account Number and Title (a)	Balance Previous Year (b)	Additions (c)	Retirements (d)	Adjustments +/- (e)	Balance End of Year (f)
1	<b>.1 INTANGIBLE PLANT</b>	XXX	XXX	XXX	XXX	XXX
2	301.10 Organization	39065				39065
3	302.10 Franchises					
4	339.10 Other Plant and Miscellaneous Equipment	32161				32161
5	Total Intangible Plant	71226				71226
6	<b>.2 SOURCE OF SUPPLY AND PUMPING PLANT</b>	XXX	XXX	XXX	XXX	XXX
7	303.20 Land and Land Rights	24130				24130
8	304.20 Structures and Improvements	6838				6838
9	305.20 Collection and Impounding Reservoirs					
10	306.20 Lake, Rivers and Other Intakes					
11	307.20 Wells and Springs	218876				218876
12	308.20 Infiltration Galleries and Tunnels					
13	309.20 Supply Mains					
14	310.20 Power Generation Equipment					
15	311.20 Pumping Equipment	82351	2274			84625
16	339.20 Other Plant and Miscellaneous Equipment	299				299
17	Total Source of Supply and Pumping Plant	332494	2274			334768
18	<b>.3 WATER TREATMENT EQUIPMENT</b>	XXX	XXX	XXX	XXX	XXX
19	303.30 Land and Land Rights					
20	304.30 Structures and Improvements	12256				12256
21	310.30 Power Generation Equipment					
22	311.30 Pumping Equipment					
23	320.30 Water Treatment Equipment					
24	339.30 Other Plant and Miscellaneous Equipment	55693				55693
25	349.30 Instrumentation					
26	350.30 Wastewater Treatment Equipment					
27	Total Water Treatment Equipment	67949				67949
28	<b>.4 TRANSMISSION AND DISTRIBUTION PLANT</b>	XXX	XXX	XXX	XXX	XXX
29	303.40 Land and Land Rights	20000				20000
30	304.40 Structures and Improvements	14874				14874
31	310.40 Power Generation Equipment					
32	311.40 Pumping Equipment					
33	330.40 Distribution Reservoirs and Standpipes	280092				280092
34	331.40 Transmission and Distribution Mains	980792				980792
35	333.40 Services	389124	7895			397019
36	334.40 Meters and Meter Installations	405727	11416	10847		406296
37	335.40 Hydrants	33155	4394			37549
38	336.40 Backflow Prevention Devices					
39	339.40 Other Plant and Miscellaneous Equipment	22008				22008
40	Total Transmission and Distribution Plant	2145772	23705	10847		2158630
41	<b>.5 GENERAL PLANT</b>	XXX	XXX	XXX	XXX	XXX
42	303.50 Land and Land Rights	4699				4699
43	304.50 Structures and Improvements	131698	2028			133726
44	340.50 Office Furniture and Equipment	31840				31840
45	341.50 Transportation Equipment	231782				231782
46	342.50 Stores Equipment					
47	343.50 Tools, Shop and Garage Equipment	136012	2099			138111
48	344.50 Laboratory Furniture & Equipment					
49	345.50 Power Operated Equipment					
50	346.50 Communication Equipment	34835				34835
51	347.50 Miscellaneous Equipment	86013		28131	-127	57755
52	348.50 Other Tangible Plant	7343				7343
53	Total General Plant	664222	4127	28131	-127	640091
54	<b>TOTAL WATER PLANT-IN-SERVICE</b>	<b>3281663</b>	<b>30106</b>	<b>38978</b>	<b>-127</b>	<b>3272664</b>

APPALACHIAN UTILITIES, INC.  
(Company Name)

For the Year Ended December 31, 2022

**201. UTILITY PLANT IN SERVICE - Account No. 101.0**

1. Report by prescribed accounts the original cost of utility plant in service and the additions and retirements of such plant during the year.
2. Do not include as adjustments, corrections to additions and retirements for the current or preceding year. Such items should be included in appropriate Column (c) or (d).
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4. Submit, in a footnote, an explanation of amounts included in Columns (c) and/or (d), Line 34, for lowering or changing the location of mains.

Line No.	Account Number and Title (a)	Balance Previous Year (b)	Additions (c)	Retirements (d)	Adjustments +/- (e)	Balance End of Year (f)
1	<b>.1 INTANGIBLE PLANT</b>	XXX	XXX	XXX	XXX	XXX
2	301.10 Organization	39065				39065
3	302.10 Franchises					
4	339.10 Other Plant and Miscellaneous Equipment	32161				32161
5	Total Intangible Plant	71226				71226
6	<b>.2 SOURCE OF SUPPLY AND PUMPING PLANT</b>	XXX	XXX	XXX	XXX	XXX
7	303.20 Land and Land Rights	24130				24130
8	304.20 Structures and Improvements	6838				6838
9	305.20 Collection and Impounding Reservoirs					
10	306.20 Lake, Rivers and Other Intakes					
11	307.20 Wells and Springs	218876				218876
12	308.20 Infiltration Galleries and Tunnels					
13	309.20 Supply Mains					
14	310.20 Power Generation Equipment					
15	311.20 Pumping Equipment	73838	8513			82351
16	339.20 Other Plant and Miscellaneous Equipment	299				299
17	Total Source of Supply and Pumping Plant	323981	8513			332494
18	<b>.3 WATER TREATMENT EQUIPMENT</b>	XXX	XXX	XXX	XXX	XXX
19	303.30 Land and Land Rights					
20	304.30 Structures and Improvements	12256				12256
21	310.30 Power Generation Equipment					
22	311.30 Pumping Equipment					
23	320.30 Water Treatment Equipment					
24	339.30 Other Plant and Miscellaneous Equipment	55693				55693
25	349.30 Instrumentation					
26	350.30 Wastewater Treatment Equipment					
27	Total Water Treatment Equipment	67949				67949
28	<b>.4 TRANSMISSION AND DISTRIBUTION PLANT</b>	XXX	XXX	XXX	XXX	XXX
29	303.40 Land and Land Rights	20000				20000
30	304.40 Structures and Improvements	14874				14874
31	310.40 Power Generation Equipment					
32	311.40 Pumping Equipment					
33	330.40 Distribution Reservoirs and Standpipes	280092				280092
34	331.40 Transmission and Distribution Mains	971631	9161			980792
35	333.40 Services	381151	7973			389124
36	334.40 Meters and Meter Installations	385983	38754	19010		405727
37	335.40 Hydrants	33155				33155
38	336.40 Backflow Prevention Devices					
39	339.40 Other Plant and Miscellaneous Equipment	22008				22008
40	Total Transmission and Distribution Plant	2108894	55888	19010		2145772
41	<b>.5 GENERAL PLANT</b>	XXX	XXX	XXX	XXX	XXX
42	303.50 Land and Land Rights	4699				4699
43	304.50 Structures and Improvements	131698				131698
44	340.50 Office Furniture and Equipment	38020		6180		31840
45	341.50 Transportation Equipment	178219	53563			231782
46	342.50 Stores Equipment					
47	343.50 Tools, Shop and Garage Equipment	136012				136012
48	344.50 Laboratory Furniture & Equipment					
49	345.50 Power Operated Equipment					
50	346.50 Communication Equipment	34835				34835
51	347.50 Miscellaneous Equipment	86013				86013
52	348.50 Other Tangible Plant	5679	1664			7343
53	Total General Plant	615175	55227	6180		664222
54	<b>TOTAL WATER PLANT-IN-SERVICE</b>	<b>3187225</b>	<b>119628</b>	<b>25190</b>		<b>3281663</b>

APPALACHIAN UTILITIES, INC.  
(Company Name)

For the Year Ended December 31, 2021

**201. UTILITY PLANT IN SERVICE - Account No. 101.0**

1. Report by prescribed accounts the original cost of utility plant in service and the additions and retirements of such plant during the year.
2. Do not include as adjustments, corrections to additions and retirements for the current or preceding year. Such items should be included in appropriate Column (c) or (d).
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4. Submit, in a footnote, an explanation of amounts included in Columns (e) and/or (f), Line 34, for lowering or changing the location of mains.

Line No.	Account Number and Title (a)	Balance Previous Year (b)	Additions (c)	Retirements (d)	Adjustments +/- (e)	Balance End of Year (f)
1	.1 INTANGIBLE PLANT	XXX	XXX	XXX	XXX	XXX
2	301.10 Organization	39065				39065
3	302.10 Franchises					
4	339.10 Other Plant and Miscellaneous Equipment	32161				32161
5	Total Intangible Plant	71226				71226
6	.2 SOURCE OF SUPPLY AND PUMPING PLANT	XXX	XXX	XXX	XXX	XXX
7	303.20 Land and Land Rights	24130				24130
8	304.20 Structures and Improvements	6838				6838
9	305.20 Collection and Impounding Reservoirs					
10	306.20 Lake, Rivers and Other Intakes					
11	307.20 Wells and Springs	218876				218876
12	308.20 Infiltration Galleries and Tunnels					
13	309.20 Supply Mains					
14	310.20 Power Generation Equipment					
15	311.20 Pumping Equipment	71149	7721	-5032		73838
16	339.20 Other Plant and Miscellaneous Equipment	299				299
17	Total Source of Supply and Pumping Plant	321292	7721	-5032		323981
18	.3 WATER TREATMENT EQUIPMENT	XXX	XXX	XXX	XXX	XXX
19	303.30 Land and Land Rights					
20	304.30 Structures and Improvements	12256				12256
21	310.30 Power Generation Equipment					
22	311.30 Pumping Equipment					
23	320.30 Water Treatment Equipment					
24	339.30 Other Plant and Miscellaneous Equipment	55693				55693
25	349.30 Instrumentation					
26	350.30 Wastewater Treatment Equipment					
27	Total Water Treatment Equipment	67949				67949
28	.4 TRANSMISSION AND DISTRIBUTION PLANT	XXX	XXX	XXX	XXX	XXX
29	303.40 Land and Land Rights	20000				20000
30	304.40 Structures and Improvements	14874				14874
31	310.40 Power Generation Equipment					
32	311.40 Pumping Equipment					
33	330.40 Distribution Reservoirs and Standpipes	280092				280092
34	331.40 Transmission and Distribution Mains	957743	13888			971631
35	333.40 Services	374993	6158			381151
36	334.40 Meters and Meter Installations	342331	45820	-2188		385983
37	335.40 Hydrants	33155				33155
38	336.40 Backflow Prevention Devices					
39	339.40 Other Plant and Miscellaneous Equipment	22008				22008
40	Total Transmission and Distribution Plant	2045216	65866	-2188		2108894
41	.5 GENERAL PLANT	XXX	XXX	XXX	XXX	XXX
42	303.50 Land and Land Rights	4699				4699
43	304.50 Structures and Improvements	131698				131698
44	340.50 Office Furniture and Equipment	30330	7690			38020
45	341.50 Transportation Equipment	178219				178219
46	342.50 Stores Equipment					
47	343.50 Tools, Shop and Garage Equipment	127767	29700	-21455		136012
48	344.50 Laboratory Furniture & Equipment					
49	345.50 Power Operated Equipment					
50	346.50 Communication Equipment	34835				34835
51	347.50 Miscellaneous Equipment	86013				86013
52	348.50 Other Tangible Plant	4371	1308			5679
53	Total General Plant	597932	38698	-21455		615175
54	TOTAL WATER PLANT-IN-SERVICE	3103615	112285	-28675		3187225

Appalachian Utilities, Inc.

For the Year Ended December 31, 2020

(Company Name)

**201. UTILITY PLANT IN SERVICE - Account No. 101.0**

1. Report by prescribed accounts the original cost of utility plant in service and the additions and retirements of such plant during the year.
2. Do not include as adjustments, corrections to additions and retirements for the current or preceding year. Such items should be included in appropriate Column (e) or (d).
3. Credit adjustments in Column (e) should be shown in red, or in black enclosed in parenthesis. State in a footnote the general character of any adjustments in Column (e).
4. Submit, in a footnote, an explanation of amounts included in Columns (e) and/or (f), Line 34, for lowering or changing the location of mains.

Line No.	Account Number and Title (a)	Balance Previous Year (b)	Additions (c)	Retirements (d)	Adjustments +/- (e)	Balance End of Year (f)
1	<b>.1 INTANGIBLE PLANT</b>	XXX	XXX	XXX	XXX	XXX
2	301.10 Organization	39065				39065
3	302.10 Franchises					
4	339.10 Other Plant and Miscellaneous Equipment	32161				32161
5	Total Intangible Plant	71226				71226
6	<b>.2 SOURCE OF SUPPLY AND PUMPING PLANT</b>	XXX	XXX	XXX	XXX	XXX
7	303.20 Land and Land Rights	24130				24130
8	304.20 Structures and Improvements	6838				6838
9	305.20 Collection and Impounding Reservoirs					
10	306.20 Lake, Rivers and Other Intakes					
11	307.20 Wells and Springs	218876				218876
12	308.20 Infiltration Galleries and Tunnels					
13	309.20 Supply Mains					
14	310.20 Power Generation Equipment					
15	311.20 Pumping Equipment	68109	6086	3046		71149
16	339.20 Other Plant and Miscellaneous Equipment	299				299
17	Total Source of Supply and Pumping Plant	318252	6086	3046		321292
18	<b>.3 WATER TREATMENT EQUIPMENT</b>	XXX	XXX	XXX	XXX	XXX
19	303.30 Land and Land Rights					
20	304.30 Structures and Improvements	12256				12256
21	310.30 Power Generation Equipment					
22	311.30 Pumping Equipment					
23	320.30 Water Treatment Equipment					
24	339.30 Other Plant and Miscellaneous Equipment	55693				55693
25	349.30 Instrumentation					
26	350.30 Wastewater Treatment Equipment					
27	Total Water Treatment Equipment	67949				67949
28	<b>.4 TRANSMISSION AND DISTRIBUTION PLANT</b>	XXX	XXX	XXX	XXX	XXX
29	303.40 Land and Land Rights	20000				20000
30	304.40 Structures and Improvements	14874				14874
31	310.30 Power Generation Equipment					
32	311.40 Pumping Equipment					
33	330.40 Distribution Reservoirs and Standpipes	280092				280092
34	331.40 Transmission and Distribution Mains	942652	15091			957743
35	333.40 Services	370003	4990			374993
36	334.40 Meters and Meter Installations	308234	41021	6904		342351
37	335.40 Hydrants	29428	3727			33155
38	336.40 Backflow Prevention Devices					
39	339.40 Other Plant and Miscellaneous Equipment	22008				22008
40	Total Transmission and Distribution Plant	1987291	64829	6904		2045216
41	<b>.5 GENERAL PLANT</b>	XXX	XXX	XXX	XXX	XXX
42	303.50 Land and Land Rights	4699				4699
43	304.50 Structures and Improvements	131698				131698
44	340.50 Office Furniture and Equipment	29362	3206	2238		30330
45	341.50 Transportation Equipment	160999	42235	25015		178219
46	342.50 Stores Equipment					
47	343.50 Tools, Shop and Garage Equipment	127441	327			127768
48	344.50 Laboratory Furniture & Equipment					
49	345.50 Power Operated Equipment					
50	346.50 Communication Equipment	34835				34835
51	347.50 Miscellaneous Equipment	86013				86013
52	348.50 Other Tangible Plant	2590	1781			4371
53	Total General Plant	577637	47549	27253		597933
54	<b>TOTAL WATER PLANT-IN-SERVICE</b>	<b>3022355</b>	<b>118464</b>	<b>37203</b>		<b>3103616</b>

Appalachian Utilities, Inc

For the Year Ended December 31, 2019

(Company Name)

**201. UTILITY PLANT IN SERVICE - Account No. 101.0**

1. Report by prescribed accounts the original cost of utility plant in service and the additions and retirements of such plant during the year.
2. Do not include as adjustments, corrections to additions and retirements for the current or preceding year. Such items should be included in appropriate Column (c) or (d).
3. Credit adjustments in Column (e) should be shown in red, or in black enclosed in parenthesis. State in a footnote the general character of any adjustments in Column (e).
4. Submit, in a footnote, an explanation of amounts included in Columns (e) and/or (f), Line 34, for lowering or changing the location of mains.

Line No.	Account Number and Title (a)	Balance Previous Year (b)	Additions (c)	Retirements (d)	Adjustments +/- (e)	Balance End of Year (f)
1	<b>.1 INTANGIBLE PLANT</b>	XXX	XXX	XXX	XXX	XXX
2	301.10 Organization	39065				39065
3	302.10 Franchises					
4	339.10 Other Plant and Miscellaneous Equipment	32161				32161
5	Total Intangible Plant	71226				71226
6	<b>.2 SOURCE OF SUPPLY AND PUMPING PLANT</b>	XXX	XXX	XXX	XXX	XXX
7	303.20 Land and Land Rights	24130				24130
8	304.20 Structures and Improvements	6838				6838
9	305.20 Collection and Impounding Reservoirs					
10	306.20 Lake, Rivers and Other Intakes					
11	307.20 Wells and Springs	218876				218876
12	308.20 Infiltration Galleries and Tunnels					
13	309.20 Supply Mains					
14	310.20 Power Generation Equipment					
15	311.20 Pumping Equipment	83988		15879		68109
16	339.20 Other Plant and Miscellaneous Equipment	299				299
17	Total Source of Supply and Pumping Plant	334131		15879		318252
18	<b>.3 WATER TREATMENT EQUIPMENT</b>	XXX	XXX	XXX	XXX	XXX
19	303.30 Land and Land Rights					
20	304.30 Structures and Improvements	12256				12256
21	310.30 Power Generation Equipment					
22	311.30 Pumping Equipment					
23	320.30 Water Treatment Equipment					
24	339.30 Other Plant and Miscellaneous Equipment	55693				55693
25	349.30 Instrumentation					
26	350.30 Wastewater Treatment Equipment					
27	Total Water Treatment Equipment	67949				67949
28	<b>.4 TRANSMISSION AND DISTRIBUTION PLANT</b>	XXX	XXX	XXX	XXX	XXX
29	303.40 Land and Land Rights	20000				20000
30	304.40 Structures and Improvements	14874				14874
31	310.30 Power Generation Equipment					
32	311.40 Pumping Equipment					
33	330.40 Distribution Reservoirs and Standpipes	280092				280092
34	331.40 Transmission and Distribution Mains	918994	23658			942652
35	333.40 Services	364896	5107			370003
36	334.40 Meters and Meter Installations	301073	16073	8912		308234
37	335.40 Hydrants	26633	2795			29428
38	336.40 Backflow Prevention Devices					
39	339.40 Other Plant and Miscellaneous Equipment	22008				22008
40	Total Transmission and Distribution Plant	1948570	47633	8912		1987291
41	<b>.5 GENERAL PLANT</b>	XXX	XXX	XXX	XXX	XXX
42	303.50 Land and Land Rights	4699				4699
43	304.50 Structures and Improvements	131698				131698
44	340.50 Office Furniture and Equipment	34122		4760		29362
45	341.50 Transportation Equipment	170513		9514		160999
46	342.50 Stores Equipment					
47	343.50 Tools, Shop and Garage Equipment	161820	207	34586		127441
48	344.50 Laboratory Furniture & Equipment					
49	345.50 Power Operated Equipment					
50	346.50 Communication Equipment	36039		1204		34835
51	347.50 Miscellaneous Equipment	86213		200		86013
52	348.50 Other Tangible Plant	2590				2590
53	Total General Plant	627694	207	50264		577637
54	<b>TOTAL WATER PLANT-IN-SERVICE</b>	3049570	47840	75055		3022355

Application of Appalachian Utilities, Inc. for a Certificate of Public Convenience Evidencing the Pennsylvania Public Utility Commission's Approval of the Transfer of 40% of Outstanding and Issued Stock in Appalachian Utilities, Inc.

Docket No.  
A-2024-3046068

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1102(a), for approval of (1) the transfer to American Water Works Company, Inc., by merger of all property of Appalachian Utilities Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service.

Docket Nos.:  
A-2024-3046084  
A-2024-3046092

VERIFICATION

I, Ashley E. Everette, hereby state that the facts set forth in PAWC Statement No. 3-R and accompany exhibits, are true and correct to the best of my knowledge, information, and belief, and that I expect to be able to prove the same at a hearing if held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: August 30, 2024

  
\_\_\_\_\_  
Ashley E. Everette  
Senior Director of Rates and Regulatory  
American Water Works Service Company, Inc.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Appalachian Utilities, Inc. for a Certificate of Public Convenience Evidencing the Pennsylvania Public Utility Commission's Approval of the Transfer of 40% of Outstanding and Issued Stock in Appalachian Utilities, Inc. : Docket No. : A-2024-3046068

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1102(a), for approval of (1) the transfer to American Water Works Company, Inc., by merger of all property of Appalachian Utilities Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service. : Docket Nos.: : A-2024-3046084 : A-2024-3046092

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**REJOINDER TESTIMONY OF  
ASHLEY E. EVERETTE ON BEHALF OF  
PENNSYLVANIA-AMERICAN WATER COMPANY  
(PUBLIC VERSION)**

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Date: September 26, 2024

PAWC Statement No. 3-RJ



1 **Q. ON PAGE 2 OF HER SURREBUTTAL TESTIMONY, MS. DEANGELO STATES**  
2 **THAT “THE DEPRECIATED ORIGINAL COST OF THE SYSTEM IS**  
3 **\$1,396,252.” DO YOU HAVE ANY COMMENTS?**  
4

5 A. Yes. The DOC amount for the Appalachian System will be dependent on the date of closing  
6 and so the exact amount is not currently known. It is not a static number as Ms. DeAngelo’s  
7 testimony indicates.

8 **Q. ON PAGE 5 OF HER SURREBUTTAL TESTIMONY, MS. DEANGELO STATES**  
9 **“IF EVERY ACQUISITION PAWC MAKES IS AT A PREMIUM, THE HARM OF**  
10 **THE CUMULATIVE RATE IMPACT OF INCREASED RATES ON CONSUMERS**  
11 **WOULD BE SUBSTANTIAL.” PLEASE RESPOND.**

12 A. First, every acquisition PAWC makes does not result in an acquisition premium. In some  
13 cases, PAWC pays less than the depreciated original cost of acquired systems.<sup>2</sup> In situations  
14 where PAWC pays more than the depreciated original cost of the acquired system, pursuant  
15 to Section 1311(b) of the Pennsylvania Public Utility Code, the original cost less  
16 depreciation of the acquired system is placed into PAWC’s rate base unless the  
17 Commission authorizes recovery of the difference between the purchase price and the  
18 depreciated original cost under Section 1327.<sup>3</sup> Therefore, shareholders (not ratepayers) are  
19 responsible for the difference between the purchase price and the original cost less  
20 depreciation unless the Commission authorizes recovery under Section 1327. Second, I  
21 believe that this acquisition should be approved or disapproved based on the facts of this  
22 case and not based on what may or may not happen in other acquisition cases.

23  
24 **Q. THROUGHOUT HER SURREBUTTAL TESTIMONY, MS. DEANGELO**  
25 **REPEATEDLY CLAIMS THAT IF THE COMMISSION DOES NOT DECIDE**  
26 **NOW WHAT AMOUNT PAWC WILL BE ALLOWED TO RECOVER IN RATE**

---

<sup>2</sup> See, for example, Docket No. R-2022-3031672, Joint Petition for Settlement Appendix D – Amortizations, Negative Utility Plant Acquisition Adjustments.

<sup>3</sup> Section 1329 of the Code provides for a different valuation for certain acquisitions; Section 1329 does not apply to this acquisition.

1 **BASE, THE ACQUISITION WILL “HARM” CUSTOMERS.<sup>4</sup> DO YOU AGREE**  
2 **WITH MS. DEANGELO?**

3  
4 **A.** No, Ms. DeAngelo’s claims appear to be based on an opinion that a purchase price above  
5 the depreciated original cost (“DOC”) is automatically unreasonable and will automatically  
6 harm customers. I disagree. The purchase price for this System is reasonable and will have  
7 little to no impact on PAWC customers.

8 As discussed above, the general rule is that the original cost less depreciation of an  
9 acquired system (not the purchase price) is placed into PAWC’s rate base. Here, PAWC  
10 could request an acquisition premium pursuant to Section 1327, but has not yet decided if  
11 it will do so. If it does decide to do so, it would include this claim in the first base rate case  
12 in which Appalachian is included in rates. PAWC will only receive the acquisition  
13 adjustment if the Commission finds that PAWC has satisfied all the elements contained in  
14 Section 1327.

15 If the Commission denies PAWC the opportunity to show that it qualifies for a  
16 Section 1327 acquisition adjustment in a later rate case, as OCA requests, *PAWC* will be  
17 harmed. If, however, PAWC is given an opportunity to show that it qualifies for the  
18 acquisition adjustment, customers will not be harmed – they, and other stakeholders, will  
19 have the opportunity to contest that claim in a future rate case. If PAWC demonstrates that  
20 it meets the statutory criteria for recovery of an acquisition premium (including the  
21 reasonableness of the purchase price), customers are not harmed because that result is what  
22 the Legislature has decided is in the public interest.

23 **Q. ON PAGE 8 OF HER SURREBUTTAL, MS. DEANGELO CLAIMS THAT YOU**  
24 **ASK THE COMMISSION TO OVERLOOK ANY RATE HARM IF THE**  
25 **ACQUISITION IS SMALL. PLEASE RESPOND.**

---

<sup>4</sup> OCA St. 1SR, pages 4, 5, 7, 8, 9.

1 A. Ms. DeAngelo mischaracterizes my testimony. My point is that, pursuant to Section 1103  
2 of the Code, the Commission is to weigh the benefits of the Transaction against the  
3 detriments. The only detriment that has been identified for customers is a potential rate  
4 increase. My point is that this detriment is small, and is outweighed by all of the benefits  
5 of the Transaction.

6 Even if the Commission were to allow recovery of the entire purchase price, the  
7 cost of the premium would equate to [BEGIN CONFIDENTIAL] [REDACTED]  
8 [END CONFIDENTIAL] for an existing PAWC residential customer. As I explained in  
9 my rebuttal testimony, the actual impact on PAWC customers will likely be less (or will  
10 be none) because Appalachian's customers' rates will also be increased. Appalachian's  
11 customers will see a rate increase whether or not the Transaction is approved.<sup>5</sup>

12 The purchase price for the Appalachian System is significantly less than PAWC's  
13 average net utility plant in service for other water customers, indicating a lower average  
14 cost for serving the Appalachian customers as compared to other PAWC customers.

15 [BEGIN CONFIDENTIAL] [REDACTED]  
16 [REDACTED]  
17 [REDACTED]

18 [END CONFIDENTIAL].

19 Additionally, while Ms. DeAngelo notes that Appalachian "could file a rate case to  
20 seek rate relief if its revenues are insufficient,"<sup>6</sup> she does not appear to consider this very  
21 likely rate increase if Appalachian maintains ownership of the System in her analysis of

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<sup>5</sup> "Absent a merger, AUI's rates will need to substantially increased immediately." Appalachian St. No. 1-R, p. 2,

<sup>6</sup> OCA St. 1SR, page 9.

1 “rate harm.” The record is clear that Appalachian will need to increase rates if the  
2 Transaction is not approved.<sup>7</sup>

3 Finally, I am advised by counsel that Ms. DeAngelo’s support for a rate increase  
4 by Appalachian is inconsistent with the recent Commonwealth Court decision in *Cicero v.*  
5 *Pennsylvania Public Utility Commission*, 300 A.3d 1106 (Pa. Cmwlth. 2023), pet. for alloc.  
6 granted (47-49 MAP 2024). The Company’s briefs will address that, in that case, the Court  
7 overturned the Commission’s approval of an acquisition, in part, because the system was  
8 capable of providing the same benefits that it would receive from the acquisition *without*  
9 *the acknowledged rate increase that will occur as a result of the acquisition.* Here, the  
10 system is not capable of providing the same benefits that it will receive from the acquisition  
11 unless it increases rates.

12  
13 **Q. AS DISCUSSED ABOVE, MS. DEANGELO’S TESTIMONY CLAIMS THERE**  
14 **WILL BE HARM TO CUSTOMERS IF THE COMMISSION DOES NOT DECIDE**  
15 **NOW WHAT AMOUNT PAWC WILL BE ALLOWED TO RECOVER IN RATE**  
16 **BASE. DO YOU HAVE ANY OTHER COMMENTS?**

17  
18 **A.** Yes. Rather than pre-deciding whether Section 1327 criteria, including the requirement  
19 that the purchase price be found reasonable, are satisfied in this case, the Commission could  
20 require the Company to provide an original cost study prior to the first rate case that  
21 includes Appalachian.

22  
23 **Q. IN HER SURREBUTTAL TESTIMONY, OCA WITNESS DEANGELO**  
24 **CONTINUES TO RECOMMEND THAT THE TRANSACTION BE DENIED**  
25 **UNLESS THE COMMISSION CONDITIONS APPROVAL ON A REQUIREMENT**  
26 **THAT THE COMPANY BE LIMITED IN WHAT RATE BASE IT CAN REQUEST**

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<sup>7</sup> Appalachian St. No. 1 p. 4.

1           **IN THE CONTEXT OF A RATE CASE.<sup>8</sup> IS THIS CONSISTENT WITH SECTION**  
2           **1327 OF THE PUBLIC UTILITY CODE?**

3  
4       A.     No, I am advised by counsel it is not. PAWC is not requesting that the Commission make  
5           any rate base determination in this proceeding. Consistent with Section 1327 and  
6           Commission decisions in other non-fair market value acquisitions, PAWC anticipates that  
7           the Commission will make ratemaking determinations such as the approved rate base  
8           within the context of a base rate case.

9                     Section 1327(b) specifically addresses when the rate base may be established  
10           outside of a rate case.<sup>9</sup> The Commission can approve the rate base outside of the context  
11           of a rate case if the following criteria are met:<sup>10</sup>

- 12                     (1) the applicant has provided notice of the proposed acquisition and any proposed  
13                     increase in rates to the customers served by the property to be acquired, in such  
14                     form and manner as the commission, by regulation, shall require;  
15                     (2) the applicant has provided notice to its customers, in such form and manner as the  
16                     commission, by regulation, shall require, if the proposed acquisition would increase  
17                     rates to the acquiring public utility's customers by an amount in excess of 1% of the  
18                     acquiring public utility's base annual revenue;  
19                     (3) the applicant has provided notice of the application to the Director of [the Bureau  
20                     of Investigation and Enforcement] and the Consumer Advocate; and  
21                     (4) in addition to any other information required by the commission, the application  
22                     includes a full description of the proposed acquisition and a plan for reasonable and  
23                     prudent investments to assure that the customers served by the property to be  
24                     acquired will receive adequate, efficient, safe and reasonable service.  
25

26           In this case, these criteria were not met through notice by PAWC because PAWC is not  
27           seeking to have the rate base established outside of a base rate case. The risk is on PAWC's  
28           shareholders if the Commission later refuses to allow recovery of an acquisition premium.

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<sup>8</sup> OCA St. 1SR, page 10.

<sup>9</sup> Section 1327(b) refers to "a proceeding...to determine just and reasonable rates." PAWC's rates are determined within a context of a base rate case.

<sup>10</sup> 66 Pa. C.S. § 1327(b)(1) through (4).

1 **Q. OCA WITNESS DEANGELO SUGGESTS THAT THE CONDITIONAL**  
2 **APPROVAL SHE PROPOSED IS NECESSARY IN ORDER TO ENSURE THAT**  
3 **THERE IS NOT RATE HARM FROM THE ACQUISITION.<sup>11</sup> IS SHE CORRECT?**  
4

5 A. No. As stated above, PAWC will address the Section 1327 criteria within the context of a  
6 base rate case. A criterion of Section 1327 is that PAWC must prove that “**the actual**  
7 **purchase price is reasonable.**”<sup>12</sup> This criterion will be addressed by PAWC as part of a  
8 request under Section 1327 for approval of an acquisition adjustment. The Commission is  
9 fully capable of reviewing the evidence under Section 1327, including making a finding on  
10 the reasonableness of the purchase price, and approving only an appropriate level of rate  
11 base in the proper forum; *i.e.*, a rate case. It is unnecessary and inappropriate to prejudge  
12 this criterion of Section 1327 now, as part of the application proceeding. Therefore, any  
13 condition imposed during this acquisition proceeding that would limit what PAWC can  
14 later seek to recover in rate base would be unreasonable.

15  
16 **Q. MS. DEANGELO CLAIMS THAT PAWC’S “FREQUENT ACQUISITION**  
17 **ACTIVITY” LEADS TO INCREASING BUSINESS RISK, AND CLAIMS THAT**  
18 **“THESE RISKS NEED TO BE CONSIDERED AS PART OF REGIONALIZATION**  
19 **AND CONSOLIDATION.”<sup>13</sup> HOW DO YOU RESPOND?**  
20

21 A. There is no support anywhere in the record of this case for the assertion that PAWC’s  
22 acquisitions lead to increased “business risks.” As discussed in the Rejoinder Testimony  
23 of my colleague Marcus Kohl, PAWC has a long history of acquiring water and wastewater  
24 systems throughout the Commonwealth. Contrary to what Ms. DeAngelo’s testimony  
25 implies, frequent acquisition activity is not new for PAWC. In the last ten years, PAWC

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<sup>11</sup>OCA St. ISR, pages 1-2.

<sup>12</sup> 66 Pa. C.S. § 1327(a)(6).

<sup>13</sup> OCA St. ISR, page 5.

1 has acquired twenty-six water and wastewater systems<sup>14</sup> PAWC has regularly had frequent  
2 acquisition activity and is well equipped to integrate acquired systems.

3 **Q. MS. DEANGELO DESCRIBES PAWC'S ACQUISITIONS OF WATER AND**  
4 **WASTEWATER SYSTEMS AS "AD HOC ACQUISITIONS OF SYSTEMS AT**  
5 **PREMIUMS THAT GET RECOVERED THROUGH UTILITY RATES AT RATE**  
6 **BASE VALUES EXCEEDING DEPRECIATED ORIGINAL COST."<sup>15</sup> PLEASE**  
7 **DISCUSS THIS TESTIMONY.**

8  
9 A. Ms. DeAngelo continues to misstate and mischaracterize what is at issue in this  
10 Application. PAWC is not asking the Commission for a rate base determination at this  
11 point in time. There is not an assumption of recoverability as Ms. DeAngelo alleges.  
12 Recovery of acquisition premiums is frequently denied by the Commission and PAWC  
13 accepts that risk when it reaches an agreement on purchase price with a seller. PAWC is  
14 simply asking that the Commission not pre-judge the rate base determination before PAWC  
15 even makes a rate base claim.

16 **Q. MS. DEANGELO INDICATES THAT CAPITAL IMPROVEMENTS SHOULD BE**  
17 **CONSIDERED AS PART OF THE REVENUE DEFICIENCY OF THE**  
18 **ACQUISITION.<sup>16</sup> PLEASE SUMMARIZE THIS TESTIMONY.**

19  
20 A. In her surrebuttal testimony, Ms. DeAngelo responded to my testimony regarding the rate  
21 impact of the acquisition which showed that the impact of the acquisition would be only  
22 **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]** for PAWC  
23 customers, and would be less if the Commission increased Appalachian's rates.<sup>17</sup> Ms.  
24 DeAngelo stated in response to this testimony that she "do[es] not dispute the rate  
25 calculations that Ms. Everette presents, though I would add that when you include the

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<sup>14</sup> Refer to Exhibit AEE-2RJ, which shows the closing dates of acquisitions over the last ten years.

<sup>15</sup> OCA St. 1SR, page 5.

<sup>16</sup> OCA St. 1SR, page 8.

<sup>17</sup> PAWC St. No. 3-R, page 6.

1 capital improvements, the estimated annual revenue deficiency is \$458,000 per year as  
2 Ms. Everette acknowledged in page 8 of her testimony.” OCA St. 1-SR p. 8.

3  
4 **Q. HOW DO YOU RESPOND?**

5  
6 A. First, I would note that customers and other stakeholders will have the opportunity to  
7 contest the inclusion of those capital improvements in rates in a future rate case. Second,  
8 Ms. DeAngelo seems to miss the point that capital investments have a cost, no matter who  
9 performs those capital improvements. The only way that no one pays for these  
10 improvements is if they are not completed. Unfortunately, this appears to be a risk if the  
11 acquisition is not allowed, given Appalachian’s lack of ability to finance capital  
12 investments.

13  
14 **Q. DOES MS. DEANGELO ACKNOWLEDGE THE ISSUE OF APPALACHIAN’S**  
15 **CAPABILITY TO MAKE CAPITAL INVESTMENTS?**

16  
17 A. Not really. Ms. DeAngelo dismisses this concern by suggesting Appalachian could get  
18 Pennvest funding or file a rate case. I don’t believe this addresses the very clear lack of  
19 financial fitness that I describe on pages 7-8 of my rebuttal testimony. Appalachian is  
20 unlikely to be able to finance capital improvements before it could get recovery of the  
21 costs, so it is unclear whether a rate case filing would help improve Appalachian’s ability  
22 to finance significant capital improvements. Additionally, Ms. DeAngelo does not appear  
23 to consider the impact that the cost of capital improvements would have on the small  
24 customer base of Appalachian.

1 **Q. MS. DEANGELO CLAIMS THAT UNTIL APPALACHIAN'S CUSTOMERS ARE**  
2 **MOVED TO RATE ZONE 1, "OTHER CUSTOMERS WOULD BE SUBSIDIZING**  
3 **THIS SYSTEM."**<sup>18</sup> **IS THIS CLAIM SUPPORTED?**

4  
5 A. No, and I do not believe she is correct. First, I disagree that gradually increasing  
6 Appalachian's rates would necessarily result in other customers "subsidizing"  
7 Appalachian's customers. As discussed in my rebuttal testimony, the revenue deficiency  
8 associated with the Appalachian System is fairly minimal. PAWC's Zone 1 rates are  
9 applicable to most water customers statewide and are set based on the cost to serve all  
10 water customers. These rates do not reflect the cost of serving the Appalachian customers  
11 specifically. As noted previously, the rate base per Appalachian customer is significantly  
12 lower than PAWC's overall water customer plant in service per customer. Therefore, the  
13 cost to serve these customers may also be less. There is no evidence that increasing rates  
14 gradually will harm other customers, and in any event, the level of rate increase to  
15 Appalachian's customers is another issue better reserved for a future rate case.

16           Second, I would note that Ms. DeAngelo's testimony appears to be arguing against  
17 the concept of gradualism which is a longstanding principle of designing rates.<sup>19</sup>

18           It would take years for Appalachian customers to move to Rate Zone 1 rates and,  
19 in the meantime, other customers would be subsidizing this system as noted above.  
20 While PAWC downplays the impact of this subsidy, in the absence of real, tangible  
21 benefits to this transaction there is no apparent reason why PAWC's customers  
22 should be required to pay any revenue deficiency.<sup>20</sup>

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<sup>18</sup> OCA St. 1SR, page 9.

<sup>19</sup> For example, in the Company's 2023 rate case, the OCA's witness recommended that "To provide for gradualism and reduce rate shock...the usage charge for Valley water customers currently in Rate Zone 2 be established at 70% of the proposed usage charge." Docket No. R-2023-3043189, OCA St. 4, page 9.

<sup>20</sup> OCA St. 1SR, page 9.

1 While PAWC disagrees with this rejection of gradualism, there is no need to make a  
2 determination at this time how much Appalachian’s rates will be adjusted in the next rate  
3 case and whether an amount of “subsidy” is appropriate.

4 **Q. PLEASE SUMMARIZE THE OCA’S RECOMMENDATION REGARDING A  
5 SEPARATE COST OF SERVICE STUDY.**

6 A. Ms. DeAngelo recommends that PAWC perform a separate cost of service study for the  
7 Appalachian System. As discussed in my rebuttal testimony, the OCA did not provide any  
8 reasoning for this in direct testimony.

9 **Q. WHAT IS A “SEPARATE COST OF SERVICE STUDY” AS THAT TERM IS  
10 USED HERE?**

11 A. A separate cost of service study for a newly acquired system means PAWC will provide a  
12 separate revenue requirement study for the system. Completing a separate revenue  
13 requirement study means that PAWC must fully separate costs for the acquired system,  
14 including keeping depreciation rates separate from PAWC’s base operations. In PAWC’s  
15 recent rate case Order, the Commission stated that in certain circumstances, a separate cost  
16 of service study is required for certain Section 1329 acquisitions “given the amount of  
17 revenue requirement at issue.”<sup>21</sup>  
18

19 **Q. IS THERE A SIGNIFICANT AMOUNT OF REVENUE REQUIREMENT AT  
20 ISSUE HERE?**

21 A. No. As noted in my rebuttal testimony, **[BEGIN CONFIDENTIAL]** [REDACTED]  
22 [REDACTED]  
23 [REDACTED]. **[END CONFIDENTIAL]**  
24

25 **Q. WHAT REASON DID MS. DEANGELO PROVIDE IN HER SURREBUTTAL  
26 TESTIMONY FOR HER PROPOSED REQUIREMENT THAT THE COMPANY  
27 DO A SEPARATE COST OF SERVICE STUDY?**<sup>22</sup>

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<sup>21</sup> Docket No. R-2023-3043189, Order Entered July 22, 2024, page 217.  
<sup>22</sup> OCA St. 1SR, pages 9-10.

1 A. In her surrebuttal, Ms. DeAngelo states that to the best of her knowledge, “a cost-of-service  
2 study has not been done for the Appalachian system” and cites to Appalachian’s two prior  
3 rate cases, stating that a cost of service study was not required in those cases. She further  
4 states that “in order to accurately reflect the Appalachian System now owned by PAWC  
5 and placed in a new rate zone, a cost-of-service study should be completed.”

6 A revenue requirement study was, of course, completed for Appalachian in each of  
7 its prior base rate case filings.<sup>23</sup> Ms. DeAngelo appears to be utilizing the term “cost-of-  
8 service study” to refer narrowly to a class cost of service study which separates costs by  
9 customer class.

10 There is no indication that a separate revenue requirement and/or customer cost  
11 allocation study for Appalachian is needed. This is particularly true given that Ms.  
12 DeAngelo appears to acknowledge that rates for Appalachian’s customers should be  
13 eventually consolidated with Rate Zone 1.<sup>24</sup>

14  
15 **CONCLUSION**

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

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

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<sup>23</sup> Filings for an increase of under \$1 million have lesser requirements than filings for an increase of over \$1 million.

<sup>24</sup> OCA St. ISR, page 9, lines 5-15.

<b>Closing Date</b>	<b>Docket Number</b>	<b>System</b>
11/3/2014	A-2013-2352182	Hamiltonban Twp Authority Wastewater
7/14/2015	A-2015-2470483	Abbey Woods HOA Water
8/4/2015	A-2014-2441953	Shipperville Wastewater
10/15/2015	A-2012-2285320	Paint Twp Water
10/21/2015	A-2015-2460981	McEwensville Water
10/21/2015	A-2015-2460982	McEwensville Wastewater
12/22/2015	A-2015-2486532	Fairview Township Wastewater
10/31/2016	A-2016-2544151	New Cumberland Borough Wastewater
12/29/2016	A-2016-2537209	Scranton Sewer Authority
12/18/2017	A-2017-2606103	McKeesport Wastewater Acquisition
3/6/2019	A-2018-3002437	Sadsbury Township Wastewater
7/24/2019	A-2018-3004191	Turbotville Water
7/24/2019	A-2018-3004189	Turbotville Wastewater
10/9/2019	A-2019-3006880	Steelton Borough Authority Water
10/24/2019	A-2018-3004933	Township of Exeter Wastewater
10/13/2020	A-2019-3014248	Borough of Kane Authority Wastewater
12/17/2020	I-2018-3006498	Winola Water Company
5/13/2021	I-2016-2526085	Delaware Sewer Company
5/25/2021	A-2020-3019634	Royersford Wastewater
11/19/2021	A-2020-3019859	Valley Twp Water
11/19/2021	A-2020-3020178	Valley Twp Wastewater
11/19/2021	A-2020-3023369	SLIBCO Inc. Water
5/27/2022	A-2021-3024681	York Wastewater
6/30/2022	A-2020-3021460	Upper Pottsgrove Wastewater
10/27/2022	A-2021-3028676	Foster Township Wastewater
6/21/2023	A-2022-3031020	Creekside Water System

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Appalachian Utilities, Inc. for a :  
Certificate of Public Convenience Evidencing the :  
Evidencing the Pennsylvania Public Utility : Docket No. A-2024-3046068  
Commission's Approval of the Transfer of 40% of :  
Outstanding and Issued Stock in Appalachian :  
Utilities, Inc. :

Joint Application of Pennsylvania-American :  
Water Company and Appalachian Utilities, Inc., :  
Pursuant to Section 1102 of the Public Utility :  
Code, for approval of (1) the transfer to American :  
Water Works Company, Inc., by merger, of all :  
property of Appalachian Utilities, Inc. used and :  
useful in the public service; (2) the transfer to : Docket Nos.  
Pennsylvania-American Water Company, : A-2024-3046084  
by merger, of all property of Appalachian : A-2024-3046092  
Utilities, Inc. used or useful in the public service, :  
(3) the right of Pennsylvania American Water :  
Company to begin to offer, render, furnish and :  
supply water service to the public in the Borough :  
of Avis and Townships of Pine Creek and :  
Dunnstable, Clinton County, Pennsylvania, and :  
(4) the abandonment by Appalachian Utilities, :  
Inc. of all water service :

VERIFICATION

I, ASHLEY E. EVERETTE, hereby state that the facts set forth in the Rejoinder Testimony at PAWC Statement No. 3-RJ and accompanying exhibits, if any, are true and correct to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: September 26, 2024

  
\_\_\_\_\_  
Ashley E. Everette  
Senior Director of Rates and Regulatory  
American Water Works Service Company

**PAWC Hearing Exhibit No. 1**

**PAWC DIRECT TESTIMONY**

**PAWC Statement No. 3 Ashley E. Everette  
Replacement Pages 6 and 7**

1 RATES

2 **Q. What rates will PAWC apply upon closing of the Transaction (“Closing”)?**

3 **A.** The *pro forma* tariff supplements attached as **Appendix N** to the Application reflect  
4 Appalachian’s current rates. PAWC will take on Appalachian’s existing rates at the time  
5 of Closing.

6  
7 **Q. Please describe Appalachian’s existing rates.**

8 **A.** Appalachian’s current water rates include a monthly service charge based on meter size  
9 (\$11.28 for a 5/8-inch meter) as well as a usage charge of \$0.7600 per 100 gallons, with a  
10 second block rate of \$0.3540 per hundred gallons for usage over 16,500 gallons per month.

11  
12 **Q. What impact, if any, will there be on the rates of Appalachian’s customers as a result  
13 of the acquisition of the System?**

14 **A.** PAWC will take on Appalachian’s existing rates upon acquisition. These rates will remain  
15 in effect until the Commission approves other rates for Appalachian’s customers.

16  
17 LOW-INCOME PROGRAMS

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

19 **A.** PAWC’s low-income tariff rider provides low-income customers with discounts to fixed  
20 and volumetric charges. PAWC’s low-income discount includes four tiers of discount,  
21 with the discount level dependent on the customer’s percentage of Federal Poverty Level  
22 (“FPL”). The water tariff discounts are summarized below.<sup>1</sup>

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<sup>1</sup> Refer to Tariff Water-PA P.U.C. No. 5, page 17.

	Tier 1 (0-50% FPL)	Tier 2 (51-100% FPL)	Tier 3 (101-150% FPL)	Tier 4 (151-200% FPL)
<b>Water</b> Service Charge Discount	90%	75%	60%	30%
<b>Water</b> Usage Charge Discount	80%	65%	40%	20%

1

2 **Q. Will Appalachian customers be eligible for these discounts upon acquisition?**

3 **A.** Yes. Appalachian customers will be eligible for the discount program at the time of  
4 Closing. The Commission required the Company to include income verification as part of  
5 its Arrearage Management Program (“AMP”).<sup>2</sup> PAWC anticipates that this income  
6 verification requirement will also apply to the bill discount program, and thus, will also  
7 apply to Appalachian customers.

8

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

11 **A.** PAWC’s low-income discount program provides discounts between 30% and 90% of the  
12 water and wastewater bill to customers with an FPL of 200% or less. These discounts have  
13 a small impact on customer’s bills of approximately \$2.41 per month for residential water  
14 customers and approximately \$4.03 per month for residential wastewater customers.<sup>3</sup>  
15 PAWC does not anticipate that enrolling eligible Appalachian customers in the discount  
16 program will have a significant impact on PAWC’s other customers.

---

<sup>2</sup> See Docket No. P-2021-3028195, Order entered December 28, 2022 requiring income verification and Order on remand entered December 7, 2023 approving a settlement which provided for income verification.

<sup>3</sup> The amounts shown in this paragraph are calculated as the discounted revenue divided by the number of residential customers at Docket No. R-2023-3043189.

**PAWC DIRECT TESTIMONY**

**PAWC Statement No. 3 Ashley E. Everette  
Replacement Pages 6 and 7  
(Redlined)**

1 **RATES**

2 **Q. What rates will PAWC apply upon closing of the Transaction (“Closing”)?**

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7 **Q. Please describe Appalachian’s existing rates.**

8 **A.** Appalachian’s current water rates include a monthly service charge based on meter size  
9 (\$11.28 for a 5/8-inch meter) as well as a usage charge of \$0.7600 per 100 gallons, with a  
10 second block rate of \$0.3540 per hundred gallons for usage over 16,500 gallons per month.

11  
12 **Q. What impact, if any, will there be on the rates of Appalachian’s customers as a result  
13 of the acquisition of the System?**

14 **A.** PAWC will take on Appalachian’s existing rates upon acquisition. These rates will remain  
15 in effect until the Commission approves other rates for Appalachian’s customers.

16  
17 **LOW-INCOME PROGRAMS**

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

19 **A.** PAWC’s low-income tariff rider provides low-income customers with discounts to fixed  
20 and volumetric charges. PAWC’s low-income discount includes ~~three~~ four tiers of  
21 discount, with the discount level dependent on the customer’s percentage of Federal  
22 Poverty Level (“FPL”). The water tariff discounts are summarized below.<sup>1</sup>

---

<sup>1</sup> Refer to Tariff Water-PA P.U.C. No. 5, page 17.

	Tier 1 (0-50% FPL)	Tier 2 (51-100% FPL)	Tier 3 (101-150% FPL)	Tier 4 (151-200% FPL)
<b>Water</b> Service Charge Discount	<del>80</del> <u>90</u> %	<del>65</del> <u>75</u> %	<del>40</del> <u>60</u> %	<u>30</u> %
<b>Water</b> Usage Charge Discount	80%	<del>50</del> <u>65</u> %	<del>25</del> <u>40</u> %	<u>20</u> %

1  
2 **Q. Will Appalachian customers be eligible for these discounts upon acquisition?**

3 **A.** Yes. Appalachian customers will be eligible for the discount program at the time of  
4 Closing. The Commission required the Company to include income verification as part of  
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6 verification requirement will also apply to the bill discount program, and thus, will also  
7 apply to Appalachian customers.

8  
9 **Q. Please summarize the current cost of PAWC’s low-income discount programs to its  
10 legacy customer base.**

11 **A.** PAWC’s low-income discount program provides discounts between 30% and ~~80~~90% of  
12 the water and wastewater bill to customers with an FPL of ~~150~~200% or less. These  
13 discounts have a small impact on customer’s bills of approximately \$~~1.30~~2.41 per month  
14 for residential water customers and approximately \$~~2.60~~4.03 per month for residential  
15 wastewater customers.<sup>3</sup> PAWC does not anticipate that enrolling eligible Appalachian  
16 customers in the discount program will have a significant impact on PAWC’s other  
17 customers.

<sup>2</sup> See Docket No. P-2021-3028195, Order entered December 28, 2022 requiring income verification and Order on remand entered December 7, 2023 approving a settlement which provided for income verification.

<sup>3</sup> Cost allocation was not disclosed in the Company’s black box rate case settlement in the Company’s 2022 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 at Docket No. R-2023-3043189.



PAWC – APPALACHIAN ACQUISITION

PAWC's Testimony and Exhibits

Marcus Kohl

1. Direct Testimony of Marcus Kohl, PAWC St. No. 1 (Confidential Version) with PAWC Exhibits MK-1 (Confidential) through MK-4
2. Direct Testimony of Marcus Kohl, PAWC St. No. 1 (Public Version) with PAWC Exhibits MK-2 through MK-4
3. Rebuttal Testimony of Marcus Kohl, PAWC St. No. 1-R
4. Surrebuttal Testimony of Marcus Kohl, PAWC St. No. 1-SR, with PAWC Exhibits MK-1SR and MK-2SR
5. Rejoinder Testimony of Marcus Kohl, PAWC St. No. 1-REJ

Michael J. Guntrum, P.E.

1. Direct Testimony of Michael J. Guntrum, PAWC St. No. 2 with PAWC Exhibits MJG-1 through MJG-3

Ashley E. Everette

1. Direct Testimony of Ashley E. Everette, PAWC St. No. 3
2. Rebuttal Testimony of Ashley E. Everette, PAWC St. No. 3-R (Proprietary Version) with Exhibits AEE-1 and AEE-2
3. Rebuttal Testimony of Ashley E. Everette, PAWC St. No. 3-R (Public Version) with Exhibits AEE-1 and AEE-2
4. Rejoinder Testimony of Ashley E. Everette, PAWC St. No. 3-REJ (Proprietary Version) with Exhibits AEE-1RJ (CONFIDENTIAL) and AEE-2RJ
5. Rejoinder Testimony of Ashley E. Everette, PAWC St. No. 3-REJ (Public Version), with Exhibit AEE-RJ2
6. PAWC Hearing Exhibit No. 1 (updated pages 6 and 7 of Direct Testimony of Ashley E. Everette, PAWC St. No. 3)

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Appalachian Utilities, Inc. for a : Docket No. A-2024-3046068  
Certificate of Public Convenience Evidencing :  
the Evidencing the Pennsylvania Public Utility :  
Commission's Approval of the Transfer of 40% :  
of Outstanding and Issued Stock in :  
Appalachian Utilities, Inc. :

Joint Application of Pennsylvania-American : Docket Nos. A-2024-3046084  
Water Company and Appalachian Utilities, : A-2024-3046092  
Inc., Pursuant to Section 1102 of the Public :  
Utility Code, for approval of ( 1) the transfer to :  
American Water Works Company, Inc., by :  
merger, of all property of Appalachian Utilities, :  
Inc. used and useful in the public service; (2) :  
the transfer to Pennsylvania-American Water :  
Company, by merger, of all property of :  
Appalachian Utilities, Inc. used or useful in the :  
public service, (3) the right of Pennsylvania :  
American Water Company to begin to offer, :  
render, furnish and supply water service to the :  
public in the Borough of Avis and Townships :  
of Pine Creek and Dunnstable, Clinton County, :  
Pennsylvania, and (4) the abandonment by :  
Appalachian Utilities, Inc. of all water service. :

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**PUBLIC (REDACTED) VERSION**

DIRECT TESTIMONY  
OF  
MORGAN N. DEANGELO

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ON BEHALF OF  
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

August 16, 2024

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1 **Introduction**

2 **Background and Qualifications**

3 **Q. Please state your name, business address and occupation.**

4 A. My name is Morgan N. DeAngelo. My business address is 555 Walnut Street, 5<sup>th</sup> Floor,  
5 Forum Place, Harrisburg, Pennsylvania 17101. I am currently employed as a Regulatory  
6 Analyst by the Pennsylvania Office of Consumer Advocate (OCA).

7 **Q. Please describe your educational background and qualifications to provide**  
8 **testimony in this case.**

9 A. I have a Master's degree in Business Administration and a Bachelor of Business  
10 Administration Degree, with a concentration in Finance and a minor in Accounting from  
11 Wilkes University. My education background and qualifications are described in  
12 Appendix A.

13 **Q. On whose behalf are you testifying in this proceeding?**

14 A. I am testifying on behalf of the OCA.

15 **Q. Have you previously testified before the Pennsylvania Public Utility Commission?**

16 A. Yes. I have provided written testimony in rate cases concerning rate case normalization,  
17 cash working capital and operation and maintenance expenses, rate of return, the impact  
18 the COVID-19 Pandemic has had on consumers in Pennsylvania, acquisition adjustments,  
19 and various provisions to the utility's tariff, as well as petitions for a smaller utility to be  
20 acquired by a capable utility concerning adequate and reasonable service, and  
21 applications regarding the acquisition of municipal utilities under fair market value,  
22 concerning affirmative public benefits. A list of cases for which I have provided  
23 testimony is contained within Appendix A.

1 **Purpose of Direct Testimony**

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

3 A. The purpose of my direct testimony is to present the analysis, results and conclusions of  
4 my review of the proposed acquisition and the risks it presents to ratepayers in the  
5 Commonwealth to the Pennsylvania Public Utility Commission (Commission).

6 Additionally, my testimony includes conditions which are necessary to address concerns  
7 that I have identified regarding the merger between Pennsylvania-American Water  
8 Company (PAWC) and Appalachian Utilities, Inc. (Appalachian or AUI or Company).

9 **Q. Have you prepared any exhibits to accompany your testimony?**

10 A. Yes, I have Exhibits MND-1 through MND-4 attached to my testimony.

11 **Standard of Review**

12 **Q. Please state your understanding of the standard of review that must be met in order**  
13 **for the proposed transaction to be approved by the Commission.**

14 A. It is my understanding that Section 1102(a) of the Public Utility Code requires the  
15 Commission to issue a Certificate of Public Convenience (CPC or certificate) as a legal  
16 prerequisite to certain transactions by public utilities or their affiliated interests, including  
17 but not limited to the instant request by PAWC to merge with and acquire the property of  
18 AUI. Section 1103 requires that a certificate be granted by order of the Commission only  
19 if “necessary or proper for the service, accommodation, convenience or safety of the  
20 public.” I have been advised by counsel that the Pennsylvania Courts and the  
21 Commission have construed this standard as requiring that a proposed acquisition of, or  
22 merger with, a public utility “... will affirmatively promote the service accommodation,  
23 convenience, or safety of the public in some substantial way.” *City of York v.*

1 *Pennsylvania Public Utility Commission*, 449 Pa 136, 141, 209 A.2d 825,828 (1973);  
2 *Popowsky v. Pa. PUC*, 594 Pa. 583; 937 A.2d 1040; (2007). Moreover, the provision of  
3 substantial affirmative public benefits, as required by the *City of York* case, cannot be  
4 limited to the mitigation of risks created or enhanced by the acquisition. That would be  
5 equivalent to a no-adverse-effect standard, rather than an affirmative benefit requirement.  
6 Finally, I understand that Section 1103(a) gives the Commission broad authority and  
7 discretion, in granting a CPC, to “impose such conditions as it may deem to be just and  
8 reasonable.” 66 Pa. C.S. § 1103.

## 9 **Overview of the Acquisition**

### 10 **The Proposed Transaction**

11 **Q. Please summarize the Acquisition Transaction that the Joint Applicants are**  
12 **proposing.**

13 A. The Transaction requests the Commission to issue Orders, Certificates of Public  
14 Convenience and other such relief as necessary under Section 1102(a), to allow PAWC to  
15 acquire Appalachian through merger. If approved, PAWC will be left as the surviving  
16 entity, offering water services to current Appalachian customers upon completion of the  
17 transaction.

18 **Q. Have the Applicants provided the terms of their Proposed Transaction?**

19 A. Yes. The terms of the Proposed Transaction are presented in Confidential Appendix B,  
20 which is a copy of the Agreement and Plan of Merger.

1 **Background of Appalachian**

2 **Q. Please provide a brief overview of Appalachian.**

3 A. Appalachian is a Commission-certificated and regulated public utility that provides  
4 water service to approximately 1,456 customers in Avis Borough, Pine Creek Township,  
5 and Dunnstable Township, Clinton County, Pennsylvania. Of the 1,456 customers, 1,353  
6 are residential, 83 commercial, 3 industrial, 7 public, 9 fire protection and one is other.  
7 Appalachian has not filed a rate case increase and rate case since 2015 (AUI Statement  
8 No. 1, p. 4, ln. 5). I review Appalachian's existing rates below.

9 **Applicants' Reasons for the Proposed Transaction**

10 **Q. What is the reason for the Proposed Transaction?**

11 A. Appalachian witness Frank Sargent Jr. indicated there are several reasons he wants to sell  
12 the Company, concluding that he wants to retire, "ensuring that the Company we have  
13 shepherded for almost 30 years, is in good hands and will continue to provide excellent  
14 service that we have managed all these years." (AUI Statement No 1, p. 2, ln. 11-13). He  
15 also stated, "My other goal is to reward the loyalty and dedication of a key and  
16 outstanding employee of Appalachian, Mr. Kyle Gallagher, who is the Co-Director and  
17 Operations Manager of Appalachian, by transferring him, 40% of the shares of  
18 Appalachian stock prior to the sale of the Company." (AUI Statement No 1, p. 2, ln. 14-  
19 17). Mr. Sargent indicated he "wanted to make sure that the system and operations were  
20 in a position to continue to improve and manage the challenges that lie ahead so as to  
21 promote great service to customers." (AUI Statement No 1, p. 2, ln. 20-22).

1 **Overview of the Potential Costs and Risks**

2 **Q. What is the purchase price of this Transaction?**

3 A. [BEGIN CONFIDENTIAL] [REDACTED]  
4 [REDACTED]  
5 [REDACTED] [END  
6 CONFIDENTIAL]

7 **Q. Do you have any comments?**

8 A. Appalachian’s Balance Sheet as of December 31, 2022, is attached to the Application as  
9 Appendix C. The depreciated original cost of Appalachian’s system assets is  
10 approximately \$1.5 million and the purchase price of [BEGIN CONFIDENTIAL] [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED] [END CONFIDENTIAL]

18 **Q. What are Appalachian’s existing rates?**

19 A. Appalachian’s current rates include a monthly service charge based on meter size (\$11.28  
20 for a 5/8-inch meter) as well as a usage charge of \$0.7600 per 100 gallons, with a second  
21 block rate of \$0.35470 per hundred gallons for usage over 16,500 gallons per month.

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<sup>1</sup> [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]

1 (PAWC Statement No. 3, p. 6, ln. 8-10). A customer using 4,000 gallons per month would  
2 have a bill of \$41.68<sup>2</sup> before any other taxes or charges.

3 **Q. Will Appalachian’s existing rates change as a result of the Transaction?**

4 A. No. In her Direct Testimony, Ms. Everette stated, “PAWC will take on Appalachian’s  
5 existing rates upon acquisition. These rates will remain in effect until the Commission  
6 approves other rates for Appalachian’s customers.” (PAWC Statement No. 3, p. 6, ln. 14-  
7 15).

8 **Q. What is the difference between Appalachian’s current rates and the rates for Rate  
9 Zone 1 for PAWC’s current customers?**

10 A. For customers using 4,000 gallons per month, as noted above, Appalachian’s current rates  
11 are \$41.68. For PAWC’s current customers, using the rates that effective on August 7,  
12 2024, as a result of the most recent PAWC rate case order, PAWC’s current Rate Zone 1  
13 customers using 4,000 gallons would pay \$93.89 per month. Thus, the difference in rates  
14 is \$ 52.21/ month.

### 15 **My Response to the Benefits Claimed by Applicants**

16 **Q. Did PAWC claim any benefits to the acquisition?**

17 A. PAWC witness, Marcus Kohl claims there are five relevant stakeholder groups that will  
18 have a net benefit from the Transaction: the public-at-large (all residents of the  
19 Commonwealth, whether or not they are customers of PAWC or Appalachian), the Sellers

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<sup>2</sup> (40 \* 0.7600) + 11.28 = 41.68

1 of the System, the existing customers of the System, the Buyer of the System, and the  
2 existing customers of the Buyer. (PAWC Statement No. 1, p. 16, ln. 1-5).

3 **Q. Please summarize Mr. Kohl's benefits of the transaction for the public-at-large.**

4 A. On pages 16-17 of his Direct Testimony, Mr. Kohl addressed how the public-at-large  
5 would benefit from the Transaction. In his opinion, those benefits include regionalization  
6 and consolidation. Mr. Kohl indicated that "consolidation is in the public interest because  
7 it reduces costs" and because PAWC handling of laboratory analysis in-house will  
8 provide faster results and greater control of samples from collection final results reporting  
9 for PAWC. (PAWC Statement No. 1, p. 17, ln. 1-5). He also indicated "it would conserve  
10 resources of the Commission, which will no longer need to review filings from two  
11 separate public utilities." (PAWC Statement No. 1, p. 17, ln. 11-12). Further, Mr. Kohl  
12 referenced the environmental benefits discussed by PAWC witness Michael Guntrum in  
13 Statement No. 2 that would not occur if the Transaction is disapproved and he cited to the  
14 Environmental Rights Amendment of the Pennsylvania Constitution, PA CONST. art. I, §  
15 27. (PAWC Statement No. 1, ln. 13-21).

16 **Q. Does PAWC have any plans to interconnect this system with another system that it  
17 owns?**

18 A. No. According to PAWC witness Michael Guntrum, there are no plans to physically  
19 interconnect this system and PAWC plans to run it as a standalone system (PAWC  
20 Statement No. 2, p. 5, ln.10-22).

21 **Q. Please summarize Mr. Kohl's detriments of the Transaction for the public-at-large.**

22 A. Mr. Kohl claims there are no material detriments of the Transaction for the public-at-  
23 large. (PAWC Statement No. 1, p. 16, ln. 9).

1 **Q. Do you have any comments regarding PAWC's asserted benefits to the public-at-**  
2 **large?**

3 A. Yes. There is no indication of how long it will take for this Transaction to benefit the  
4 public-at-large, if at all, and Mr. Kohl's generalized statements about regionalization and  
5 consolidation are not sufficient to establish how this specific transaction will benefit the  
6 public at large in an affirmative or substantial way. This could be particularly true, given  
7 that there are no apparent plans to physically interconnect the system. Importantly, while  
8 Mr. Kohl has made generalized statements of the benefits of consolidation, there is no  
9 information to support that the Transaction would make rates for water service more  
10 affordable in the short or long run for Appalachian's customers or PAWC's existing  
11 customers as a result of these efficiencies.

12 **Q. Please summarize Mr. Kohl's benefits of the transaction for Appalachian as the**  
13 **Seller.**

14 A. Mr. Kohl stated, "The Sellers would benefit from the Transaction because they would  
15 receive the proceeds of the Transaction". In addition to the owners would be able to exit  
16 the water industry. (PAWC Statement No. 1, p. 18, ln. 6-8).

17 **Q. Do you have any comments regarding PAWC's asserted benefits to the Seller?**

18 A. Yes. It is obvious that the Sellers will benefit from this Transaction due to the purchase  
19 price being negotiated by the parties at well above the Seller's investment in the system  
20 as measured by the depreciated original cost. The desire of an owner of a Commission-  
21 certificated public utility to exit the water business is not strong support to establish that  
22 there are affirmative benefits resulting from the transaction - as structured by PAWC and  
23 AUI - because this transaction would require PAWC's consumers to pay for in rates the

1 purchase price premium negotiated by PAWC and AUI. Appalachian is currently an  
2 operating water utility that does not have any known Department of Environmental  
3 Protection (DEP) violations or Corrective Action Plans. (Response to OCA-1-19), and  
4 based on the record the system appears to be well run and not in any way troubled. This  
5 is attached to my testimony as Exh. MND-1. There is no justification under Section 1327  
6 or elsewhere under the Public Utility Code for consumers to be required to shoulder the  
7 burden of paying for any purchase price premium related to PAWC's acquisition of this  
8 specific system. Despite Mr. Sargent's desire to exist the business, Appalachian – as a  
9 certificated public utility – is mandated and obligated under the Public Utility Code to  
10 provide and maintain service and facilities that comply with Section 1501 standards.  
11 Public utility corporations have an existence that is separate from its  
12 owners/shareholders. This means they can continue operating even after an  
13 owner's/shareholder's retirement and they must continue operating where a Commission  
14 certificate is granted. The public utility corporation's business operating agreement can  
15 and should allow for the transfer of Mr. Sargent's ownership interest if he truly desires to  
16 exit from the business. In corporations, shareholders elect the board of director, which  
17 hire officers and managers to run the business. Mr. Sargent is the sole SH, and he is also  
18 the sole Director and President of AUI. It is his duty to create a succession plan that will  
19 provide for, at a minimum, the election of new directors which can then hire a new officer  
20 in order to ensure that Appalachian can continue to provide service under its certificated  
21 authority and meet its statutory obligations under the Public Utility Code. There is no  
22 information in this record that indicates why Appalachian has not engaged in succession  
23 planning or is not able to hire additional employees as officers or to appoint directors or

1 to pursue other options for operation and maintenance of its System. Additionally,  
2 according to the information I have reviewed up until this point, the system is not in need  
3 of major improvements. I recognize that regulations on water treatment have changed for  
4 PFAS/PFOA treatment and the system is going to need improvements to comply with  
5 those regulations. I am not disputing that certain improvements to the system would be a  
6 benefit, but that is true regardless of whether AUI makes them or PAWC makes them.  
7 What the Commission must do in this proceeding is to determine if this specific  
8 transaction would result in benefits that outweigh the harms of this specific transaction.  
9 PAWC's proposal to make improvements, which AUI appears capable of making, cannot  
10 lead me to conclude that the claimed benefit of future system improvements outweighs  
11 the rate harms of this Transaction based on the excessive purchase price.

12 **Q. Please summarize Mr. Kohl's benefits of the transaction for Appalachian's existing**  
13 **customers.**

14 A. On pages 18-24 of his Direct Testimony, Mr. Kohl discusses how Appalachian's existing  
15 customers will benefit from the Transaction. He indicated it will benefit customers  
16 financially because those customers will become part of a system with a large customer  
17 base, allowing them to share costs. (PAWC Statement No. 1, p. 19, ln. 18-20). Mr. Kohl  
18 discusses his concerns for Appalachian customers being exposed to rate spikes due to  
19 new regulatory requirements that could result in a significant expense. Other claimed  
20 benefits include PAWC's low-income assistance programs, improved service, and  
21 improvements to the system.

1 **Q. Do you have any comments regarding AUI's existing consumers?**

2 A. Yes. Mr. Kohl identified the primary detriment of the Transaction is the risk of a rate  
3 increase . (PAWC Statement No. 1, p. 18, ln. 15-16). He indicated, however, that a rate  
4 increase is likely inevitable for AUI's customers even if the transaction were not  
5 approved, stating "it is likely that, regardless of the sale of the System, customers of  
6 Appalachian will experience an increase in rates." (PAWC Statement No. 1, p. 19, ln. 3-  
7 4). However, when asked in discovery if Appalachian has estimated or calculated a  
8 necessary rate increase if it is not acquired by PAWC, the response was "no." (Response  
9 to OCA-1-11). This is attached to my testimony as Exh. MND-2. Hence, there is no  
10 record evidence to indicate the scope or magnitude of any rate increase to AUI's existing  
11 customers if the transaction is not approved. Furthermore, the timing and scope of any  
12 AUI rate case is within its control. To be sure, the timing of PAWC's next rate case is  
13 also entirely within its control, but it is also unclear based on this record when PAWC  
14 will come in for another base rate case that includes Appalachian customers. When that  
15 happens, it would likely result in a rate increase to those customers but there is no record  
16 evidence to indicate the scope or magnitude of this inevitable rate increase. It is  
17 important to remember that the rates that AUI's customers pay are directly tied to the rate  
18 base that was established in its last rate case that was ties to value of the system at  
19 depreciated original costs plus AUI's prudent and reasonable expenses at that time.  
20 However, based on PAWC's recent base rate case and acquisition activity, PAWC has  
21 made frequent and sizeable requests for general rate increases to include its investments  
22 in its systems and also its aggressive acquisition activity, and PAWC's rates also include  
23 more sizeable expenses due its large size, and PAWC's rates include application of DSIC,

1 which AUI does not currently use or charge customers. So, in my opinion, it is fair to say  
2 based on these differences between the two utilities that AUI's customers – should they  
3 become PAWC's customers – will likely face sizeable and frequent rate increases in the  
4 future. As evidenced above – based on rates that now exist for both systems, a customer  
5 using 4,000 gallons per month would pay \$52.21 more each month on PAWC's Zone 1  
6 rates as compared to AUI's rates.

7 Finally, Mr. Kohl also indicated that "PAWC is better able than Appalachian to ensure  
8 compliance with the recent revision of the Lead and Copper Rule, including the required  
9 lead service line inventory". (PAWC Statement No. 1, p. 23, ln. 5-7). It is not clear that  
10 this statement should be accepted as true. To be sure, PAWC has more resources, but it  
11 also has resources sized to its system. So does AUI. They require fewer resources  
12 because they are a smaller system. More to the point, however, in response to OCA-1-30,  
13 "PAWC has not identified the existence of either company-owned (from main to curb  
14 stop) or customer-owned lead service lines in the Appalachian system at this time". This  
15 is attached to my testimony as Exh. MND-3. Thus, PAWC's lead service line replacement  
16 program is not a clear benefit, rather it is a speculative benefit in the event lead service  
17 lines are located in AUI's service territory under PAWC ownership.

18 Q. [BEGIN CONFIDENTIAL] [REDACTED]

19 [REDACTED]

20 A. [REDACTED]

21 [REDACTED] [END CONFIDENTIAL]

1 **Q. Does PAWC make any benefit claims about customer service?**

2 A. Yes. Mr. Kohl claims the System’s customers will benefit from the enhanced and proven  
3 customer service that PAWC provides. (PAWC Statement No. 1, p. 23, ln. 17-18). PAWC  
4 witness Mr. Guntrum also addressed customer service in his Direct Testimony. Mr.  
5 Guntrum identified, PAWC’s call center is available from 7:00 a.m. to 7:00 p.m., Monday  
6 through Friday for routine business and 24/7/365 for emergency situations. (PAWC  
7 Statement No. 2, p. 14, ln. 19-21). Mr. Guntrum also identified that customers can pay  
8 their bills by mail, online, over the phone, by e-check or in-person at an authorized  
9 payment location (PAWC Statement No. 2, p. 15, ln. 11-16).

10 **Q. Do you have any comments?**

11 A. Yes. While PAWC may offer extended customer service and hours, the benefit does not  
12 outweigh the harm of the rate increase customers will face. Further, the only functional  
13 difference between PAWC’s billing system and Appalachian’s is the ability to pay over  
14 the phone or by e-check.

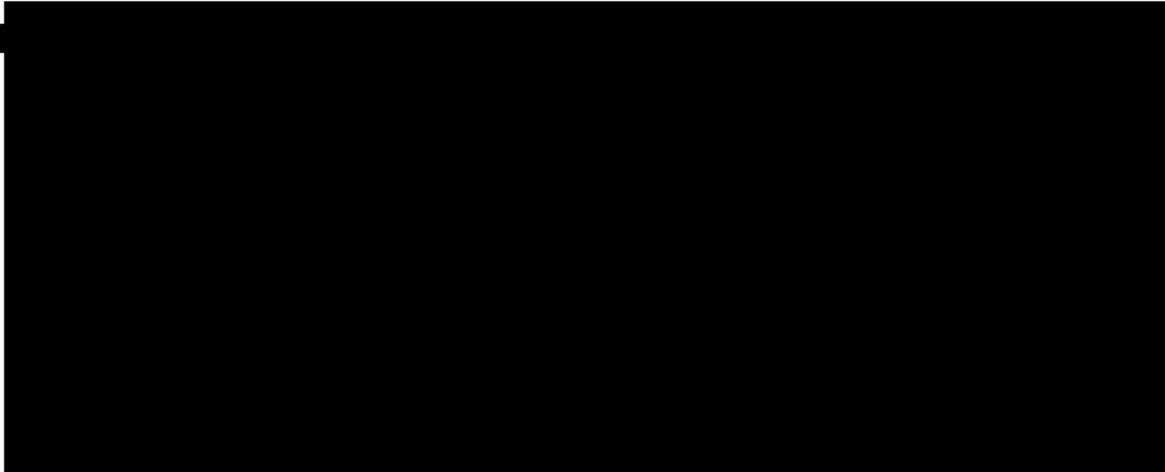
15 **Q. Please summarize the claimed benefits of the Transaction for PAWC.**

16 A. On pages 24-25 of his Direct Testimony, Mr. Kohl identified how the increase in  
17 customers from Appalachian’s current, existing customer base, will make PAWC a larger,  
18 financially stronger and more stable public utility, benefiting current and future PAWC  
19 customers. **[BEGIN CONFIDENTIAL]** [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]



1

2 **[END CONFIDENTIAL]**

3 Mr. Kohl stated, “I do not see that the Transaction has any material detriments for PAWC  
4 as the Buyers of the System”. (PAWC Statement No. 1, p. 24, ln. 10-11)

5 **Q. Do you have any comments?**

6 A. Yes. In regard to the price per customer, while this may be true for the average, the  
7 purchase price per customer for Appalachian is actually higher than three out of the four  
8 Section 1102 price per customer in the last six years. The Appalachian purchase price per  
9 customer is the highest of the water utility Section 1102 (only) acquisitions, ranging  
10 between 9% and 26% higher.<sup>3</sup>

11 **Q. Please summarize the benefits of the Transaction for PAWC’s existing water  
12 customers, claimed by PAWC.**

13 A. Mr. Kohl claims PAWC’s existing water customers will benefit in the long-term because  
14 the Transaction will expand PAWC’s water customer base. By adding additional  
15 connections to the PAWC system, there are more customers to share future infrastructure

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<sup>3</sup>  $((2,403-2,200) / 2,200) * 100 = 9.23\%$ ,  $((2,403-1,900) / 1,900) * 100 = 26.47\%$

1 investment costs and promote stable rates across the system. (PAWC Statement No. 1, p.  
2 25, ln. 10-14). He also stated, “Customers who benefit from the near-term improvements  
3 will one day help pay for improvements on behalf of other customers in other parts of the  
4 PAWC system.” (PAWC Statement No. 1, p. 25, ln. 14-16).

5 **Q. Please respond.**

6 A. It remains speculative how, if, and when PAWC water customers would benefit from this  
7 transaction, especially given as structured with a purchase price premium. If at all, it is at  
8 some unknown point in the long-term. That is, in my view, not enough to outweigh the  
9 cost and rate impact detriments at hand. Not only will Appalachian customers see an  
10 increase in rates as a result of the Transaction that has a purchase price of [BEGIN

11 **CONFIDENTIAL]** [REDACTED]

12 [REDACTED] **[END CONFIDENTIAL]**

13 **Q. Do the Applicants believe the benefits outweigh the harms in this Transaction?**

14 A. Yes. Mr. Kohl stated, “I believe the Transaction has a net benefit for each relevant  
15 stakeholder group. Therefore, I believe the net benefits of the Transaction outweigh the  
16 net detriments, considered as a whole.” (PAWC Statement No. 1, p. 26, ln. 17-19).

17 Furthermore, Mr. Kohl stated, “Nevertheless, a transaction does not need to yield net  
18 benefits to every individual in order to provide an affirmative public benefit.” (PAWC  
19 Statement No. 1, P. 14, ln. 15-17).

20 **Q. Do you agree?**

21 A. No. While there are some benefits of the proposed Transaction, as filed and with the risk  
22 of customers bearing the full [BEGIN CONFIDENTIAL] [REDACTED]

23 **[END CONFIDENTIAL]**, it is not apparent that they outweigh the projected rate impact

1 that every customer from this Transaction will experience. Even with aggregate minimal  
2 rate harm for PAWC customers, the rate harm to Appalachian's customers is sizable while  
3 the benefits are generalized and unsubstantiated, such that PAWC has not met its legal  
4 burden of proof.

5 **Q. Do you recommend to the Commission any conditions that should be met for this**  
6 **transaction to be approved?**

7 A. Yes. Due to the purchase price that exceeds the AUI system's depreciated original cost,  
8 the net benefits are not demonstrated by the transaction as proposed. In this case, the

9 **[BEGIN CONFIDENTIAL]** [REDACTED] **[END**

10 **CONFIDENTIAL]** the depreciated original cost of \$1,530,984. Section 1311(b)(1)

11 requires that the value of the property of the public utility included in the rate base shall  
12 be the original cost of the property when first devoted to the public service less the  
13 applicable accrued depreciation as such depreciation is determined by the commission.

14 Notwithstanding that the existing shareholder of AUI wants to exit the business, the  
15 Public Utility Code guides the Commission on what is a just and reasonable valuation of  
16 the utility property – that is, depreciated original cost. To protect consumer interests, any  
17 purchase price premium that exceeds depreciated original cost for the sole benefit the  
18 Seller should be paid for by PAWC's shareholders and not ratepayers. Thus, absent  
19 conditions, the Commission should reject the application. In my view, the only means by  
20 which the Commission can approve this transaction based on the record is if it  
21 specifically conditions the issuance of a CPC on PAWC not being permitted to claim  
22 more than the depreciated original cost of the system in rate base. I am advised by  
23 counsel that this would be well within the Commission's authority under Section 1103 of

1 the Code. This condition would be just and reasonable because it would serve to mitigate  
2 the rate harm which in the absence of such a condition outweighs the claimed benefits.  
3 By conditioning the grant of CPC authority as I recommend, it would enable the  
4 Commission to make a finding of affirmative benefits based on the record evidence.

5 **Q. Are you asking the PUC to set a ratemaking rate base for Appalachian in this**  
6 **proceeding?**

7 A. No. The amount allowed in rate base will be determined in a base rate case, not in this  
8 application proceeding. But in order to grant a CPC and approve the application, the  
9 Commission must find based on this record that there is substantial affirmative benefits to  
10 approve the transaction and grant a Certificate of Public Convenience. My understanding  
11 is that Section 1103 gives the PUC authority to impose conditions on the issuance of a  
12 Certificate of Public Convenience to ensure that the 1102/1103 standard is met. Unless a  
13 condition is placed on what PAWC will claim in rate base, the risk to customers caused  
14 by the exceptionally large purchase price outweighs the minor benefits so that this  
15 transaction does not meet the standard for approval.

## 16 **Conclusions and Recommendations**

17 **Q. Please summary your testimony and conclusions.**

18 A. The transaction proposed by Applicants would create significant additional costs and  
19 risks for Pennsylvania ratepayers. As proposed, the transaction does not provide  
20 substantial affirmative benefits and therefore should not be approved absent the following  
21 conditions:

- 22 • PAWC shall not be permitted to claim more than depreciated original cost of in  
23 rate base in the first base rate case after closing the Appalachian transaction.

- 1           • At the time of filing its next base rate case, PAWC will submit a cost of service  
2           study that removes all costs and revenues associated with the operation of the  
3           AUI system and will also provide a separate cost of service study for the AUI  
4           system.
  
- 5           • PAWC will file an amended LTIP including the AUI customers within 90 days  
6           of closing. The proposed projects reflected in the amended LTIP should be in  
7           addition to, and not re-prioritize, any capital improvements that PAWC has  
8           already committed to undertake for existing customers. PAWC should not include  
9           System-related investments in its DSIC until PAWC collects a DSIC from System  
10          customers.

11           By doing so, the Commission can ensure that Pennsylvania ratepayers and the interest of  
12           the Commonwealth are protected from the risks and harms presented by the acquisition.

13   **Q.    Does this conclude your Direct Testimony?**

14    A.    Yes. However, I reserve the right to modify my testimony if necessary.

**QUALIFICATIONS OF  
MORGAN N. DEANGELO**

**Education:**

2020 M.B.A., Wilkes University

2018 B.B.A. concentration in Finance, minor in Accounting, Wilkes University

**Positions:**

June 2020 – Present      Regulatory Analyst, Pennsylvania Office of Consumer Advocate

2018 – 2020              Graduate Assistant, Office of Student Development,  
Wilkes University

**Experience:**

I am currently employed by the Pennsylvania Office of Attorney General, Office of Consumer Advocate (OCA) as a Regulatory Analyst. In this position, my responsibilities include reviewing utility company filings with the Pennsylvania Public Utility Commission (Commission) and analyzing the financial, economic, rate of return, and policy issues that are relevant to the filings. Additionally, I am tasked with preparing recommendations for the OCA's involvement in utility filings with the PA PUC, writing testimony and presenting oral testimony on behalf of the OCA.

**Relevant Training:**

IPU Regulatory Studies - Intermediate Course, August 2020

IPU Accounting and Ratemaking Course, February 2021

SURFA Cost of Capital Workshop, April 2024

**Previous Cases where testimony was submitted:**

- Petition of Twin Lakes Utilities, Inc., P-2020-3020914
- Application of Pennsylvania American Water Company, A-2020-3019634
- PaPUC v. UGI Utilities, Inc. – Electric Division, R-2021-3023618
- PaPUC v. Pittsburgh Water and Sewer Authority, R-2021-3024773, R-2021,3024774, R-2021-3024779
- PaPUC v. Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., R-2021-3027285, R-2021-3027186
- PaPUC v. City of Lancaster – Water Department, R-2021-3026682
- Application of Aqua Pennsylvania Wastewater, Inc., A-2021-3027268
- PaPUC v. Borough of Ambler – Water, R-2022-3031704
- PaPUC v. Citizens' Electric Company of Lewisburg, PA, R-2022-3032369, C-2022-3032529
- PaPUC v. Valley Energy, R-2022-3032300, C-2022-3032533
- PaPUC v. Pennsylvania American Water Company, R-2022-3031672, C-2022-3032485, R-2022-3031673, C-2022-3032487
- PaPUC v. The York Water Company, R-2022-3031340, C-2022-3032868, C-2022-3032902, R-2022-3032806, C-2022-3032869, C-2022-3033016
- Application of Aqua Pennsylvania, Inc., A-2022-3034143
- PaPUC v. UGI Utilities, Inc. - Electric Division, R-2022-3037368
- Application of Pennsylvania American Water Company, A-2022-3037047
- PaPUC, Bureau of Investigation and Enforcement v. Planet Energy (Pennsylvania) Corporation d/b/a RiteRate Energy d/b/a Value Plus Energy, C-2023-3041126

**Exhibit List**

Exh. MND-1

Exh. MND-2

Exh. MND-3

Exh. MND-4 [CONFIDENTIAL]

# **Exh. MND-1**

Pennsylvania-American Water Company's Responses to the  
Office of Consumer Advocate Interrogatories Set 1

Docket Nos. A-2024-3046084, A-2024-3046092, A-2024-3046068

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service

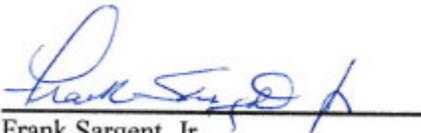
OCA-1-19. Does Appalachian have any DEP violations or corrective action plans? If yes, provide all documentation.

Response: No.

Name: Frank Sargent, Jr.  
Title: President  
Appalachian Utilities, Inc.

## VERIFICATION

I, Frank Sargent, Jr., President of Appalachian Utilities, Inc., hereby state that the facts set forth in the attached Discovery Responses are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

  
Frank Sargent, Jr.  
President

Dated: April 1, 2024

Verification applies only to the answers for which I am listed as the responsible witness.

# **Exh. MND-2**

Pennsylvania-American Water Company's Responses to the  
Office of Consumer Advocate Interrogatories Set 1

Docket Nos. A-2024-3046084, A-2024-3046092, A-2024-3046068

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service

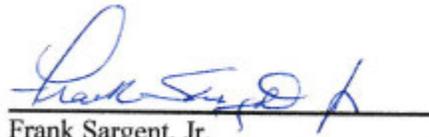
OCA-1-11. Has Appalachian estimated or calculated any necessary rate increase if it is not acquired by PAWC? If so, please provide calculations.

Response: No.

Name: Frank Sargent, Jr.  
Title: President  
Appalachian Utilities, Inc.

## VERIFICATION

I, Frank Sargent, Jr., President of Appalachian Utilities, Inc., hereby state that the facts set forth in the attached Discovery Responses are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

A handwritten signature in blue ink, appearing to read "Frank Sargent, Jr.", is written over a horizontal line.

Frank Sargent, Jr.

President

Dated: April 1, 2024

Verification applies only to the answers for which I am listed as the responsible witness.

# **Exh. MND-3**

Pennsylvania-American Water Company's Responses to the  
Office of Consumer Advocate Interrogatories Set 1

Docket Nos. A-2024-3046084, A-2024-3046092, A-2024-3046068

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service

OCA-1-30. Has PAWC identified, or has Appalachian Township made the Company aware of, the existence of either company-owned (from main to curb stop) or customer-owned lead service lines in the Appalachian system?

Response: PAWC has not identified the existence of either company-owned (from main to curb stop) or customer-owned lead service lines in the Appalachian system at this time. Post acquisition PAWC will conduct a system wide survey to identify any company-owned or customer owned lead service lines in the system. This survey will initially consist of asking customers directly to identify their service line material and then report the material type to PAWC. If the customer suspects they have a lead service line or is unable to identify their service line material PAWC will then conduct an on-site survey to determine the service line material.

Name: Michael Guntrum, P.E.  
Title: Senior Project Engineer Business Development  
Pennsylvania-American Water Company

Name: Frank Sargent, Jr.  
Title: President  
Appalachian Utilities, Inc.

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service

Docket Nos. A-2024-3046084, A-2024-3046092, A-2024-3046068

#### VERIFICATION

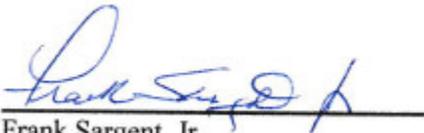
I, MICHAEL J. GUNTRUM, P.E., hereby state that the facts set forth in the foregoing responses, specifically to Questions OCA-1-6, 7 and 30-32, and accompany exhibits, if any, to the Interrogatories of the Office of Consumer Advocate, Set 1, dated March 11, 2024, are true and correct to the best of my knowledge, information and belief. I understand that the statements are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: April 1, 2024

  
\_\_\_\_\_  
Michael J. Guntrum, P.E.  
Senior Project Engineer Business Development  
Pennsylvania-American Water Company

## VERIFICATION

I, Frank Sargent, Jr., President of Appalachian Utilities, Inc., hereby state that the facts set forth in the attached Discovery Responses are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

  
Frank Sargent, Jr.  
President

Dated: April 1, 2024

Verification applies only to the answers for which I am listed as the responsible witness.

**Exh. MND-4**  
**[CONFIDENTIAL]**

Pennsylvania-American Water Company's Responses to the  
Office of Consumer Advocate Interrogatories Set 1

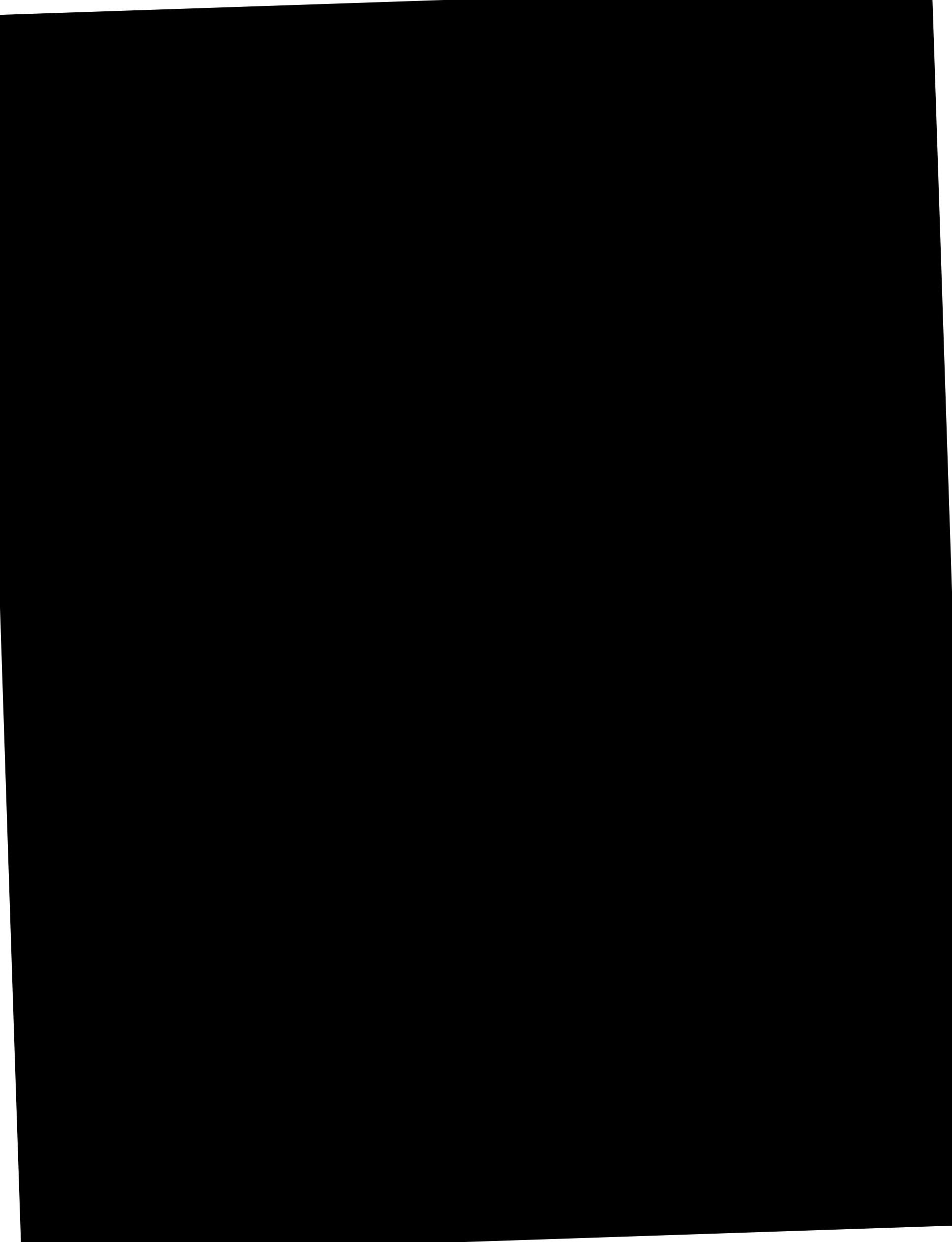
Docket Nos. A-2024-3046084, A-2024-3046092, A-2024-3046068

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service

OCA-1-8. Based on the purchase price of the Appalachian Water system and including projected capital investment, under PAWC ownership, will the system have an annual revenue deficiency or sufficiency based on the current revenues from Appalachian customers? Please explain and provide the amount and supporting calculations.

Response: Under PAWC ownership, the Appalachian Water System will have an estimated revenue deficiency of \$458,000. Please refer to OCA-I-08\_Attachment\_CONFIDENTIAL\_PAWC for supporting calculation.

Name: Ashley E. Everette  
Title: Senior Director, Rates & Regulatory  
American Water Works Service Company, Inc.



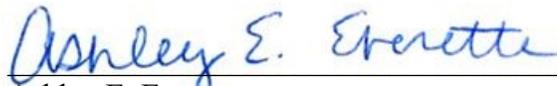
Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service

Docket Nos. A-2024-3046084, A-2024-3046092, A-2024-3046068

#### VERIFICATION

I, ASHLEY E. EVERETTE, hereby state that the facts set forth in the foregoing responses, specifically to Questions OCA-1-3 and 8, and accompany exhibits, if any, to the Interrogatories of the Office of Consumer Advocate, Set 1, dated March 11, 2024, are true and correct to the best of my knowledge, information and belief. I understand that the statements are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: April 1, 2024



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Ashley E. Everette  
Senior Director, Rates & Regulatory  
American Water Works Service Company, Inc.

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Appalachian Utilities, Inc.	:	Docket Nos.	A-2024-3046084,
for a Certificate of Public Convenience	:		A-2024-3046092,
Evidencing the Pennsylvania Public Utility	:		A-2024-3046068
Commission's Approval of the Transfer of			
40% of Outstanding and Issued Stock in			
Appalachian Utilities, Inc.			

VERIFICATION

I, Morgan N. DeAngelo, hereby state that the facts above set forth in my Direct Testimony, OCA Statement 1, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: August 16, 2024

Signature: *Morgan N. DeAngelo*  
Morgan N. DeAngelo

Witness Address:  
Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Appalachian Utilities, Inc. for a	:	Docket No. A-2024-3046068
Certificate of Public Convenience Evidencing	:	
the Evidencing the Pennsylvania Public Utility	:	
Commission's Approval of the Transfer of 40%	:	
of Outstanding and Issued Stock in	:	
Appalachian Utilities, Inc.	:	
	:	
	:	
Joint Application of Pennsylvania-American	:	Docket Nos. A-2024-3046084
Water Company and Appalachian Utilities,	:	A-2024-3046092
Inc., Pursuant to Section 1102 of the Public	:	
Utility Code, for approval of ( 1) the transfer to	:	
American Water Works Company, Inc., by	:	
merger, of all property of Appalachian Utilities,	:	
Inc. used and useful in the public service; (2)	:	
the transfer to Pennsylvania-American Water	:	
Company, by merger, of all property of	:	
Appalachian Utilities, Inc. used or useful in the	:	
public service, (3) the right of Pennsylvania	:	
American Water Company to begin to offer,	:	
render, furnish and supply water service to the	:	
public in the Borough of Avis and Townships	:	
of Pine Creek and Dunnstable, Clinton County,	:	
Pennsylvania, and (4) the abandonment by	:	
Appalachian Utilities, Inc. of all water service.	:	

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**CONFIDENTIAL**

REBUTTAL TESTIMONY OF  
MORGAN N. DEANGELO

OCA STATEMENT 1R

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ON BEHALF OF  
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

August 30, 2024

**Table of Contents**

Introduction..... 1  
Summary of Direct Testimony ..... 2  
Response to OSBA witness Kevin Higgins’ Direct Testimony ..... 2  
Conclusion ..... 6

1 **Introduction**

2 **Q. Please state your name, business address and occupation.**

3 A. My name is Morgan N. DeAngelo. My business address is 555 Walnut Street, Forum  
4 Place, 5<sup>th</sup> Floor, Harrisburg, Pennsylvania 17101. I am currently employed as a  
5 Regulatory Analyst by the Pennsylvania Office of Consumer Advocate (OCA).

6 **Q. Have you previously provided testimony in this case?**

7 A. Yes. I provided Direct Testimony on August 16, 2024, in OCA Statement 1.

8 **Q. Have you reviewed the Direct Testimony submitted by the Pennsylvania Office of**  
9 **Small Business Advocate (OSBA)?**

10 A. Yes.

11 **Q. What is the purpose of your Rebuttal Testimony?**

12 A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimony of Kevin  
13 Higgins, prepared on behalf of OSBA. My Rebuttal Testimony is limited to responding to  
14 his testimony about the Reasonableness Review Ratio (RRR) alternative discussed on  
15 pages 8-11 of OSBA Statement No. 1 and the depreciated original cost of the system,  
16 discussed on page 6-7.

17 **Q. Did Mr. Higgins' testimony cause you to change your positions and**  
18 **recommendations as stated in your Direct Testimony?**

19 A. It does not change my recommendation, but I am correcting a statement from my Direct  
20 Testimony about depreciated original cost.

1 **Summary of Direct Testimony**

2 **Q. Please summarize your Direct Testimony.**

3 A. My Direct Testimony presented results and conclusions of my review of the proposed  
4 merger between Pennsylvania-American Water Company (PAWC) and Appalachian  
5 Utilities, Inc. (Appalachian or AUI or Company). As proposed, the transaction does not  
6 provide substantial affirmative benefits and therefore should not be approved. If the  
7 Application is not denied, it should only be granted if conditioned on the requirement that  
8 PAWC not be permitted to claim more than depreciated original cost of the Appalachian  
9 system in rate base in the first base rate case after closing. This condition would mitigate  
10 the main harm, leaving the minor benefits that could enable the Public Utility  
11 Commission to make a finding of affirmative benefits based on the record evidence.

12 **Response to OSBA witness Kevin Higgins' Direct Testimony**

13 **Q. What are Mr. Higgins' conclusions and recommendations?**

14 A. On page 3, lines 19-23 and page 4, lines 1-7, Mr. Higgins concludes that he does not  
15 oppose the merger, with one condition. If the Commission approves the merger and  
16 PAWC seeks to include an acquisition premium associated with Appalachian in a  
17 subsequent rate case, he recommended that the premium eligible for inclusion in rate base  
18 be limited to 34% above the depreciated original cost (DOC). He stated, "In my opinion,  
19 the public interest is served by limiting the acquisition premium that is eligible for rate  
20 base inclusion, thereby mitigating the future rate impacts to Appalachian's customers and  
21 PAWC's existing customers as a result of the merger." (OSBA Statement No. 1, p. 4, ln.  
22 4-7).

1 **Q. Do you agree with the conclusion and recommendation Mr. Higgins makes?**

2 A. No, I do not. In my opinion, as proposed, the transaction does not provide substantial  
3 affirmative benefits. Furthermore, I disagree with Mr. Higgins' recommendation that an  
4 acquisition premium be limited to 34% above the DOC because customers would still be  
5 at risk for paying some excess above DOC. This harm would still outweigh the benefits  
6 projected from the proposed transaction.

7 **Q. Do you have other concerns about Mr. Higgins' recommendation?**

8 A. Yes, I disagree with his use of the Reasonableness Review Ratio as a basis to determine  
9 what is or is not reasonable for a Section 1327 acquisition adjustment.

10 **Q. What is the purpose of the RRR?**

11 A. On July 2, 2024, the Commission entered a Final Supplemental Implementation Order  
12 (2024 FSIO) at Docket No. M-2016-2543193.<sup>1</sup> In the 2024 FSIO, the Commission  
13 determined that it will publish, annually, a Reasonableness Review Ratio (RRR) which  
14 will serve as an additional reference for the Commission in Section 1329 proceedings.  
15 The RRR will assist in determining an approximate ratio of a proxy FMV to the DOC of  
16 a barometer group of similarly situated investor-owned water utilities (IOUs). The  
17 barometer group of IOUs will mirror the same group of water utilities utilized in the  
18 Report on the Quarterly Earnings of Jurisdictional Utilities. The rate base addition of the  
19 proposed Section 1329 transaction will be divided by the DOC of the acquired system to  
20 provide a resulting Market Value Ratio for the transaction that can be compared to RRR.  
21 While used as a point of reference, the RRR is not a binding norm and establishes no  
22 legal obligation on the parties or the Commission.

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<sup>1</sup> Docket No. M-2016-2543193, Final Supplemental Implementation Order (Order entered July 2, 2024).

1 **Q. Why would it be improper to apply the RRR in the manner that Mr. Higgins**  
2 **suggests?**

3 A. The RRR is intended for Section 1329 valuations, not Section 1327 acquisition  
4 premiums. As Mr. Higgins recognizes, “the Commission will use the RRR as a metric in  
5 evaluating Section 1329 cases, and as such, it is not directly applicable to an acquisition  
6 or merger between two investor-owned utilities as proposed in this proceeding.” (OSBA  
7 Statement No. 1, p. 10, ln. 17-10). The Commission does not intend for the RRR to be  
8 applicable to an adjustment under Section 1327, which deals with recovery of acquisition  
9 cost in excess of depreciated original cost and not fair market value calculated under  
10 Section 1329.

11 **Q. Do you have any additional comments about the RRR?**

12 A. Yes. As discussed in the OCA’s comments to the TSIO, the RRR should not be  
13 considered a test of presumptive reasonableness or a determination that the application is  
14 in the public interest if the transaction meets this guidepost.<sup>2</sup> In the OCA’s view, if used at  
15 all, it is a check on reasonableness that should be used as one factor, among many others,  
16 for determining whether an acquisition under Section 1329 is in the public interest. It  
17 should not be used in situations where a utility is seeking a Section 1327 acquisition  
18 adjustment such as this case.

19 **Q. Why do you refer to a Section 1327 adjustment in your Rebuttal?**

20 A. The OCA issued additional interrogatories, and the responses were received after the due  
21 date of my direct testimony. In the responses, while AUI does not admit that AUI

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<sup>2</sup> Docket No. M-2016-2543193, Comments of the OCA to the TSIO, March 18, 2024, page 18.

1 currently meets any of the factors of Section 1327(a)(3), the responses indicate a growing  
2 concern of AUI that it will likely meet one or more of the factors in the near future. This  
3 means that it is reasonably likely that following PAWC's acquisition of AUI, PAWC will  
4 seek to recover the acquisition premium through a Section 1327 adjustment. This relates  
5 directly to my recommended condition for approving the acquisition, and it provides a  
6 basis for rebutting Mr. Higgins' testimony.

7 **Q. You stated you have a response to Mr. Higgins' testimony about the depreciated**  
8 **original cost of the system. Please explain.**

9 A. In my Direct Testimony, I used data for the year ended December 31, 2022, that was  
10 provided in discovery response to OSBA-1-1.a. The DOC of the Appalachian system at  
11 that time, was \$1,530,984. As Mr. Higgins pointed out, that as of December 31, 2023, the  
12 DOC, less customer Contributions in Aid of Construction (CIAC) is \$1,396,252 (OSBA  
13 Statement No. 1, p. 7, Table KCH-1). The amount in my Direct Testimony recognized  
14 depreciation but not customer CIAC. Mr. Higgins is correct to exclude CIAC and, with  
15 that removed, the DOC as of December 31, 2022, is \$1,437,453. I agree with Mr. Higgins  
16 that the DOC less CIAC for December 31, 2023 is \$1,396,252. With these changes, the  
17 purchase price of [BEGIN CONFIDENTIAL] [REDACTED]

18 [REDACTED]

19 [REDACTED] [END

20 CONFIDENTIAL]

1 **Conclusion**

2 **Q. Please summarize your recommendations.**

3 A. (1) I recommend that PAWC shall not be permitted to claim more than depreciated  
4 original cost in rate base in the first base rate case after closing the Appalachian  
5 transaction to mitigate the rate harm to consumers as a result of this transaction.

6 (2) I recommend the Commission should not use the RRR for purposes of determining  
7 whether the proposed transaction is reasonable under Sections 1102/1103 or whether and  
8 what amount of acquisition adjustment PAWC should be permitted to claim under Section  
9 1327 in the pending or future base rate case.

10 **Q. Does that conclude your Rebuttal Testimony?**

11 A. Yes, it does. However, I reserve the right to modify or supplement my testimony if  
12 necessary. To the extent that I did not address an issue in my Rebuttal Testimony should  
13 not be taken to mean that I agree with other parties' positions in this case.

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Appalachian Utilities, Inc.	:	Docket Nos.	A-2024-3046084,
for a Certificate of Public Convenience	:		A-2024-3046092,
Evidencing the Pennsylvania Public Utility	:		A-2024-3046068
Commission's Approval of the Transfer of			
40% of Outstanding and Issued Stock in			
Appalachian Utilities, Inc.			

VERIFICATION

I, Morgan N. DeAngelo, hereby state that the facts above set forth in my Rebuttal Testimony, OCA Statement 1R, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: August 30, 2024

Signature: *Morgan N. DeAngelo*  
Morgan N. DeAngelo

Witness Address:  
Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Appalachian Utilities, Inc. for a : Docket No. A-2024-3046068  
Certificate of Public Convenience Evidencing :  
the Pennsylvania Public Utility Commission's :  
Approval of the Transfer of 40% of :  
Outstanding and Issued Stock in Appalachian :  
Utilities, Inc. :

Joint Application of Pennsylvania-American : Docket Nos. A-2024-3046084  
Water Company and Appalachian Utilities, : A-2024-3046092  
Inc., Pursuant to Section 1102 of the Public :  
Utility Code, for approval of ( 1) the transfer to :  
American Water Works Company, Inc., by :  
merger, of all property of Appalachian Utilities, :  
Inc. used and useful in the public service; (2) :  
the transfer to Pennsylvania-American Water :  
Company, by merger, of all property of :  
Appalachian Utilities, Inc. used or useful in the :  
public service, (3) the right of Pennsylvania :  
American Water Company to begin to offer, :  
render, furnish and supply water service to the :  
public in the Borough of Avis and Townships :  
of Pine Creek and Dunnstable, Clinton County, :  
Pennsylvania, and (4) the abandonment by :  
Appalachian Utilities, Inc. of all water service. :

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**Public, Redacted Version**

SURREBUTTAL TESTIMONY OF  
MORGAN N. DEANGELO

OCA STATEMENT 1SR

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ON BEHALF OF  
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

September 16, 2024

**Table of Contents**

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    PAWC Statement No. 3-R, Ashley Everette..... 7  
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1 **Introduction**

2 **Q. Please state your name, business address and occupation.**

3 A. My name is Morgan N. DeAngelo. My business address is 555 Walnut Street, Forum  
4 Place, 5<sup>th</sup> Floor, Harrisburg, Pennsylvania 17101. I am currently employed as a  
5 Regulatory Analyst by the Pennsylvania Office of Consumer Advocate (OCA).

6 **Q. Have you provided testimony in this case?**

7 A. Yes. I provided Direct Testimony in this case on March 19, 2024, in OCA Statement 1  
8 and Rebuttal Testimony in this case on August 30, 2024, in OCA Statement 1R.

9 **Q. Have you reviewed the Rebuttal Testimonies submitted by the other parties?**

10 A. Yes. I reviewed the Rebuttal Testimonies submitted by Pennsylvania American Water  
11 Company (PAWC) and Appalachian Utilities, Inc. (Appalachian or AUI or Company)).

12 **Q. What is the purpose of your Surrebuttal Testimony?**

13 A. My Surrebuttal Testimony is in response to the Rebuttal Testimony of PAWC witnesses  
14 Marcus Kohl in PAWC Statement No. 1-R and Ashley Everette in PAWC Statement No.  
15 3-R.

16 **Q. Please summarize your Direct Testimony.**

17 A. My Direct Testimony presented results and conclusions of my review of the proposed  
18 merger between Pennsylvania-American Water Company (PAWC) and Appalachian  
19 Utilities, Inc. (Appalachian or AUI or Company). As proposed, the transaction does not  
20 provide substantial affirmative benefits and therefore should not be approved. If the  
21 Application is not denied, it should only be granted if conditioned on the requirement that  
22 PAWC not be permitted to claim more than depreciated original cost of the Appalachian  
23 system in rate base in the first base rate case after closing. This condition would mitigate

1 the main harm, leaving the minor benefits that could enable the Public Utility  
2 Commission to make a finding of affirmative benefits based on the record evidence.

3 **Q. Please summarize your Rebuttal Testimony.**

4 A. My Rebuttal Testimony responded to the Direct Testimony of Kevin Higgins, prepared  
5 on behalf of OSBA. It was limited to responding to his testimony about the  
6 Reasonableness Review Ratio (RRR) alternative, which I recommended should not be  
7 used for the purposes of determining whether the proposed transaction is reasonable  
8 under Sections 1102/1103 of the Public Utility Code, or whether and what amount of  
9 acquisition adjustment PAWC should be permitted to claim under Section 1327 in the  
10 pending or future base rate case. Also, in response to Mr. Higgins' testimony, I agreed  
11 that the depreciated original cost of the system is \$1,396,252.

12 **Q. Did any of the testimonies cause you to change your positions and recommendations  
13 as stated in your Direct Testimony?**

14 A. No. My recommendations are still the same.

15 **Response to PAWC Rebuttal Testimony**

16 **PAWC Statement No. 1-R, Marcus Kohl**

17 **Q. Mr. Kohl indicated your recommended condition that PAWC shall not be permitted  
18 to claim more than depreciated original cost in rate base in the first base rate case  
19 after closing the Appalachian transaction to mitigate the rate harm to consumers as  
20 a result of this transaction is “unreasonable as contrary to the law” (PAWC St. 1-R,  
21 p.7, ln. 3-4). Please respond.**

22 A. The transaction must satisfy the affirmative public benefits standard under Sections 1102  
23 and 1103 of the Public Utility Code. I am advised by counsel that Pennsylvania courts

1 have held that the impact on rates must be considered when determining whether there is  
2 a substantial benefit under these sections, and that the Code plainly permits the  
3 Commission to “impose conditions as it may deem to be just and reasonable.”<sup>1</sup>. There is a  
4 risk to customers that PAWC will seek to recover up to [BEGIN CONFIDENTIAL]  
5 [REDACTED] [END CONFIDENTIAL] in rates for this system by seeking an adjustment  
6 under Section 1327 in a rate case. While counsel for the OCA will brief the legal issues,  
7 the threshold question is whether the transaction, as proposed, meets the requirements of  
8 Sections 1102 and 1103. If not, then there is no rate base to include under Section 1327 or  
9 otherwise. If the transaction is conditioned as recommended by the OCA, then no claim  
10 will be made under Section 1327(a) for a rate base claim for a portion above depreciated  
11 original cost. Unless a condition is placed on what PAWC will claim in rate base, the risk  
12 to customers caused by the purchase price outweighs the minor benefits so that this  
13 transaction does not meet the standard for approval.

14 **Q. On pages 6-7 of his Rebuttal Testimony, Mr. Kohl mischaracterizes your Direct**  
15 **Testimony. Please respond.**

16 A. Mr. Kohl testified, “The OCA asks the Commission to rule that, if a utility does not  
17 request a Section 1327 acquisition adjustment in an acquisition proceeding, the  
18 Commission can take away the utility’s right to *ever* request a Section 1327 acquisition  
19 adjustment for that acquisition.” (PAWC St. No. 1-R, p. 6, ln. 23, p. 7, ln. 1-3). However,  
20 that is not my position. My recommendation is that based on the facts of this case, there  
21 are minor benefits that are outweighed by the very real potential that PAWC will seek a  
22 1327 adjustment in its next rate case, thus, in order to protect consumer interests, any

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<sup>1</sup> 66 Pa. C.S. § 1103(a).

1 purchase price premium that exceeds the depreciated original cost is for the sole benefit  
2 of the Seller and should be paid for by PAWC's shareholders. Ratepayers should not  
3 bear this risk, and the Commission should mitigate that risk under its broad authority  
4 under Section 1103(a) of the Public Utility Code to impose a condition on any grant of  
5 approval of this transaction. This will mitigate the risk that customers could be exposed  
6 due to the fact that the purchase price exceeds the AUI system's depreciated original cost.

7 **Q. On page 6, Mr. Kohl also indicates that the OCA has made this request in two other**  
8 **pending application proceedings before the Commission. How do you respond?**

9 A. I am advised by Counsel that this statement by Mr. Kohl is immaterial. The OCA takes  
10 all cases as they are filed and deals with the facts as presented. To the extent that PAWC  
11 has a pattern of purchasing systems above depreciated original cost where there is the  
12 very real possibility of harm and little to no benefit, the OCA will make similar  
13 recommendations to protect consumers. Acquisitions that do not produce affirmative  
14 public benefit are not in the public interest and should not be approved without  
15 appropriate conditions imposed by the Commission in the exercise of its discretion under  
16 Section 1103(a) of the Public Utility Code.

17 **Q. Mr. Kohl discussed regionalization and consolidation on pages 2-3 of his Rebuttal**  
18 **Testimony. Do you have any comments?**

19 A. Yes. Mr. Kohl stated, "I disagree that systems must be interconnected for an acquisition  
20 to achieve the benefits of regionalization and consolidation." (PAWC St. No. 1-R, p. 2, ln.  
21 21-23). I discussed interconnection at lines 16-20 on page 7 of my Direct Testimony,  
22 where I indicated PAWC had no plans to interconnect the system. My Direct Testimony  
23 did not say that systems must be interconnected to achieve the benefits of regionalization

1 and consolidation. I agree that regionalization and consolidation could constitute a public  
2 benefit even if a system is not interconnected, however the Company has not  
3 demonstrated here that consumer benefits will be enhanced and outweigh the harms. All  
4 transactions with PAWC allow PAWC to bring its expertise, access to capital, and  
5 employees to the table. But this really is about PAWC's size and technical and legal  
6 fitness, which the OCA does not dispute.

7           Moreover, if every acquisition PAWC makes is at a premium, the harm of the  
8 cumulative rate impact of increased rates on consumers would be substantial. It is not  
9 clear how consolidation of water companies at cumulative inflated rate base values will  
10 sincerely create an affirmative public benefit. To this point, I note there is no legislation,  
11 statute, or Commission regulation, order or policy that says regionalization and  
12 consolidation must be achieved by PAWC or that it should be achieved by PAWC by its  
13 ad hoc acquisitions of systems at premiums that get recovered through utility rates at rate  
14 base values exceeding depreciated original cost. Additionally, as PAWC continues to  
15 grow at a rapid pace through frequent acquisition activity, its business risks grows with it,  
16 including quality issues, labor shortages, increased operational costs, customer  
17 complaints, potential under-earning, and potential security risks, and these risks need to  
18 be considered as part of regionalization and consolidation.

1 **Q. On page 4 of his Rebuttal Testimony, Mr. Kohl disagreed that the desire of the**  
 2 **owner(s) of the to-be-acquired system is not a benefit, stating that the current**  
 3 **owners of the business should be able to exit the business if they desire to do so**  
 4 **because they do not want to handle the pressures and challenges of the water utility**  
 5 **business. Please respond.**

6 A. An owner seeking to exit the business does not equate to being a troubled system. Hence,  
 7 an owner’s desire to exit the utility business and receive a purchase price premium for a  
 8 system does not equate to a public benefit. Owners exit businesses all the time, and for  
 9 utility owners, the buyer – PAWC – must establish that the transaction as proposed  
 10 produces affirmative public benefits.

11 **Q. On pages 4 and 5 of his Rebuttal Testimony, Mr. Kohl addressed PAWC’s Lead**  
 12 **Service Line Replacement Program (LSLR). Please respond.**

13 A. Mr. Kohl stated, “PAWC has the expertise and established programs to comply – much  
 14 more so than Appalachian does.” (PAWC St. No. 1-R, p. 5, ln. 3-4). Appalachian has the  
 15 same legal requirement as PAWC, and I am not aware that Appalachian has stated that it  
 16 will not comply with those requirements. Since both utilities are required to comply, this  
 17 is effectively a maintenance of the status quo overall.

1 PAWC Statement No. 3-R, Ashley Everette

2 **Q. On page 4 of her Rebuttal Testimony, Ms. Everette addressed your recommended**  
3 **condition that PAWC shall not be permitted to claim more than depreciated original**  
4 **cost in rate base in the first base rate case after closing the Appalachian transaction.**  
5 **Please respond.**

6 A. Ms. Everette testified, “The OCA’s proposal to decide in this proceeding a limitation on  
7 the future-proposed rate base is unnecessary and inappropriate. It is unnecessary because  
8 the Commission is able to review a rate base proposal *when the Company is actually*  
9 *requesting an addition to rate base, i.e. within the context of a base rate case.”* (PAWC  
10 St. No. 3-R, p. 4, ln. 5-9). I’ve addressed this issue earlier in my Surrebuttal Testimony in  
11 response to Mr. Kohl. Ultimately, unless a condition is placed, pursuant to the  
12 Commission’s broad authority under Section 1103(a), on what PAWC will claim in rate  
13 base in the first case after it acquires AUI, the risk to customers caused by the purchase  
14 price outweighs the minor benefits so that this transaction does not meet the standard for  
15 approval. That is, without this condition, I cannot see how the Commission can find that  
16 this acquisition affirmatively benefits the public in some substantial way.

17 **Q. Ms. Everette argues that the proposed transaction will not increase PAWC**  
18 **customers’ rates in the short term (PAWC St. No. 3-R, p. 6, ln. 10-11). Please**  
19 **respond.**

20 A. It is true that the impact to customers – whether they are current PAWC customers or the  
21 acquired Appalachian customers – will not occur until the first rate case post-acquisition.  
22 This, of course, is merely a delay of a known harm not a neutralization of that known  
23 harm. It is also does not make the known rate harm less probable or speculative.

1 **Q. On Page 6 of Ms. Everette’s testimony, she asserts that the rate impact to PAWC’s**  
2 **current customers from this Acquisition at the full price would have a de minimis**  
3 **impact on rates. How do you respond?**

4 A. Ms. Everette calculates that PAWC’s decision to pay [CONFIDENTIAL] [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED] [END CONFIDENTIAL]. Ms. Everette  
8 appears to suggest that the Commission should overlook any rate harm if the acquisition  
9 is small even if there is little to no benefit from the transaction. I do not dispute the rate  
10 calculations that Ms. Everette presents, though I would add that when you include the  
11 capital improvements, the estimated annual revenue deficiency is \$458,000 per year as  
12 Ms. Everette acknowledged in page 8 of her testimony. It is obvious that when a  
13 company has almost \$1 billion in authorized water revenues that a \$500,000 revenue  
14 deficiency from an acquired system would produce small annual impacts on a per  
15 customer basis. However, where there is little to no benefit from the transaction overall, I  
16 do not see any reason why PAWC’s customers should have to pay hundreds of thousands  
17 of dollars more per year even when spread out over PAWC’s large customer base.

18 **Q. Pages 7 and 8 of Ms. Everette’s testimony addressed capital improvements and that**  
19 **Appalachian’s financial position does not indicate it is capable of financing**  
20 **significant capital improvements. Please respond.**

21 A. I recognize Ms. Everette’s statement that, “PAWC makes substantial investment into its  
22 systems each year and is fully capable of making needed investment into the Appalachian  
23 system.” (PAWC St. 3-R, p. 8, ln.7-8). There are resources available such as low-interest

1 loans and grants from PENNVEST that Appalachian could apply for, which could help  
2 mitigate some of the costs for design, engineering, and construction. Furthermore, as  
3 noted in my direct, as a jurisdictional public utility, AUI could file a rate case to seek rate  
4 relief if its revenues are insufficient.

5 **Q. Do you agree with Ms. Everett's assertion that gradually moving Appalachian**  
6 **customers to PAWC's Zone 1 rates over time would not be a harm to the customers?**

7 A. No, I do not agree. As discussed in my Direct Testimony on page 6, current Appalachian  
8 customers using 4,000 gallons per month pay current Appalachian rates of \$41.68. Using  
9 the rates that were effective on August 7, 2024, as a result of the most recent PAWC rate  
10 case order, PAWC's current Rate Zone 1 customers using 4,000 gallons would pay \$93.89  
11 per month. It would take years for Appalachian customers to move to Rate Zone 1 rates  
12 and, in the meantime, other customers would be subsidizing this system as noted above.  
13 While PAWC downplays the impact of this subsidy, in the absence of real, tangible  
14 benefits to this transaction there is no apparent reason why PAWC's customers should be  
15 required to pay any revenue deficiency.

16 **Q. Pages 9 and 10 of Ms. Everett's testimony addressed your cost-of-service study**  
17 **recommendation. Please respond.**

18 A. Ms. Everett stated, "Regardless of whether PAWC requests recovery of the premium  
19 over the depreciated original cost, as discussed above, the rate impact of the acquisition  
20 on the rates of other PAWC customers, if any, will be *de minimus*." (PAWC St. No. 3-R,  
21 p. 10, ln. 16-19). She also indicated, "The only previous non-Section 1329 acquisition  
22 that required a separate revenue requirement study was the Company's Scranton  
23 acquisition, which was a sizeable acquisition with a purchase price that doubled PAWC's

1 wastewater rate base.” (PAWC St. No. 3-R, p. 10, ln. 10-13). If acquired, Appalachian’s  
 2 rates will be incorporated into PAWC’s water tariff as a separate rate zone (PAWC St. No  
 3 1, p. 7, ln. 14-15). To the best of my knowledge, a cost-of-service study has not been  
 4 done for the Appalachian system.<sup>2</sup> In order to accurately reflect the Appalachian system  
 5 now owned by PAWC and placed in a new rate zone, a cost-of-service study should be  
 6 completed, regardless of its size in comparison to previous acquisitions.

7 **Q. Pages 10 and 11 of Ms. Everett’s testimony addressed your Long-Term  
 8 Infrastructure Improvement Plan (LTIP) recommendation). Please respond.**

9 A. In light of Ms. Everett’s testimony, the OCA is withdrawing this recommendation.

10 **Conclusion**

11 **Q. Please summarize your recommendations.**

12 A. The transaction proposed by Applicants would create significant additional costs and  
 13 risks for Pennsylvania ratepayers. As proposed, the transaction does not provide  
 14 substantial affirmative benefits and therefore should not be approved absent the following  
 15 conditions:

- 16 • PAWC shall not be permitted to claim more than depreciated original cost of in  
 17 rate base in the first base rate case after closing the Appalachian transaction.
- 18 • At the time of filing its next base rate case, PAWC will submit a cost-of-service  
 19 study that removes all costs and revenues associated with the operation of the  
 20 AUI system and will also provide a separate cost of service study for the AUI  
 21 system.

22 By doing so, the Commission can ensure that Pennsylvania ratepayers and the interest of  
 23 the Commonwealth are protected from the risks and harms presented by the acquisition.

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<sup>2</sup> The previous two base rate cases (R-00963557 and R-2015-2478098) filed were under \$1,000,000, and a cost-of-service study was not required.

1 **Q. Does that conclude your Surrebuttal Testimony?**

2 A. Yes, it does. However, I reserve the right to modify or supplement my testimony if  
3 necessary. To the extent that I did not address an issue in my Surrebuttal Testimony  
4 should not be taken to mean that I agree with other parties' positions in this case.

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Appalachian Utilities, Inc.	:	
for a Certificate of Public Convenience	:	Docket Nos. A-2024-3046084,
Evidencing the Pennsylvania Public Utility	:	A-2024-3046092,
Commission's Approval of the Transfer of	:	A-2024-3046068
40% of Outstanding and Issued Stock in		
Appalachian Utilities, Inc.		

VERIFICATION

I, Morgan N. DeAngelo, hereby state that the facts above set forth in my Surrebuttal Testimony, OCA Statement 1SR, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: September 16, 2024

Signature: /s/ Morgan N. DeAngelo  
Morgan N. DeAngelo

Witness Address:  
Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Appalachian Utilities, Inc. for a Certificate of Public Convenience Evidencing the Pennsylvania Public Utility Commission's Approval of the Transfer of 40% of Outstanding and Issued Stock in Appalachian Utilities, Inc. : Docket No. A-2024-3046068

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of ( 1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service. : Docket Nos. A-2024-3046084  
A-2024-3046092

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**LIST OF THE EVIDENCE TO BE ADMITTED INTO THE EVIDENTIARY RECORD  
BY THE OFFICE OF CONSUMER ADVOCATE**

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The Office of Consumer Advocate (OCA) intends to submit the following evidence into the evidentiary record in this matter at the evidentiary hearings scheduled for October 2, 2024.

**OCA Statement 1, Direct Testimony of Morgan N. DeAngelo – CONFIDENTIAL and Public versions**

Appendix A: Qualifications of Morgan N. DeAngelo

Exhibit MND-1

Exhibit MND-2

Exhibit MND-3

Exhibit MND-4 (CONFIDENTIAL)

Verification of Morgan N. DeAngelo

**OCA Statement 1R, Rebuttal Testimony of Morgan N. DeAngelo – CONFIDENTIAL and Public versions**  
Verification of Morgan N. DeAngelo

**OCA Statement 1SR, Surrebuttal Testimony of Morgan N. DeAngelo– CONFIDENTIAL and Public versions**  
Verification of Morgan N. DeAngelo

**OCA Hearing Exhibit 1**  
List of OCA Evidence Offered by the Office of Consumer Advocate



OSBA HEARING EXHIBIT NO. 1

- **CONFIDENTIAL VERSION** of Direct Testimony of Kevin C. Higgins, labelled OSBA Statement No. 1, and associated Exhibits KCH-1 and Exhibit KCH-2, with signed Verification by Kevin C. Higgins.
- Surrebuttal Testimony of Kevin C. Higgins, labelled OSBA Statement No. 1-S, with signed Verification by Kevin C. Higgins.

Date: October 3, 2024



COMMONWEALTH OF PENNSYLVANIA

August 16, 2024

The Honorable Conrad A. Johnson  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
Piatt Place, Suite 220  
201 Fifth Avenue  
Pittsburgh, PA 15222

**Re: Application of Appalachian Utilities, Inc. for a Certificate of Public Convenience Evidencing the Pennsylvania Public Utility Commission's Approval of the Transfer of 40% of Outstanding and Issued Stock in Appalachian Utilities, Inc. / Docket No. A-2024-3046068 & Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service / Docket Nos. A-2024-3046084, A-2024-3046092**

Dear Judge Johnson:

Enclosed please find the **PUBLIC VERSION** of Direct Testimony of Kevin C. Higgins, labelled OSBA Statement No. 1, and associated Exhibits KCH-1 and KCH-2, on behalf of the Office of Small Business Advocate ("OSBA"), in the above-captioned proceedings.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

*/s/ Sharon E. Webb*  
Sharon E. Webb  
Assistant Small Business Advocate  
Attorney ID No. 73995

*Enclosures*

cc: Kevin Higgins / Parties of Record





1           Prior to joining Energy Strategies, I held policy positions in state and local  
2 government. From 1983 to 1990, I was an economist, then assistant director, for  
3 the Utah Energy Office, where I helped develop and implement state energy  
4 policy. From 1991 to 1994, I was chief of staff to the chairman of the Salt Lake  
5 County Commission, where I was responsible for development and  
6 implementation of a broad spectrum of public policy at the local government  
7 level.

8 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

9 A. Yes. In 2006, I testified in a proceeding concerning the rate transition plans filed  
10 by Metropolitan Edison Company and Pennsylvania Electric Company, Docket  
11 Nos. P-00062213 *et al.* In 2022, I filed testimony on behalf of the Pennsylvania  
12 OSBA on revenue requirement issues in the Leatherstocking Gas Company LCC  
13 general rate case, Docket No. R-2022-3032764. In 2023, I testified in National  
14 Fuel Gas Distribution Corporation’s general rate case, Docket No. R-2022-  
15 3035730; Pennsylvania-American Water Company’s (“PAWC”) Butler Area  
16 Sewer Authority acquisition case, Docket No. A-2022-3037047; and Pittsburgh  
17 Water and Sewer Authority’s general rate case, Docket Nos. R-2023-3039920, *et*  
18 *al.* In 2024, I testified in PAWC’s base rate case, Docket Nos. R-2023-3043189  
19 and R-2023-3043190; PAWC’s Audubon Water Company acquisition case,  
20 Docket Nos. A-2023-3043194 and A-2023-3043196; and PECO Energy  
21 Company’s electric base rate case, A-2024-3046092.

22 **Q. HAVE YOU TESTIFIED BEFORE UTILITY REGULATORY**  
23 **COMMISSIONS IN OTHER STATES?**

1 A. Yes. I have testified in approximately 285 proceedings on the subjects of utility  
2 rates and regulatory policy before state utility regulators in Alaska, Arizona,  
3 Arkansas, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky,  
4 Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, New York,  
5 North Carolina, Ohio, Oklahoma, Oregon, South Carolina, Texas, Utah, Virginia,  
6 Washington, West Virginia, and Wyoming. I have also filed affidavits in  
7 proceedings before the Federal Energy Regulatory Commission and prepared  
8 expert reports in state and federal court proceedings involving utility matters.

9

10 **OVERVIEW AND CONCLUSIONS**

11 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**  
12 **PROCEEDING?**

13 A. My testimony responds to the joint application of PAWC and Appalachian  
14 Utilities, Inc. (“Appalachian”) (together, “Joint Applicants,”) pursuant to Section  
15 1102 of the Public Utility Code, for all of the necessary authority, approvals and  
16 public convenience related to PAWC’s proposed acquisition of Appalachian.

17 **Q. WHAT CONCLUSIONS AND RECOMMENDATIONS DO YOU OFFER**  
18 **IN YOUR TESTIMONY?**

19 A. I do not oppose the merger between PAWC and Appalachian, with one condition.  
20 If the Commission approves the merger and PAWC seeks to include an  
21 acquisition premium associated with Appalachian in a subsequent rate case, I  
22 recommend that the premium that is eligible for inclusion in rate base be limited  
23 to 34% above the depreciated original cost.

1           While PAWC is not seeking a rate base determination in this proceeding, I  
2 believe that the potential rate base impacts should be considered by the  
3 Commission as part of its assessment of the potential public benefits and  
4 detriments of the transactions. In my opinion, the public interest is served by  
5 limiting the acquisition premium that is eligible for rate base inclusion, thereby  
6 mitigating the future rate impacts to Appalachian’s customers and PAWC’s  
7 existing customers as a result of the merger.

8

9    **RESPONSE TO THE ACQUISITION PROPOSAL**

10 **Q.   PLEASE BRIEFLY DESCRIBE THE APPALACHIAN SYSTEM.**

11 A.   According to the Direct Testimony of Mr. Frank R. Sargent, Jr., Appalachian’s  
12 President, Director and current Sole Shareholder, Appalachian is a regulated  
13 public utility corporation that provides water service to the Borough of Avis and  
14 the Townships of Pine Creek and Dunnstable, in Clinton County, Pennsylvania.  
15 Appalachian provides water service to approximately 1,456 customers, of which  
16 1,353 are residential, 83 are commercial, 3 are industrial, 7 are public, and 9 are  
17 fire protection.<sup>1</sup>

18           According to PAWC witness Mr. Michael J. Guntrum, the Appalachian  
19 system consists of two separate systems (Woolrich and Avis) that normally run  
20 separately but are interconnected in case the need arises to feed water from one  
21 system to another.<sup>2</sup>

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<sup>1</sup> Direct Testimony of Frank R. Sargent, Jr., Appalachian Utilities, Inc. Statement No. 1, p. 1.

<sup>2</sup> Direct Testimony of Michael J. Guntrum (PAWC Statement No. 2), p. 2.

1 **Q. WHAT REASONS DO THE JOINT APPLICANTS PROVIDE FOR THE**  
2 **PROPOSED MERGER?**

3 A. Mr. Sargent explains that he plans to retire as soon as the proposed transactions  
4 are complete and believes that the merger with PAWC will make Appalachian  
5 better able to deal with future challenges. Prior to the sale, Appalachian is also  
6 requesting approval for a stock transfer of 40% of its stock to Mr. Kyle Gallagher,  
7 the Co-Director and Operations Manager of Appalachian, as a reward for his  
8 loyalty and dedication to the company.<sup>3</sup>

9 PAWC witness Mr. Marcus Kohl contends that the proposed acquisition  
10 would promote the Commission's stated goal of consolidating and regionalizing  
11 water systems. He explains that the Appalachian system is located near two  
12 existing PAWC operations, allowing for efficiency and resource sharing.<sup>4</sup>

13 **Q. IS APPALACHIAN CURRENTLY STRUGGLING TO COMPLY WITH**  
14 **ENVIRONMENTAL REGULATIONS?**

15 A. It does not appear so. Mr. Sargent explains that when Appalachian purchased the  
16 company from the previous owner in 1995, it was not in compliance with the  
17 Clean Drinking Water Act and was facing daily fines from the Department of  
18 Environmental Protection. Appalachian undertook a major system upgrade to  
19 bring the system into compliance in 1996, after which water quality complaints  
20 ceased.<sup>5</sup>

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<sup>3</sup> Direct Testimony of Frank R. Sargent, Jr., (Appalachian Utilities, Inc. Statement No. 1), pp. 2-3.

<sup>4</sup> Direct Testimony of Marcus Kohl (PAWC Statement No. 1), p. 16.

<sup>5</sup> Direct Testimony of Frank R. Sargent, Jr., (Appalachian Utilities, Inc. Statement No. 1), pp. 1-2.

1 In discovery, when asked whether Appalachian has any existing  
2 environmental challenges, Appalachian responded, “No.”<sup>6</sup>

3 Mr. Kohl confirms that Appalachian is not currently struggling to provide  
4 compliant water.<sup>7</sup> Rather, Appalachian is proactively pursuing the sale to ensure  
5 that it can deal with future challenges and since Mr. Sargent desires to exit the  
6 industry.<sup>8</sup>

7 **Q. WHAT IS THE AGREED UPON PURCHASE PRICE OF THE**  
8 **PROPOSED TRANSACTIONS?**

9 A. According to the Merger Agreement, the purchase price is [BEGIN  
10 CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL],<sup>9</sup> for which American  
11 Water Works Company, Inc., proposes to acquire all of Appalachian’s capital  
12 stock. After which, all of Appalachian’s utility property would be transferred to  
13 PAWC and Appalachian would cease to exist.<sup>10</sup>

14 **Q. HOW DOES THE PURCHASE PRICE COMPARE TO THE**  
15 **DEPRECIATED ORIGINAL COST OF APPALACHIAN’S PLANT?**

16 A. I estimate that the purchase price [BEGIN CONFIDENTIAL] [REDACTED]  
17 [REDACTED] [END  
18 CONFIDENTIAL].<sup>11</sup> This is based on the depreciated original cost of  
19 Appalachian’s plant-in-service as of December 31, 2023, net of contributions in  
20 aid of construction (“CIAC”), as summarized in Table KCH-1, below.

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<sup>6</sup> Appalachian response to interrogatory OCA-1-18, included in Exhibit KCH-1.

<sup>7</sup> Direct Testimony of Marcus Kohl (PAWC Statement No. 1), p. 15.

<sup>8</sup> Direct Testimony of Frank R. Sargent, Jr., (Appalachian Utilities, Inc. Statement No. 1), pp. 2-4; Direct Testimony of Marcus Kohl (PAWC Statement No. 1), p. 15.

<sup>9</sup> Agreement and Plan of Merger, p. 3 (PAWC Exhibit MK-1, p. 5).

<sup>10</sup> Joint Application (February 2, 2024).

<sup>11</sup> [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]

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**Table KCH-1**  
**Original Cost of Appalachian’s Plant**  
**12/31/23**<sup>12</sup>

Original Cost Plant	\$3,272,664
Less: Accumulated Depreciation & Amortization	<u>\$1,782,881</u>
Depreciated Original Cost Including CIAC	\$1,489,783
Less: Contributions in Aid of Construction	<u>\$93,531</u>
Depreciated Original Cost Less CIAC	\$1,396,252

4 **Q. WHY DID YOU SUBTRACT CIAC IN YOUR CALCULATION OF THE**  
5 **DEPRECIATED ORIGINAL COST OF APPALACHIAN’S SYSTEM?**

6 **A.** Rate base is generally reduced by CIAC because the related plant investment has  
7 not been financed by the utility. Many water utilities record a CIAC “liability”  
8 when the contribution is received, recognizing that customers should not be  
9 required to pay a return on plant that was funded upfront by customer  
10 contributions. Appalachian records a relatively small amount of CIAC (\$93,531)  
11 on its balance sheet.<sup>13</sup> I have netted out this CIAC in my calculation of the  
12 depreciated original cost shown above.

13 **Q. HAS PAWC INDICATED WHETHER IT INTENDS TO RECOVER IN**  
14 **RATES THE DIFFERENCE BETWEEN THE ACQUISITION COST AND**  
15 **THE DEPRECIATED ORIGINAL COST?**

16 **A.** No. In response to discovery, PAWC indicates that the decision as to whether it  
17 will seek an acquisition adjustment for the Appalachian acquisition under Section  
18 1327 has not been made at this time. PAWC explains that if it determines that it is

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<sup>12</sup> Appalachian Utilities, Inc. PUC Annual Report for the year ended December 31, 2023, Section 200, pp. 14 and 17.  
<sup>13</sup> It is not clear from Appalachian’s Annual Report whether this CIAC has been recorded at its gross or depreciated value. I have subtracted the reported \$93,531 in my depreciated original cost calculation.

1 appropriate to seek an acquisition adjustment under Section 1327, such request  
2 will be made in the first rate case filed by PAWC that includes the Appalachian  
3 system.<sup>14</sup>

4 **Q. PLEASE EXPLAIN YOUR RECOMMENDATION REGARDING THE**  
5 **APPROPRIATE ACQUISITION PREMIUM THAT SHOULD BE**  
6 **ELIGIBLE FOR INCLUSION IN RATE BASE.**

7 A. If the Commission approves the merger and PAWC seeks to include the  
8 Appalachian acquisition in rate base in a subsequent rate case, I recommend that  
9 the acquisition premium that is eligible for inclusion in rate base be limited to  
10 34% above the depreciated original cost.

11 **Q. HOW DO YOU RECOMMEND THAT THE ALLOWED ACQUISITION**  
12 **PREMIUM BE CALCULATED FOR APPALACHIAN'S SYSTEM?**

13 A. For the purposes of this case, I do not oppose including the portion of  
14 Appalachian's system funded by CIAC in the calculation of the incremental  
15 premium above depreciated original cost for inclusion in rate base. To clarify, my  
16 recommended calculation would apply the 34% allowed premium to the  
17 depreciated original cost inclusive of CIAC of \$1,489,783, as shown in Table  
18 KCH-1, above, resulting in a premium of \$506,526. This incremental premium  
19 would be added to the depreciated original cost net of CIAC, \$1,396,252, yielding  
20 a total net plant addition of \$1,902,778. Based on the depreciated original cost  
21 balance as of December 31, 2023, and the purchase price of [BEGIN

22 **CONFIDENTIAL]** [REDACTED]

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<sup>14</sup> PAWC response to interrogatory OSBA-I-1 f, included in Exhibit KCH-1.

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[REDACTED]

[END CONFIDENTIAL].<sup>15</sup>

**Q. WHY DO YOU BELIEVE THAT A PREMIUM OF 34% ABOVE DEPRECIATED ORIGINAL COST MAY BE SUITABLE FOR INCLUSION IN RATE BASE?**

A. This amount is derived using the Reasonableness Review Ratio (“RRR”), a valuation metric that the Commission recently adopted as a guidepost in its evaluation of Section 1329 applications. The RRR represents the ratio of fair market value to depreciated original cost of a barometer group of similarly situated investor-owned water utility companies.<sup>16</sup>

According to the Bureau of Technical Utility Services Report on the RRR for the year ended December 31, 2023, the current RRR is 1.68.<sup>17</sup> However, I note that it appears that the data for the quarter ended December 31, 2023, may have been omitted from the 7-year average calculation in that report. Including the quarter ended December 31, 2023, the average ratio is 1.67. I am utilizing the published RRR of 1.68 as the basis for my recommendation in this case since substituting with a 1.67 RRR would have only a minor impact on my calculation.

Consistent with prior recommendations of the OSBA, it may be reasonable to consider that 50% of the RRR in excess of 1.0 could be borne by customers in rates and any premium in excess of that borne by shareholders.

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<sup>15</sup> [BEGIN CONFIDENTIAL] [REDACTED]

<sup>16</sup> Docket Number: M-2024-3050303, Bureau of Technical Utility Services Report on the Reasonableness Review Ratio for the Year Ended 12.31.2023, pp. 3-4.

<sup>17</sup> Docket Number: M-2024-3050303, Bureau of Technical Utility Services Report on the Reasonableness Review Ratio for the Year Ended 12.31.2023, pp. 6-8.

1 Thus, an acquisition premium of 34% above depreciated original cost could be  
2 deemed reasonable for inclusion in rate base.<sup>18</sup> This is consistent with the  
3 OSBA’s recommendations in the PAWC – Manwalamink Companies merger  
4 proceeding,<sup>19</sup> the PAWC – Audubon Water Company merger proceeding,<sup>20</sup> and  
5 with the OSBA’s comments filed March 19, 2024, in Docket No. M-2016-  
6 2543193.

7 As explained in the OSBA’s comments, the RRR represents the premium  
8 that *investors* place on the value of Commonwealth water utilities relative to their  
9 depreciated original cost. However, it does not necessarily follow that it  
10 represents a premium that customers should *reimburse* utility investors for  
11 paying. As the Commission stated in its Final Supplemental Implementation  
12 Order in Docket No. M-2016-2543193:

13 [W]e agree with the OSBA that the RRR should not be presumed to be the  
14 floor for acquisition cost, but rather a benchmark for evaluating it.<sup>21</sup>

15 Within that context, the RRR can be a useful metric for evaluating how  
16 any premium above depreciated original cost should be apportioned between  
17 customers and shareholders in the ratemaking process. I recognize that the  
18 Commission will use the RRR as a metric in evaluating Section 1329 cases, and  
19 as such, it is not directly applicable to an acquisition or merger between two  
20 investor-owned utilities as proposed in this proceeding. However, I suggest that

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<sup>18</sup> My recommended 34% premium limitation is derived as follows:  $(1.68 - 1.0) \times 50\% = 0.34$ .

<sup>19</sup> Docket Nos. A-2023-3044418, *et al.*, Direct Testimony (OSBA Statement No. 1) and Surrebuttal Testimony (OSBA Statement No. 1-S) of Courtney M. Higgins.

<sup>20</sup> Docket Nos. A-2023-3043194 and A-2023-3043196, Direct Testimony (OSBA Statement No. 1) and Surrebuttal Testimony (OSBA Statement No. 1-S) of Kevin C. Higgins.

<sup>21</sup> Docket No. M-2016-2543193, Final Supplemental Implementation Order (Order Entered: July 2, 2024), at 106.

1 utilizing the proposed RRR in the manner I describe above could play a useful  
2 role in determining the appropriate acquisition premium that is eligible for  
3 inclusion in customer rates.

4 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE**  
5 **COMMISSION.**

6 A. I do not oppose the proposed merger, with one condition. If the Commission  
7 approves the merger and PAWC seeks to include an acquisition premium  
8 associated with Appalachian in a subsequent rate case, I recommend that the  
9 premium that is eligible for inclusion in rate base be limited to 34% above the  
10 depreciated original cost. I believe that the public interest is served by limiting the  
11 acquisition premium that is eligible for rate base inclusion, thereby mitigating  
12 future customer rate impacts.

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 A. Yes, it does.

**Docket Nos. A-2024-3046068  
A-2024-3046084  
A-2024-3046092**

**Exhibit KCH-1  
Pennsylvania-American Water Company's  
and Appalachian Utilities Inc.'s Responses  
to Interrogatories  
Referenced in the Direct Testimony of  
Kevin C. Higgins**

Pennsylvania-American Water Company's Responses to the  
Office of Small Business Advocate Interrogatories Set I

Docket Nos. A-2024-3046084, A-2024-3046092, A-2024-3046068

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service

**OSBA-I-1      Merger Consideration:**

- a.                    What is the original cost and accumulated depreciation for the Appalachian Utilities system as of December 31, 2022?

Response:        The answer to this question can be found in the AUI's [2022 Annual PUC report](#), at Sections 201 and 205. The report is on file with the Commission. An MS Excel version of the 2022 Annual Report is attached hereto as **OSBA-I-1.a\_Attachment\_AUI**.

- b.                    Please provide the rate base of the Appalachian Utilities system by USOA account as of December 31, 2022?

Response:        The answer to this question can be found in the [2022 Annual PUC](#) report at Section 201. The Annual Report is on file with the Commission. (See **OSBA-I-1.a\_Attachment\_AUI**.)

- c.                    What is the original cost and accumulated depreciation for the Appalachian Utilities system as of December 31, 2023?

Response:        Attached as Exhibit OSBA 1 2, is a draft copy of AUI's 2023 Annual PUC report. It is not complete and has not yet been submitted to the PUC. However, the report at Sections 201 and 205 Show original cost and accumulated depreciation as of 12 /31/23, as requested.

- d.                    Please provide the rate base of the Appalachian Utilities system by USOA account as of December 31, 2023?

Response:        Attached as **OSBA-I-1.d\_Attachment\_AUI**, is a draft copy of AUI's 2023 Annual PUC report. It is not complete and has not yet been submitted to the PUC. The report at Section 201 shows rate base by account numbers as of December 31, 2023.

Pennsylvania-American Water Company's Responses to the  
Office of Small Business Advocate Interrogatories Set I

Docket Nos. A-2024-3046084, A-2024-3046092, A-2024-3046068

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service

- e. Please quantify the difference between the acquisition price that PAWC has offered to pay for the Appalachian system, in the form of Stock Considerations, and the depreciated original cost of the Appalachian system.

Response: The depreciated original cost as of the date of closing is not yet known.

- f. Does PAWC intend to recover in rates the difference between the acquisition cost that PAWC has offered for the Appalachian system and the depreciated original cost of the Appalachian system? If yes, does PAWC intend to recover a portion of this difference from PAWC's non-Appalachian ratepayers?

Response: The decision as to whether PAWC will seek an acquisition adjustment under Section 1327 has not been made at this time. If PAWC determines that it is appropriate to seek an acquisition adjustment under Section 1327, such request will be made in the first rate case filed by PAWC that includes the Appalachian system.

OSBA-I-1(a-d)

Name: Frank Sargent, Jr.  
Title: President  
Appalachian Utilities, Inc.

OSBA-I-1(e-f)

Name: Marcus Kohl  
Title: Director, Business Development  
Pennsylvania-American Water Company

Pennsylvania-American Water Company's Responses to the  
Office of Consumer Advocate Interrogatories Set 1

Docket Nos. A-2024-3046084, A-2024-3046092, A-2024-3046068

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service

OCA-1-18. Does Appalachian have any existing environmental challenges? Please identify.

Response: No.

Name: Frank Sargent, Jr.  
Title: President  
Appalachian Utilities, Inc.

# EXHIBIT

KCH-2

Resume and Expert Testimony List  
of  
Kevin C. Higgins

**KEVIN C. HIGGINS**

**Principal, Energy Strategies, L.L.C.  
111 East Broadway, Suite 1200, Salt Lake City, UT 84111  
khiggins@energystrat.com**

**Vitae**

**PROFESSIONAL EXPERIENCE**

Principal, Energy Strategies, L.L.C., Salt Lake City, Utah, January 2000 to present. Responsible for energy-related economic and policy analysis, regulatory intervention, and strategic negotiation on behalf of industrial, commercial, and public sector interests. Previously Senior Associate, February 1995 to December 1999.

Adjunct Instructor in Economics, Westminster College, Salt Lake City, Utah, September 1981 to May 1982; September 1987 to May 1995. Taught in the economics and M.B.A. programs. Awarded Adjunct Professor of the Year, Gore School of Business, 1990-91.

Chief of Staff to the Chairman, Salt Lake County Board of Commissioners, Salt Lake City, Utah, January 1991 to January 1995. Senior executive responsibility for all matters of county government, including formulation and execution of public policy, delivery of approximately 140 government services, budget adoption and fiscal management (over \$300 million), strategic planning, coordination with elected officials, and communication with consultants and media.

Assistant Director, Utah Energy Office, Utah Department of Natural Resources, Salt Lake City, Utah, August 1985 to January 1991. Directed the agency's resource development section, which provided energy policy analysis to the Governor, implemented state energy development policy, coordinated state energy data collection and dissemination, and managed energy technology demonstration programs. Position responsibilities included policy formulation and implementation, design and administration of energy technology demonstration programs, strategic management of the agency's interventions before the Utah Public Service Commission, budget preparation, and staff development. Supervised a staff of economists, engineers, and policy analysts, and served as lead economist on selected projects.

Utility Economist, Utah Energy Office, January 1985 to August 1985. Provided policy and economic analysis pertaining to energy conservation and resource development, with an emphasis on utility issues. Testified before the state Public Service Commission as an expert witness in cases related to the above.

Acting Assistant Director, Utah Energy Office, June 1984 to January 1985. Same responsibilities as Assistant Director identified above.

Research Economist, Utah Energy Office, October 1983 to June 1984. Provided economic analysis pertaining to renewable energy resource development and utility issues. Experience includes preparation of testimony, development of strategy, and appearance as an expert witness for the Energy Office before the Utah PSC.

Operations Research Assistant, Corporate Modeling and Operations Research Department, Utah Power and Light Company, Salt Lake City, Utah, May 1983 to September 1983. Primary area of responsibility: designing and conducting energy load forecasts.

Instructor in Economics, University of Utah, Salt Lake City, Utah, January 1982 to April 1983. Taught intermediate microeconomics, principles of macroeconomics, and economics as a social science.

Teacher, Vernon-Verona-Sherrill School District, Verona, New York, September 1976 to June 1978.

## **EDUCATION**

Ph.D. Candidate, Economics, University of Utah (coursework and field exams completed, 1981).

Fields of Specialization: Public Finance, Urban and Regional Economics, Economic Development, International Economics, History of Economic Doctrines.

Bachelor of Science, Education, State University of New York at Plattsburgh, 1976 (cum laude).

Danish International Studies Program, University of Copenhagen, 1975.

## **SCHOLARSHIPS AND FELLOWSHIPS**

University Research Fellow, University of Utah, Salt Lake City, Utah 1982 to 1983.

Research Fellow, Institute of Human Resources Management, University of Utah, 1980 to 1982.

Teaching Fellow, Economics Department, University of Utah, 1978 to 1980.

New York State Regents Scholar, 1972 to 1976.

## EXPERT TESTIMONY

“In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Service Rates by Approximately \$140.2 Million Per Year or 21.6 Percent and to Revise the Energy Cost Adjustment Mechanism,” **Wyoming** Public Service Commission, Docket No. 20000-633-ER-23. Confidential direct testimony submitted August 14, 2023. Cross examined November 1, 2023.

“In the Matter of the Application of Pittsburgh Water and Sewer Authority to Increase Its Water, Wastewater And Stormwater Rates \$46.8 Million in FY2024, \$45.4 Million in FY2025 and \$53.9 Million in FY2026,” Public Utilities Commission of **Pennsylvania**, Docket Nos. R-2023-3039919, R-2023-3039920, and R-2023-3039921. Direct testimony submitted August 9, 2023.

“Application of Nevada Power Company d/b/a NV Energy, filed under Advice Letter No. 535, to revise Tariff No. 1-B to revise Large Customer Market Price Energy Schedule No. LCMPE to set forth when an Energy Supply Agreement must be filed with an Integrated Resource Plan (“IRP”) or IRP amendment, a requirement for a short form statement O, pursuant to the Order issued in Docket No. 22-03025;” “Application of Sierra Pacific Power Company d/b/a Nevada NV Energy, filed under Advice Letter No. 622-E, to revise Tariff No. 1 to revise Large Customer Market Schedule No. LCMPE to set forth when an Energy Supply Agreement must be filed with an Integrated Resource Plan (“IRP”) or IRP amendment, a requirement for a short form statement O, pursuant to the Order issued in Docket No. 22-03025,” Public Utilities Commission of **Nevada**, Docket Nos. 23-02010 and 23-02011. Direct testimony submitted July 14, 2023. Cross examined August 14, 2023.

“Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. § § 1102(a) and 1329, 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 treatment system owned by the Butler Area Sewer Authority, (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the City of Butler, and portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland, and Summit, in Butler County, Pennsylvania,” Public Utilities Commission of **Pennsylvania**, Docket No. A-2022-3037047. Direct testimony submitted July 12, 2023. Surrebuttal testimony submitted July 21, 2023.

“In the Matter of the Application of Rocky Mountain Power for Approval of a 3-Year Demand Side Management Plan and for Authority to Adjust Rates in Tariff Schedule 191,” **Wyoming** Public Service Commission, Docket No. 20000-632-ET-23. Direct testimony submitted June 29, 2023. Cross examined September 21, 2023.

“In the Matter of PacifiCorp, dba Pacific Power 2024 Transition Adjustment Mechanism,” **Oregon** Public Utility Commission, Docket No. UE 420. Opening testimony submitted June 23, 2023. Rebuttal testimony submitted August 16, 2023.

“In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes, to Fix a Just and Reasonable Rate of Return Thereon, and to Approve Rate Schedules Designed to Develop Such Return,” **Arizona** Corporation Commission, Docket No. E-01345A-22-0144. Confidential direct testimony submitted June 5, 2023 (revenue requirements) and June 15, 2023 (cost of service). Surrebuttal testimony submitted July 26, 2023. Cross examined August 28, 2023.

“In the Matter of Advice Letter No. 1906- Electric, Of Public Service Company of Colorado to Revise Its Colorado PUC No. 8-Electric Tariff, To Revise Jurisdictional Base Rate Revenues, Implement New Base Rates for All Electric Rate Schedules, and Make Other Proposed Tariff Changes Effective December 31, 2022; In the Matter of Advice Letter No. 1902- Electric, Filed by Public Service Company of Colorado to Revise the Company’s Transmission Cost Adjustment in Its Colorado PUC No. 8-Electric Tariff Effective January 1, 2023,” **Colorado** Public Utilities Commission, Proceeding Nos. 22AL-0530E and 22AL-0478E. Answer testimony submitted May 3, 2023.

“In the Matter of Southwestern Public Service Company’s Application for: (1) Revision of Its Retail Rates Under Advice Notice No. 312; (2) Authority to Abandon the Plant X Unit 1, Plant X Unit 2, and Cunningham Unit 1 Generating Stations and Amend the Abandonment Date of the Tolk Generating Station; and (3) Other Related Relief, **New Mexico** Public Regulation Commission, Case No. 22-00286-UT. Direct testimony submitted April 21, 2023. Testimony in support of stipulation submitted May 26, 2023.

“In re the Application of Montana-Dakota Utilities Co. for Authority to Establish Increased Rates for Electric Service,” **Montana** Public Service Commission, Docket No. 2022.11.099, Direct testimony submitted April 7, 2023. Cross intervenor testimony submitted May 19, 2023.

“In the Matter of the Revenue Requirement Study Designated as TA510-1 and the Tariff Revision Designated as TA511-1 Filed by Alaska Electric Light & Power Company,” Regulatory Commission of **Alaska**, Docket No. U-22-078. Direct testimony submitted April 6, 2023.

“CORE Electric Cooperative f/k/a Intermountain Rural Electric Association, Plaintiff, v Public Service Company of Colorado, Defendant,” **District Court, Denver County, Colorado**, Case No. 2021CV032787. Expert report, “An Overview Of How Electric Utility Rates Are Set” submitted February 9, 2023. Rebuttal report submitted April 14, 2023.

“National Fuel Gas Distribution Corporation’s 2022 General Base Rate Increase Filing,” Public Utilities Commission of **Pennsylvania**, Docket No. R2022-3035730. Direct testimony submitted January 24, 2023. Rebuttal testimony submitted February 24, 2023. Surrebuttal testimony submitted March 3, 2023. Cross examined March 8, 2023.

“In the Matter of the Application of Tucson Electric Power Company for the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on the Fair Value of the Properties of Tucson Electric Power Company Devoted to Its Operations Throughout the State of Arizona and for Related Approvals,” **Arizona** Corporation Commission, Docket No. E-01933A-22-0107. Direct testimony submitted January 11, 2023 (revenue requirements) and January 27, 2023 (cost of service). Surrebuttal testimony submitted March 6, 2023. Cross examined April 7, 2023.

“In the Matter of Northwestern Energy’s Application for Authority to Increase Its Retail Electric and Natural Gas Utility Service Rates and for Approval of Its Electric and Natural Gas Service Schedules and Rules and Allocated Cost of Service and Rate Design,” **Montana** Public Service Commission, Docket No. 2022.07.078. Direct testimony submitted December 19, 2022. Cross intervenor testimony submitted March 6, 2023. Cross examined April 12, 2023.

“In the Matter of the Application of Public Service Company of Colorado for Approval of a Number of Strategic Issues Relating to Its Electric and Gas Demand Side Management and Beneficial Electrification Plan,” **Colorado** Public Utilities Commission, Proceeding No. 22A-0309EG. Answer testimony submitted December 8, 2022. Cross answer testimony submitted January 19, 2023. Cross examined February 9, 2023.

Rocky Mountain Power’s Application for Approval of the 2022 Energy Balancing Account,” **Utah** Public Service Commission, Docket No. 22-035-01. Confidential direct testimony submitted October 17, 2022. Surrebuttal testimony submitted December 5, 2022. Cross examined December 8, 2022.

“In the Matter of Southwestern Public Service Company’s Advice Notice No. 303,” **New Mexico** Public Regulation Commission, Case No. 22-00155-UT. Direct testimony submitted October 17, 2022. Rebuttal testimony submitted November 22, 2022. Cross examined January 5, 2023 and April 10, 2023. Testimony in support of Stipulation submitted April 10, 2023.

“In the Matter of Southwestern Public Service Company’s Annual 2023 Renewable Energy Portfolio Procurement Plan and Requested Approvals Therein; Proposed 2023 Renewable Portfolio Standard Cost and Reconciliation Riders; Application for an RPS Incentive; and Other Associated Relief,” **New Mexico** Public Regulation Commission, Case No. 22-00177-UT. Direct testimony submitted September 26, 2022. Cross examined October 26, 2022.

“Leatherstocking Gas Company LLC 2022 General Base Rate Increase (Gas) Filing,” Docket No. R2022-3032764, Public Utilities Commission of **Pennsylvania**. Direct testimony submitted September 13, 2022.

“In the Matter of the Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications,” **Utah** Public Service Commission, Docket No. 22-057-03. Direct testimony submitted August 26, 2022 (revenue requirements) and September 15, 2022 (cost allocation). Rebuttal testimony submitted September 21, 2022 (revenue requirements) and October 13, 2022 (cost allocation). Surrebuttal testimony submitted October 13, 2022 (revenue requirements) and November 3, 2022 (cost allocation). Cross examined October 20, 2022 (revenue requirements) and November 17, 2022 (cost allocation).

“In the Matter of PacifiCorp, dba Pacific Power, Request for a General Rate Revision,” **Oregon** Public Utility Commission, Docket No. UE 399. Rebuttal testimony submitted August 11, 2022.

“2022 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-220066 and UG-220067. Response testimony submitted July 28, 2022. Settlement testimony submitted August 26, 2022. Cross examined October 3, 2022.

“Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for Approval of their Cost Recovery for the 2021 Natural Disaster Protection Plan Regulatory Asset Account,” Public Utilities Commission of **Nevada**, Docket No. 22-03006. Direct testimony submitted June 17, 2022. Cross examined July 13, 2022.

“In the Matter of PacifiCorp, dba Pacific Power 2023 Transition Adjustment Mechanism,” **Oregon** Public Utility Commission, Docket No. UE 400. Opening testimony submitted May 25, 2022. Joint testimony supporting stipulation submitted August 11, 2022

“Petition of Northern Indiana Public Service Company LLC for (1) Authority to Modify Its Rates and Charges for Gas Utility Service Through a Phase In of Rates; (2) Approval of New Schedules of Rates and Charges, General Rules and Regulations, and Riders; (3) Approval of Revised Depreciation Rates Applicable to Its Gas Plant in Service; (4) Approval of Mechanism to Modify Rates Prospectively for Changes in Federal or State Income Tax Rates; Utility Receipts Tax Rates, and Public Utility Fee Rates; (5) Approval of Necessary and Appropriate Accounting Relief; and (6) Authority to Implement Temporary Rates Consistent with the Provisions of Ind. Code § 8-1-2-42.7, **Indiana** Utility Regulatory Commission, Cause No. 45621. Direct testimony submitted January 20, 2022.

“In the Matter of the Application of Rocky Mountain Power to Establish New Tariff Schedule 400 Special Contract,” **Wyoming** Public Service Commission, Docket No. 20000-602-ET-21. Direct testimony submitted November 17, 2021. Cross answer testimony submitted December 22, 2021. Cross examined February 9, 2022.

“In the Matter of Advice Letter No. 1857- Electric, Of Public Service Company of Colorado to Revise Its Colorado PUC No. 8-Electric Tariff, To Revise Jurisdictional Base Rate Revenues for All Electric Rate Schedules, and Make Other Proposed Tariff Changes Effective August 2,

2021,” **Colorado** Public Utilities Commission, Proceeding No. 21AL-0317E. Answer testimony submitted November 3, 2021. Cross answer testimony submitted December 3, 2021.

“In the Matter of Portland General Electric Request for a General Rate Revision,” **Oregon** Public Utility Commission, Docket No. UE 394. Opening testimony submitted October 25, 2021. Rebuttal testimony submitted January 13, 2022.

“Application of El Paso Electric Company to Change Rates,” Public Utility Commission of **Texas**, Docket No. 52195. Direct testimony submitted October 22, 2021. Cross rebuttal testimony submitted November 19, 2021. Cross examined January 11, 2022.

“In re: Petition for Rate Increase by Tampa Electric Company,” **Florida** Public Service Commission, Panel appearance in support of settlement agreement on October 21, 2021.

“In the Matter of Rocky Mountain Power’s Application for Alternative Cost Recovery for Major Plant Additions of the Pryor Mountain and TB Flats Wind Projects,” **Utah** Public Service Commission, Docket No. 21-035-42. Confidential direct testimony submitted October 6, 2021. Surrebuttal testimony submitted November 18, 2021. Cross examined November 30, 2021.

“In the Matter of Southwestern Public Service Company’s Annual 2022 Renewable Energy Portfolio Procurement Plan and Requested Approvals Therein; Proposed 2022 Renewable Portfolio Standard Cost and Reconciliation Riders; Application for an RPS Incentive; and Other Associated Relief.” **New Mexico** Public Regulation Commission, Case No. 21-00172-UT. Direct testimony submitted September 3, 2021. Cross examined October 4, 2021.

“Application of Rocky Mountain Power to Establish a Balancing Account for Pension Settlement Losses,” **Utah** Public Service Commission, Docket No. 20-035-14. Direct testimony submitted June 22, 2021. Surrebuttal testimony submitted August 3, 2021. Cross examined August 23, 2021.

“Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for Approval of a Regulatory Asset Account to Recover Costs Relating to the Development and Implementation of Their Joint Disaster Protection Plan,” Public Utilities Commission of **Nevada**, Docket No. 21-03040. Direct testimony submitted June 17, 2021. Cross examined July 13, 2021.

“In the Matter of PacifiCorp, dba Pacific Power 2022 Transition Adjustment Mechanism,” **Oregon** Public Utility Commission, Docket No. UE 390. Opening testimony submitted June 9, 2021. Rebuttal testimony submitted July 30, 2021.

“Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for Approval of the First Amendment to the 2020 Natural Disaster Protection Plan (“NDPP”),” Public Utilities Commission of **Nevada**, Docket No. 21-03004. Direct testimony submitted May 20, 2021.

“In the Matter of Southwestern Public Service Company’s Application for: (1) Revision of Its Retail Rates under Advice Notice No. 292; (2) Authorization and Approval to and Abandon Its Plant X Unit 3 Generating Station; and (3) Other Related Relief,” **New Mexico** Public Regulation Commission, Case No. 20-00238-UT. Confidential direct testimony submitted May 17, 2021. Stipulation testimony submitted July 1, 2021. Supplemental Stipulation Testimony submitted November 12, 2021. Oral examination conducted July 28, 2021 and November 16, 2021.

“In the Matter of the Application of Rocky Mountain Power for an Accounting Order to Defer Costs Related to the 2018 Depreciation Study,” **Wyoming** Public Service Commission, Docket No. 20000-581-EA-20. Direct testimony submitted April 2, 2021. Cross examined July 27, 2021.

“Re: In the Matter of Advice No. 1835-Electric of Public Service Company of Colorado to Revise Its Colorado PUC No. 8-Electric Tariff to Eliminate the Currently Effective General Rate Schedule Adjustments to Place into Effect Revised Base Rates and Other Phase II Tariff Proposals to Become Effective November 19, 2020,” **Colorado** Public Utilities Commission, Proceeding No. 20AL-0432E. Answer testimony submitted March 8, 2021. Cross answer testimony submitted April 7, 2021.

“In the Matter of the Application of Rocky Mountain Power for a Deferred Accounting Order Regarding Costs Incurred Due to the Covid-19 Public Health Emergency,” **Wyoming** Public Service Commission, Docket No. 20000-581-EA-20. Direct testimony submitted February 5, 2021. [Applicant’s request later withdrawn.]

“In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes, to Fix a Just and Reasonable Rate of Return Thereon, To Approve Rate Schedules Designed To Develop Such Return,” **Arizona** Corporation Commission, Docket No. E-01345A-19-0236. Direct testimony submitted October 2, 2020 (revenue requirement) and October 9, 2020 (cost of service / rate design). Surrebuttal testimony submitted December 4, 2020. Cross examined February 24, 2021.

“In the Matter of the Application of Public Service Company of Colorado for Approval of Its 2021-2023 Transportation Electrification Plan,” **Colorado** Public Utilities Commission, Proceeding No. 20A-0204E. Answer testimony submitted September 28, 2020. Cross answer testimony submitted October 23, 2020.

“In the Matter of Southwestern Public Service Company’s Annual 2021 Renewable Energy Portfolio Procurement Plan and Requested Approvals Therein; Proposed 2021 Renewable Portfolio Standard Cost and Reconciliation Riders; Application for an RPS Incentive; and Other Associated Relief.” **New Mexico** Public Regulation Commission, Case No. 20-00143-UT. Direct testimony submitted September 11, 2020. Cross examined October 21, 2020.

“Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 20-035-02. Confidential direct testimony submitted September 2, 2020. Rebuttal testimony submitted October 5, 2020. Confidential surrebuttal testimony submitted October 29, 2020. Cross examined November 5-6, 2020.

“Application of Nevada Power Company d/b/a NV Energy for Authority to Adjust Its Annual Revenue Requirement for General Rates Charged to All Classes of Electric Customers and for Relief Properly Related Thereto,” Public Utilities Commission of **Nevada**, Docket No. 20-06003. Direct testimony (overearnings) submitted August 17, 2020. Cross examined September 1, 2020.

“In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Service Rates by Approximately \$7.1 Million per Year or 1.1 Percent, to Revise the Energy Cost Adjustment Mechanism, and to Discontinue Operations at Cholla Unit 4,” **Wyoming** Public Service Commission, Docket No. 20000-578-ER-20. Confidential direct testimony submitted August 7, 2020. Confidential cross answer testimony submitted September 11, 2020. Confidential response testimony submitted November 13, 2020. Cross examined February 19, 2021.

“In the Matter of the Application of Rocky Mountain Power for Approval of a 3 Year Demand Side Management Plan,” **Wyoming** Public Service Commission, Docket No. 20000-580-ET-20. Direct testimony submitted July 22, 2020. Cross examined September 23, 2020.

“In the Matter of PacifiCorp d/b/a Pacific Power Request for a General Rate Revision,” **Oregon** Public Utility Commission, Docket No. UE 374. Answer testimony submitted June 4, 2020. Rebuttal testimony Submitted July 24, 2020.

“In the Matter of PacifiCorp, dba Pacific Power 2021 Transition Adjustment Mechanism,” **Oregon** Public Utility Commission, Docket No. UE 375. Answer testimony submitted May 15, 2020.

“Application of Rocky Mountain Power for an Accounting Order to Defer Costs Related to Repowered Wind Plants or for Alternative Relief,” **Utah** Public Service Commission, Docket No. 19-035-45. Confidential direct testimony submitted March 4, 2020. [Applicant’s request later withdrawn.]

“Application of Rocky Mountain Power, a Division of PacifiCorp, for Authority to Change Its Depreciation Rates Effective January 1, 2021,” **Utah** Public Service Commission, Docket No. 18-035-36. Phase I surrebuttal testimony submitted April 3, 2020. Phase II direct testimony submitted September 2, 2020. Phase II rebuttal testimony submitted October 5, 2020. Phase II surrebuttal testimony submitted October 29, 2020. Cross examined November 5, 2020.

“2019 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-190529 and UG-190530. Response testimony submitted November 22, 2019. Cross-Answering testimony submitted January 15, 2020.

“In the Matter of Southwestern Public Service Company’s Application for: (1) Revision of Its Retail Rates under Advice Notice No. 282; (2) Authorization and Approval to Shorten the Service Life of and Abandon the Tolk Generating Station Units; and (3) Other Related Relief,” **New Mexico** Public Regulation Commission, Case No. 19-00170-UT. Direct testimony submitted November 19, 2019. Rebuttal testimony submitted December 20, 2019. Stipulation testimony submitted January 21, 2020. Oral examination conducted February 18, 2020.

“In the Matter of Georgia Power Company’s 2019 Rate Case,” **Georgia** Public Service Commission, Docket No. 42516. Direct testimony submitted October 17, 2019. Cross examined November 5, 2019.

“In the Matter of the Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications,” **Utah** Public Service Commission, Docket No. 19-057-02. Confidential direct testimony submitted October 17, 2019 (revenue requirement) and November 14, 2020 (cost of service). Confidential surrebuttal testimony submitted December 5, 2019 (revenue requirement). Rebuttal testimony submitted December 13, 2019 (cost of service). Surrebuttal testimony submitted January 6, 2020 (cost of service). Cross examined January 15, 2020.

“In the Matter of the Application of Tucson Electric Power Company for the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on the Fair Value of the Properties of Tucson Electric Power Company Devoted to Its Operations Throughout the State of Arizona and for Related Approvals,” **Arizona** Corporation Commission, Docket No. E-01933A-19-0028. Confidential direct testimony submitted October 11, 2019 (revenue requirement) and October 28, 2019 (cost of service / rate design). Confidential surrebuttal testimony submitted December 16, 2019. Cross examined January 31, 2020.

“In the Matter of Advice Letter No. 1797 Filed by Public Service Company of Colorado to Reset the Currently Effective General Rate Schedule Adjustment (GRSA) as Applied to Base Rates for All Electric Rate Schedules as well as Implement a Base Rate kWh Charge, General Rate Schedule Adjustment-Energy (GRSA-E) to become Effective June 20, 2019,” **Colorado** Public Utilities Commission, Proceeding No. 19AL-0268E. Answer testimony submitted September 20, 2019. Errata submitted October 25, 2019. Cross answer testimony submitted October 11, 2019. Cross examined November 8, 2019

“New Load Direct Access, Portland General Electric Company,” **Oregon** Public Utility Commission, Docket No. UE-358. Cross answering & rebuttal testimony submitted August 21, 2019. Oral examination given October 17, 2019.

“In the Matter of the Application of Rocky Mountain Power to Decrease Rates by \$0.4 Million under Tariff Schedule 197, 2017 Federal Tax Cut Adjustment,” **Wyoming** Public Service Commission, Docket No. 20000-560-EA-19. Direct testimony submitted August 19, 2019. Stipulation testimony submitted November 8, 2019. Oral examination given November 13, 2019.

“In the Matter of the Application of Rocky Mountain Power for an Accounting Order for Settlement Charges Related to Its Pension Plans,” **Wyoming** Public Service Commission, Docket No. 20000-550-EA-18. Direct testimony submitted August 5, 2019. Cross examined October 29, 2019.

“In the Matter of the Application of Rocky Mountain Power for a Modification of Avoided Cost Methodology and Reduced Contract Term of PURPA Power Purchase Agreements,” **Wyoming** Public Service Commission, Docket No. 20000-547-ET-18. Confidential direct testimony submitted April 19, 2019. Cross answer testimony submitted May 24, 2019. Cross examined July 10, 2019.

“In the Matter of PacifiCorp, dba Pacific Power 2019 Renewable Adjustment Clause,” **Oregon** Public Utility Commission, Docket No. UE-352. Opening testimony submitted April 2, 2019. Rebuttal testimony submitted June 3, 2019. Joint stipulation testimony submitted August 1, 2019.

“In the Matter of the Application of Rocky Mountain Power for a Certificate of Public Convenience and Necessity to Remove Existing Wind Turbines, Construct New Wind Turbines and Update Collector Liens at Its Foote Creek I Wind Energy Site,” **Wyoming** Public Service Commission, Docket No. 20000-553-EN-19. Confidential direct testimony submitted March 22, 2019. Cross examined April 25, 2019.

“Delta-Montrose Electric Association, Complainant vs. Tri-State Transmission and Generation Association, Inc., Respondent,” **Colorado** Public Utilities Commission, Proceeding No. 18F-0866E. Highly confidential direct testimony submitted March 15, 2019. Confidential rebuttal testimony submitted June 28, 2019.

“In the Matter of the Application of Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., for Authority to Establish Increased Rates for Electric Service; In the Matter of the Application of Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., for Authority to Establish Increased Rates for Electric Service,” **Montana** Public Service Commission, Docket No. D2018.9.60. Confidential direct testimony submitted February 19, 2019. Oral testimony provided April 30, 2019.

“In the Matter of Northwestern Energy’s Application for Authority to Increase Its Retail Electric Utility Service Rates and for Approval of Its Electric Service Schedules and Rules,” **Montana** Public Service Commission, Docket No. D2018.2.12. Direct testimony submitted February 12, 2019. Cross intervenor testimony submitted April 5, 2019. Additional Issue testimony

submitted March 22, 2019. Oral testimony provided May 17, 2019.

“In the Matter of the Petition of Black Bear Wind, LLC for the Commission to set certain Terms and Conditions of Contract between NorthWestern Energy and Black Bear Wind, LLC,” **Montana** Public Service Commission, Docket No. D2019.02.09. Direct testimony submitted February 5, 2019. Rebuttal testimony submitted May 29, 2019. Cross examined June 13, 2019.

“In the Matter of the Petition of Grizzly Wind, LLC for the Commission to set certain Terms and Conditions of Contract between NorthWestern Energy and Grizzly Wind, LLC,” **Montana** Public Service Commission, Docket No. D2019.02.08. Direct testimony submitted February 4, 2019. Rebuttal testimony submitted May 23, 2019. Cross examined June 13, 2019.

“Petitions of Kroger Limited Partnership I and Harris Teeter, LLC for approval to aggregate demand pursuant to § 56-577 A 4 of the Code of Virginia, **Virginia** Corporation Commission, Case Nos. PUR-2018-00150 and PUR-2018-00151. Confidential direct testimony submitted December 12, 2018. Confidential rebuttal testimony submitted February 13, 2019. Cross examined February 27, 2019.

“In the Matter of Portland General Electric Company, Investigation into Proposed Green Tariff,” **Oregon** Public Utility Commission, Docket No. UM-1953. Reply and Cross Answer Testimony submitted October 22, 2018.

“In the Matter of the Application of Rocky Mountain Power to Decrease Rates by \$26.4 Million to Refund Customers for the 2017 Tax Reform Act,” **Wyoming** Public Service Commission, Docket No. 20000-536-ER-15. Direct testimony submitted October 15, 2018.

“Appalachian Power Company and Wheeling Power Company, Application to Change Depreciation Rates; Appalachian Power Company and Wheeling Power Company, Rule 42T application to increase rates and charges,” Public Service Commission of **West Virginia**, Case Nos. 18-0645-E-D and 18-0646-E-42T. Direct testimony submitted October 9, 2018. Rebuttal testimony submitted October 24, 2018.

“In the Matter of the Application of Montana-Dakota Utilities to Address the Impacts of the Tax Cuts and Jobs Act of 2017,” **Montana** Public Service Commission, Docket No. D2018.4.22. Direct testimony submitted October 2, 2018. Cross examined December 4, 2018.

“Investigation of Revenue Requirement Impacts of the New Federal Tax Legislation Titled: ‘An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018,’” **Utah** Public Service Commission, Docket No 17-035-69. Confidential direct testimony submitted August 28, 2018.

“In the Matter of the Investigation of Federal Tax Reform Impacts on NorthWestern Energy’s Revenue Requirements,” **Montana** Public Service Commission, Docket No. D2018.4.24. Direct testimony submitted July 3, 2018. Cross examined August 31, 2018.

“In the Matter of PacifiCorp, dba Pacific Power 2019 Transition Adjustment Mechanism,” **Oregon** Public Utility Commission, Docket No. UE-339. Opening testimony submitted June 11, 2018. Joint stipulation testimony submitted July 23, 2018.

“In the Matter of Portland General Electric Company, Request for a General Rate Revision,” **Oregon** Public Utility Commission, Docket No. UE-335. Opening testimony submitted June 6, 2018. Joint stipulation testimony submitted August 20, 2018. Response testimony submitted September 17, 2018.

“Application of Nevada Power Company d/b/a NV Energy filed under Advice Letter No. 485 to revise Tariff No. I-B to establish the 2017 Tax Rate Reduction Rider,” Public Utilities Commission of **Nevada**, Docket No. 18-02010. Direct testimony submitted May 25, 2018. Cross examined July 11, 2018.

“In the Matter of the Application of Rocky Mountain Power for Approval of a 3 Year Demand Side Management Plan,” **Wyoming** Public Service Commission, Docket No. 20000-526-EA-17. Direct testimony submitted March 16, 2018. Cross answer testimony submitted April 6, 2018. Cross examined May 8, 2018.

“Petition of Northern Indiana Public Service Company for (1) Authority To Modify Its Rates and Charges for Gas Utility Service through a Phase In of Rates; (2) Modification of the Settlement Agreements Approved in Cause No. 43894; (3) Approval of New Schedules of Rates and Charges, General Rules And Regulations, and Riders; (4) Approval of Revised Depreciation Rates Applicable to Its Gas Plant in Service; (5) Approval of Necessary and Appropriate Accounting Relief; and (6) Authority to Implement Temporary Rates Consistent with the Provisions of Ind. Code CH. 8-1-2-42.7,” **Indiana** Utility Regulatory Commission, Cause No. 44988. Direct testimony submitted March 2, 2018. Settlement testimony submitted April 20, 2018.

“In the Matter of Application of Duke Energy Carolinas, LLC, For Adjustment of Rates and Charges Applicable to Electric Service in North Carolina,” **North Carolina** Utilities Commission, Docket No. E-7, Sub 1146. Direct testimony submitted January 23, 2018.

“In the Matter of the Application of Public Service Company of Colorado for Approval of a Number of Strategic Issues Relating to Its Electric and Gas Demand Side Management Plan,” **Colorado** Public Utilities Commission, Proceeding No. 17A-0462EG. Answer testimony submitted December 5, 2017. Cross answer testimony submitted January 23, 2018. Rehearing testimony submitted July 31, 2018. Cross examined August 17, 2018.

“In the Matter of the Application of Rocky Mountain Power for Certificates of Public Convenience and Necessity and Nontraditional Ratemaking for Wind and Transmission Facilities,” **Wyoming** Public Service Commission, Docket No. 20000-520-EA-17. Direct testimony submitted November 20, 2017.

“In the Matter of Advice Letter No. 742 Filed by Black Hills/Colorado Electric Utility LP to Update Base Rates as Required by Commission Decision No. C16-1140 to Become Effective August 11, 2017,” **Colorado** Public Utilities Commission, Proceeding No. 17AL-0477E. Answer testimony submitted October 23, 2017. Cross answer testimony submitted November 15, 2017. Cross examined November 29, 2017.

“Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates For Electric Service; (2) An Order Approving Its 2017 Environmental Compliance Plan; (3) An Order Approving Its Tariffs and Riders; (4) An Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities; and (5) An Order Granting All Other Required Approvals and Relief,” **Kentucky** Public Service Commission, Case No. 2016-00179. Direct testimony submitted October 2, 2017. Settlement testimony submitted December 4, 2017. Cross examined December 7, 2017.

“In the Matter of the Voluntary Request of Rocky Mountain Power for Approval of Resource Decision to Repower Wind Facilities,” **Utah** Public Service Commission, Docket No. 17-035-39. Direct testimony submitted September 20, 2017. Rebuttal testimony submitted October 19, 2017. Surrebuttal testimony submitted November 16, 2017. Response testimony submitted April 2, 2018. Cross examined May 4, 2018.

“In the matter of the Application of DTE Electric Company for authority to increase its rates, amend its rate schedules and rules governing the distribution and supply of electric energy, and for miscellaneous accounting authority,” **Michigan** Public Service Commission, Case No. U-18255. Direct testimony submitted August 29, 2017. Confidential rebuttal testimony submitted September 22, 2017. Surrebuttal testimony submitted November 16, 2017.

“In the Matter of the Application of the Ohio Development Services Agency for an Order Approving Adjustments to the Universal Service Fund Riders of Jurisdictional Ohio Electric Distribution Utilities,” Public Utilities Commission of **Ohio**, Case No. 17-1377-EL-USF. Direct testimony submitted July 24, 2017. Reply testimony submitted August 11, 2017. Cross examined August 18, 2017.

“2016 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-170033 and UG-170034. Response testimony submitted June 30, 2017. Cross-Answering testimony submitted August 9, 2017.

“Application of El Paso Electric Company to Change Rates,” Public Utility Commission of **Texas**, Docket No. 44941. Direct testimony submitted June 23, 2017. Cross rebuttal testimony submitted July 21, 2017.

“In the Matter of PacifiCorp, dba Pacific Power 2018 Transition Adjustment Mechanism,” **Oregon** Public Utility Commission, Docket No. UE-323. Opening testimony submitted June 9, 2017. Confidential rebuttal testimony submitted August 2, 2017.

“In the Matter of Public Utilities Commission of Oregon Investigation to Examine PacifiCorp’s Non-Standard Avoided Cost Pricing,” **Oregon** Public Utility Commission, Docket No. UM-1802. Reply testimony submitted May 5, 2017. Response testimony submitted August 14, 2017.

“In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan; In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority,” Public Utilities Commission of **Ohio**, Case Nos. 16-1852-EL-SSO and 16-1853-EL-AAM. Direct testimony submitted May 2, 2017.

“Puget Sound Energy Retail Wheeling,” **Washington** Utilities and Transportation Commission, Docket No. UE-161123. Settlement testimony submitted April 11, 2017.

“In the Matter of the Application of Rocky Mountain Power to Adjust Rates for Electric Service Schedule 92, Bonus Tax Depreciation,” **Wyoming** Public Service Commission, Docket No. 20000-506-EA-16. Direct testimony submitted March 27, 2017. Cross examined May 31, 2017.

“In the Matter of the Application of Powder River Energy Corporation, Sundance, Wyoming, to Revise Its Rules and Regulations Pertaining to Deposits,” **Wyoming** Public Service Commission, Docket No. 10014-175-CT-16. Direct testimony submitted February 23, 2017. Cross examined May 18, 2017.

“In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes, to Fix a Just and Reasonable Rate of Return Thereon, to Approve Rate Schedules Designed to Develop Such Return,” **Arizona** Corporation Commission, Docket No. E-01345A-16-0036. Confidential direct testimony submitted December 28, 2016 (revenue requirement) and February 3, 2017 (cost of service / rate design). Settlement testimony submitted April 3, 2017.

“In the Matter of the Application of Rocky Mountain Power for Approval to Adjust the Category 2 And 3 Demand-Side Management Surcharge Rates in Electric Service Schedule 191, Customer Efficiency Service Charge,” **Wyoming** Public Service Commission, Docket No. 20000-502-EA-16. Direct testimony submitted January 17, 2017. Direct examination by Commission on March 9, 2017.

In the Matter of the Application of The Dayton Power and Light Company to Establish a Standard Service Offer in the Form of an Electric Security Plan; In the Matter of the Application of The Dayton Power and Light Company for Approval of Revised Tariffs; In the Matter of the Application of The Dayton Power and Light Company for Approval of Certain Accounting Authority Pursuant to Ohio Rev. Code §4905.13,” Case Nos. 16-0395-EL-SSO, 16-0396-EL-ATA, and 16-0397-EL-AAM, Public Utilities Commission of **Ohio**. Confidential direct testimony submitted November 21, 2016 (errata filed December 12, 2016). Confidential Supplemental testimony filed March 8, 2017.

“In The Matter of the Application of Powder River Energy Corporation, Sundance, Wyoming, for Authority to Increase Its Cost of Power Adjustment by \$18,393,590 per Annum to Reflect a Change in Average Wholesale Power Costs,” **Wyoming** Public Service Commission, Docket No. 10014-172-CP-16. Confidential direct testimony submitted November 17, 2016. Cross examined February 1, 2017.

“Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates,” **Kentucky** Public Service Commission, Case No. 2016-00162. Direct testimony submitted September 2, 2016.

“In the Matter of PacifiCorp, dba Pacific Power 2017 Transition Adjustment Mechanism,” **Oregon** Public Utility Commission, Docket No. UE-307. Opening testimony submitted July 8, 2016. Rebuttal testimony submitted August 12, 2016.

“In the Matter of Advice Letter No. 1712-Electric Filed by Public Service Company of Colorado PUC No. 7-Electric Tariff with Colorado PUC No. 8-Electric Tariff (Phase II Rate Case),” **Colorado** Public Utilities Commission, Proceeding No. 16-AL-0048E. Direct testimony submitted June 6, 2016. Settlement testimony submitted September 2, 2016.

“In the Matter of the Application of Powder River Energy Corporation for Authority to Implement a General Rate Increase of \$11,506,749 per Annum and Revise Tariffs,” **Wyoming** Public Service Commission, Docket No. 10014-168-CR-16. Confidential direct testimony submitted June 3, 2016. Cross answer testimony submitted July 8, 2016. Cross examined September 1, 2017.

“In the Matter of the Application of Tucson Electric Power Company for the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on the Fair Value of the Properties of Tucson Electric Power Company Devoted to its Operations Throughout the State of Arizona, and for Related Approvals,” **Arizona** Corporation Commission, Docket No. E-01933A-15-0322. Confidential direct testimony submitted June 3, 2016 (revenue requirements) and June 24, 2016 (cost of service). Surrebuttal testimony submitted August 25, 2016. Phase II surrebuttal testimony submitted September 27, 2017. Cross examined September 14, 2017 and October 26, 2017 (Phase II).

“Appalachian Power Company and Wheeling Power Company, Public Utilities. Petition to Initiate the Annual Review and to Update the ENEC Rates Currently in Effect,” **West Virginia** Public Service Commission, Case No. 16-0239-E-P. Direct testimony submitted May 16, 2016. Direct examination by Commission on June 2, 2016.

“In the Matter of PacifiCorp, dba Pacific Power, Petition Inter-Jurisdictional Allocation Protocol,” **Oregon** Public Utility Commission, Docket No. UM 1050. Direct testimony submitted April 1, 2016.

“In the Matter of the Application of UNS Electric INC. for the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on the Fair Value of the Properties of UNS Electric, INC. Devoted to Its Operations Throughout the State of Arizona and for Related Approvals,” **Arizona** Corporation Commission, Docket No. E-04204A-15-0142. Direct Testimony submitted December 9, 2015. Surrebuttal testimony submitted February 23, 2016. Cross examined March 9, 2016.

“Verified Petition of Duke Energy Indiana, INC. for; (1) Approval of Petitioner’s 7-Year Plan for Eligible Transmission, Distribution and Storage System Improvements, Pursuant to Indiana code § 8-1-39-10; (2) Approval of Transmission and Distribution Infrastructure Improvement Cost Rate Adjustment and Deferrals, Pursuant to Indiana code §8-1-39-9; (3) Approval of Certain Regulatory Assets; (4) Approval of Voluntary Dynamic Pricing Riders; (5) Approval of a New Depreciation Rate for Advanced Meters,” **Indiana** Utility Regulatory Commission. Cause No. 44720. Direct testimony submitted February 18, 2016. Errata testimony submitted February 19, 2016. Settlement testimony submitted March 17, 2016.

“In the Matter of the Application of Rocky Mountain Power for Modification of Contract Term of PURPA Power Purchase Agreements with Qualifying Facilities,” **Wyoming** Public Service Commission, Docket No. 20000-481-EA-15. Direct testimony submitted January 4, 2016. Confidential cross answer testimony submitted January 29, 2016. Cross examined March 30, 2016.

“Application of El Paso Electric Company to Change Rates,” Public Utility Commission of **Texas**, Docket No. 44941. Direct testimony submitted December 11, 2015. Cross rebuttal testimony submitted January 15, 2016.

“In the Matter of the Application of Montana-Dakota Utilities CO., a Division of MDU Resources Group, Inc., for Authority to Establish Increased Rates for Electric Service,” **Montana** Public Service Commission, Docket No. D2015.6.51. Direct testimony submitted November 20, 2015. Cross intervenor and response testimony submitted January 14, 2016. Direct examination by Commission on February 10, 2016.

“In the Matter of the Application of Entergy Arkansas, INC. for Approval of Changes in Rates for Retail Electric Service,” **Arkansas** Public Service Commission, Docket No. 15-015-U. Direct Testimony Submitted September 29, 2015. Surrebuttal testimony submitted November 24, 2015.

“In the Matter of the Application of Rocky Mountain Power for Modification of Contract Term of PURPA Power Purchase Agreements with Qualifying Facilities,” **Utah** Public Service Commission, Docket No. 15-035-53. Direct testimony submitted September 16, 2015. Surrebuttal testimony submitted October 28, 2015. Cross examined November 12, 2015.

“In the Matter of the Application Seeking Approval of Ohio Power Company’s Proposal to Enter into an Affiliate Power Purchase Agreement Rider”; “In the Matter of the Application of Ohio

Power Company for Approval of Certain Accounting Authority,” Public Utilities Commission of **Ohio**, Docket Nos. 14-1693-EL-RDR and 14-1694-EL-AAM. Direct testimony submitted September 11, 2015. Cross examined October 20, 2015.

“In the Matter of the Application of Rocky Mountain Power for Authority of a General Rate Increase in its Retail Electric Rate Increase Utility Service Rates in Wyoming of \$32.4 Million per Year or 4.5 Percent,” **Wyoming** Public Service Commission, Docket No. 20000-469-ER-15. Confidential direct testimony submitted July 28, 2015. Confidential cross-answer testimony submitted September 16, 2015. Cross examined November 3, 2015.

“In the Matter of the Joint Application of Westar Energy, INC. and Kansas Gas and Electric Company for Approval to Make Certain Changes in their Charges for Electric Service,” **Kansas** State Corporation Commission. Docket No. 15-WSEE-115-RTS. Direct testimony submitted July 9, 2015. Errata Testimony submitted August 17, 2015.

“In the Matter of PacifiCorp, dba Pacific Power 2016 Transition Adjustment Mechanism,” **Oregon** Public Utility Commission, Docket No. UE-296. Opening testimony submitted June 29, 2015. Reply testimony submitted June 29, 2015.

“In the Matter of Public Utility Commission of Oregon Investigation into Qualifying Facility Contracting and Pricing,” **Oregon** Public Utility Commission. Docket No. UM 1610. Opening testimony submitted May 22, 2015. Reply testimony submitted August 7, 2015.

“In the Matter of the Application of Questar Gas Company to Make Tariff Modifications to Charge Transportation Customers for Supplier Non-Gas Services,” **Utah** Public Service Commission, Docket No. 14-057-31. Direct testimony submitted May 5, 2015. Rebuttal testimony submitted July 31, 2015. Surrebuttal testimony submitted August 14, 2015. Cross examined August 26, 2015.

“In the Matter of the Voluntary Request of Rocky Mountain Power for Approval of Resource Decision and Request for Accounting Order,” **Utah** Public Service Commission, Docket No. 14-035-147. Direct testimony submitted March 17, 2015.

“In the Matter of the Application of Rocky Mountain Power for Approval of the Transaction for Closure of Deer Creek Mine and a Deferred Accounting Order,” **Wyoming** Public Service Commission. Docket No. 20000-464-EA-14. Direct testimony submitted March 11, 2015. Stipulation direct testimony submitted April 27, 2015. Oral examination by Commission on May 5, 2015.

“In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan,” Public Utilities Commission of **Ohio**, Case No. 14-1297-EL-SSO. Direct testimony submitted December 22, 2014. Supplemental testimony submitted February 5, 2015.

“Verified Petition of Duke Energy Indiana, Inc. for Approval of Petitioner's 7-Year Plan for Eligible Transmission, Distribution and Storage System Improvements, Pursuant to Ind. Code 8-1-39-10 and Approval of a Transmission and Distribution Infrastructure Improvement Cost Rate Adjustment and Deferrals, Pursuant to Ind. Code 8-1-39-9, and Approval of Certain Regulatory Assets,” **Indiana** Utility Regulatory Commission, Cause No.44526. Direct testimony submitted November 14, 2014.

“In the Matter of Advice Letter No. 1672 – Electric: Of Public Service Company of Colorado to Revise the General Rate Schedule Adjustment (GRSA) Rider Applicable to All Electric Base Rate Schedules and Revise the Transmission Cost Adjustment (TCA) to Remove Costs That Have Been Shifted to Base Rates to Become Effective July 18, 2014”; “In the Matter of the Application of Public Service Company of Colorado for Approval of Its Arapahoe Decommissioning and Dismantling Plan,” **Colorado** Public Utilities Commission, Proceeding Nos. 14AL-0660E and 14A-0680E. Answer testimony submitted November 7, 2014.

“In the Matter of the Petition of Puget Sound Energy to Update Methodologies Used to Allocate Electric Cost of Service and for Electric Rate Design Purposes,” **Washington** Utilities and Transportation Commission, Docket No. UE-141368. Joint testimony in support of settlement stipulation submitted November 4, 2014.

“In the Matter of the Application of Duke Energy Ohio for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications and Tariffs for Generation Service”; “In the Matter of the Application of Duke Energy Ohio for Authority to Amend Its Certified Supplier Tariff, P.U.C.O. No. 20,” Public Utilities Commission of **Ohio**, Case Nos. 14-841-EL-SSO and 14-842-EL-ATA. Direct testimony submitted September 26, 2014. Deposed October 3, 2014. Cross examined October 28, 2014.

“Application of Nevada Power Company d/b/a NV Energy for Authority to Increase Its Annual Revenue Requirement for General Rates Charged to All Classes of Electric Customers and for Relief Properly Related Thereto”; “Petition of Sierra Pacific Power Company d/b/a NV Energy for Cost Recovery for the Advanced Service Delivery Project and Nevada Dynamic Pricing Trial Pursuant to the Order Issued in Docket Nos. 13-06002, 13-06003, and 13-06004,” Public Utilities Commission of **Nevada**, Docket Nos. 14-05004 and 14-05005. Direct testimony submitted September 10, 2014. Cross examined September 24, 2014.

“In the Matter of Rocky Mountain Power’s Proposed Revisions to Electric Service Schedule 32, Service from Renewable Energy Facilities,” **Utah** Public Service Commission, Docket No. 14-035-T02. Direct testimony submitted September 9, 2014. Surrebuttal testimony submitted December 2, 2014. Cross examined December 9, 2014.

“Application of Appalachian Power Company for a 2014 Biennial Review of the Rates, Terms and Conditions for the Provision of Generation, Distribution and Transmission Services Pursuant

to §56-585.1 A of the Code of Virginia,” **Virginia** Corporation Commission, Case No. PUE-2014-00026. Direct testimony submitted August 6, 2014.

“In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Utility Service Rates in Wyoming Approximately \$36.1 Million per Year or 5.3 Percent,” **Wyoming** Public Service Commission, Docket No. 20000-446-ER-14. Direct testimony submitted July 25, 2014. Surrebuttal testimony submitted September 19, 2014. Cross examined October 21, 2014.

“In the Matter of Portland General Electric Company Request for a General Rate Revision,” **Oregon** Public Utilities Commission, Docket No. UE-283. Reply testimony submitted June 11, 2014. Joint testimony in support of partial stipulations submitted July 17, 2014 and September 2, 2014.

“In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Revised Code, in the Form of an Electric Security Plan; “In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority,” Public Utilities Commission of **Ohio**, Case Nos. 13-2385-EL-SSO and 13-2386-EL-AAM. Direct testimony submitted May 6, 2014. Cross examined June 12, 2014.

“In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 13-035-184. Direct testimony submitted May 1, 2014.

“Verified Petitions of Southern Indiana Gas and Electric Company D/B/A Vectren Energy Delivery Of Indiana, Inc., and Indiana Gas Company, Inc. D/B/A Vectren Energy Delivery of Indiana, Inc. for: (1) Approval of and a Certificate of Public Convenience and Necessity for Federally Mandated Natural Gas Transmission and Distribution Projects, and the Costs Thereof, Related to Compliance with Various Federally Mandated Requirements Relating to Natural Gas Pipeline Safety and Integrity; (2) Approval of Certain Transmission, Distribution and Storage System Projects, and the Costs Thereof, Undertaken for Purposes of Safety, Reliability, System Modernization, or Economic Development; (3) Approval of a 7-Year Plan for Transmission, Distribution and Storage System Improvements Pursuant To Ind. Code Ch. 8-1-39 (and for Federally Mandated Projects, in the Event and to the Extent the Commission Concludes that Such Projects Do Not Meet the Requirements of Ind. Code Ch. 8-1-8.4, Including a Process for Annual Updates to the Plan; (4) Approval of a Rate Adjustment Mechanism and Related Authority to Utilize Accounting Deferrals, Pursuant to Ind. Code Chapters 8-1-8.4 and 8-1-39, for the Timely Recovery and Deferral of Costs Related to Such Federally Mandated and Transmission, Distribution and Storage Projects (Including Financing Costs Incurred During Construction); (5) Approval of Other Related Ratemaking Relief and Tariff Proposals Consistent with Ind. Code Ch. 8-1-8.4 and 8-1-39; (6) If Necessary, Granting of Confidential Treatment For Certain Confidential and Proprietary Information That May Be Submitted in this Cause; and (7)

Approval of Other Relief as May Be Appropriate,” **Indiana** Utility Regulatory Commission, Cause Nos. 44429 and 44430. Cross-answering testimony submitted April 11, 2014.

“In the Matter of the Application of Rocky Mountain Power for Authority to Amend Schedule 38, Avoided Cost Purchases from Non-Standard Qualifying Facilities,” **Wyoming** Public Service Commission, Docket No. 20000-435-EA-13. Direct testimony submitted February 28, 2014. Direct examination by Commission on April 22, 2014.

“In the Matter of the Application of Republic Steel for Approval of a Reasonable Arrangement for Republic Steel’s Lorain Ohio Facility,” Public Utilities Commission of **Ohio**, Case No. 13-1913-EL-AEC. Direct testimony submitted February 6, 2014. Direct examination by Commission on February 13, 2014.

“Questar Gas Company, a Utah corporation, and Wexpro Company, a Utah corporation, Plaintiffs, v. QEP Field Services Company, a Utah corporation, Defendant; QEP Field Services Company, a Utah corporation, Counterclaimant, v. Questar Gas Company, a Utah corporation, Counterclaim Defendant,” Third District Court in and for Salt Lake County, State of **Utah**, Civil Case No. 120902969. Expert report submitted February 6, 2014. Deposed on April 10, 2014. Affidavit submitted May 30, 2014.

“In the Matter of the Application of the Dayton Power and Light Company for Authority to Recover Certain Storm-Related Service Restoration Costs; In the Matter of the Application of the Dayton Power and Light Company for Approval of Certain Accounting Authority,” Public Utilities Commission of **Ohio**, Case Nos. 12-3062-EL-RDR and 12-3266-EL-AAM. Direct testimony submitted January 31, 2014. Deposed on March 7, 2014.

“In the Matter of the Application of Powder River Energy Corporation Sundance, Wyoming, for Authority to Adjust Rates and Implement New Tariffs Effective March 10, 2014,” **Wyoming** Public Service Commission, Docket No. 10014-145-CR-13. Direct testimony submitted January 22, 2014. Cross answer testimony submitted February 11, 2014. Cross examined March 11-12, 2014.

“Application of Entergy Texas, Inc. for Authority to Change Rates and Reconcile Fuel Costs,” Public Utility Commission of **Texas**,” Docket No. 41791. Direct testimony submitted January 10, 2014. Cross rebuttal testimony submitted January 31, 2014.

“In the Matter of the Application of Questar Gas Company to Increase Distribution Rates and Charges and Make Tariff Modifications,” **Utah** Public Service Commission, Docket No. 13-057-05. Direct testimony submitted October 30, 2013.

“In the Matter of Georgia Power Company’s 2013 Rate Case,” **Georgia** Public Service Commission, Docket No. 36989. Direct testimony submitted October 18, 2013. Cross examined November 6, 2013.

“In the Matter of the Application of Public Service Company of Colorado for a Number of Strategic Issues Relating to Its Demand Side Management Plan,” **Colorado** Public Utilities Commission, Docket No. 13A-0686EG. Answer testimony submitted October 16, 2013. Cross Answer testimony submitted December 20, 2013. Surrebuttal testimony submitted January 21, 2014. Response to Surrebuttal testimony submitted February 21, 2014. Oral examination conducted by Commission on April 24, 2014.

“In the Matter of Rocky Mountain Power’s Application for an Order Authorizing a Change in Depreciation Rates Applicable to Electric Property,” **Wyoming** Public Service Commission, Docket No. 20000-427-EA-13. Direct testimony in support of Stipulation submitted September 19, 2013. Oral examination conducted by Commission on October 10, 2013.

“In the Matter of PacifiCorp, dba Pacific Power Transition Adjustment, Five-Year Cost of Service Opt-Out,” **Oregon** Public Utilities Commission, Docket No. UE-267. Reply testimony submitted September 13, 2013. Joint testimony in support of partial stipulation submitted February 19, 2014.

“In the Matter of the Application of Rocky Mountain Power to Increase the Deferred EBA Rate through the Energy Balancing Account Mechanism,” **Utah** Public Service Commission, Docket No. 13-035-32. Direct testimony submitted August 20, 2013.

“La Plata Electric Association, Inc., Empire Electric Association, Inc., and White River Electric Association, Inc., Complainants v. Tri-State Generation and Transmission Association, Inc., Respondent,” **Colorado** Public Utilities Commission, Docket No. 13F-0145E. Rebuttal testimony submitted July 19, 2013 and October 2, 2014. Direct testimony submitted July 15, 2014. Cross examined July 31, 2013. Deposed August 8, 2014.

“Application to Increase Rates by \$6.0 Million to Recover Deferred Net Power Costs Pursuant to Tariff Schedule 95 Energy Cost Adjustment Mechanism and To Increase Rates by \$15.4 Million Pursuant to Tariff Schedule 93, REC and SO2 Revenue Adjustment Mechanism,” **Wyoming** Public Service Commission,” Docket No. 20000-432-EA-13. Direct testimony submitted July 10, 2013. Oral examination by Commission on September 16, 2013.

“In the Matter of the Commission’s Investigation into the Possible Approval of a Self-Direct Demand Side Management Program for Certain Large Customers,” **Indiana** Utility Regulatory Commission, Cause No. 44310. Direct testimony submitted June 27, 2013. Responsive testimony submitted August 15, 2013.

“In the Matter of Application of Duke Energy Carolinas, LLC for Adjustment of Rates and Charges Applicable to Electric Service in North Carolina,” **North Carolina** Utilities Commission, Docket No. E-7, Sub 1026. Direct testimony submitted June 17, 2013. Supplemental direct testimony submitted June 21, 2013.

“In the Matter of Portland General Electric Company Request for a General Rate Revision,” **Oregon** Public Utilities Commission, Docket No. UE-262. Reply testimony submitted June 14, 2013.

“In the Matter of PacifiCorp, dba Pacific Power 2014 Transition Adjustment Mechanism,” **Oregon** Public Utilities Commission, Docket No. UE-264. Reply testimony submitted June 4, 2013.

“Puget Sound Energy Expedited Rate Filing and Decoupling Proposal,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-130137, UG-130138, UE-121697, and UG-121705. Response testimony submitted April 26, 2013. Oral examination by Commission on May 16, 2013. Joint testimony in Support of Joint Response submitted November 1, 2013.

“In the Matter of the Application of Duke Energy Ohio, Inc. for the Establishment of a Charge Pursuant to Revised Code Section 4909.18; In the Matter of the Application of Duke Energy Ohio, Inc. for Approval to Change Accounting Methods; In the Matter of the Application of Duke Energy Ohio, Inc., for the Approval of a Tariff for New Service,” Public Utilities Commission of **Ohio**, Case Nos. 12-2400-EL-UNC, 12-2401-EL-AAM, and 12-2402-EL-ATA. Direct testimony submitted March 26, 2013. Cross examined April 25, 2013.

“In the Matter of the Application of the Dayton Power and Light Company for Approval of Its Market Rate Offer; In the Matter of the Application of the Dayton Power and Light Company for Approval of Revised Tariffs; In the Matter of the Application of the Dayton Power and Light Company for Approval of Certain Accounting Authority; In the Matter of the Application of the Dayton Power and Light Company for the Waiver of Certain Commission Rules; In the Matter of the Application of the Dayton Power and Light Company to Establish Tariff Riders,” Public Utilities Commission of **Ohio**,” Case Nos. 12-426-EL-SSO, 12-427-EL-ATA, 12-428-EL-AAM, 12-429-EL-WVR, and 12-672-EL-RDR. Direct testimony submitted March 1, 2013. Deposed March 8, 2013. Cross examined March 26, 2013.

“Application of Progress Energy Carolinas, Inc. for Adjustment of Rates and Charges Applicable to Electric Service in North Carolina,” **North Carolina** Utilities Commission, Docket No. E-2, Sub 1023. Direct testimony submitted February 18, 2013. Cross examined March 20, 2013.

“Deseret Generation & Transmission Co-operative vs. PacifiCorp,” **United States District Court**, District of Utah, Central Division, Case No. 2:10-cv-159. Expert Report submitted January 28, 2013. Deposed August 30, 2013.

“In the Matter of the Application of Tucson Electric Power Company for the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on the Fair Value of Its Operations Throughout the State of Arizona,” **Arizona** Corporation Commission, Docket No. E-01933A-12-0291. Direct testimony submitted December 21, 2012 (revenue requirements), January 11, 2013 (rate design and cost of service), and February 15, 2013 (settlement agreement). Cross examined March 7, 2013.

“In the Matter of Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates,” **Kentucky** Public Service Commission, Case No. 2012-00221. Direct testimony submitted October 3, 2012.

“In the Matter of Application of Louisville Gas & Electric Company for an Adjustment of Its Electric Rates, **Kentucky** Public Service Commission, Case No. 2012-00221. Direct testimony submitted October 3, 2012.

“In the Matter of PacifiCorp’s Filing of Revised Tariff Schedules for Electric Service in Oregon,” **Oregon** Public Utilities Commission, Docket No. UE-246. Rebuttal testimony submitted August 13, 2012.

“In the Matter of the Application of Tucson Electric Power Company for Approval of Its 2011-2012 Energy Efficiency Implementation Plan,” **Arizona** Corporation Commission, Docket No. E-01933A-11-0055. Direct testimony submitted June 15, 2012. Rebuttal testimony submitted July 6, 2012. Cross examined July 11, 2012.

“In the Matter of PacifiCorp, dba Pacific Power 2013 Transition Adjustment Mechanism,” **Oregon** Public Utilities Commission, Docket No. UE-245. Reply testimony submitted June 6, 2012.

“In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 11-035-200. Direct testimony submitted June 4, 2012.

“In the In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan; In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of Certain Accounting Authority,” Public Utilities Commission of **Ohio**, Case Nos. 11-346-EL-SSO and 11-348-EL-SSO. Direct testimony submitted May 4, 2012. Cross examined May 25, 2012.

“In the Matter of the Application of Rocky Mountain Power for Approval of a General Rate Increase in Its Retail Electric Utility Service Rates in Wyoming of \$62.8 Million Per Year or an Average Overall Increase of 10.4 Percent,” **Wyoming** Public Service Commission, Docket No. 20000-405-ER-11. Direct testimony submitted April 30, 2012. Settlement testimony submitted June 22, 2012. Cross examined July 16, 2012.

“Application of Entergy Texas, Inc. for Authority to Change Rates and Reconcile Fuel Costs,” Public Utility Commission of **Texas**,” Docket No. 39896. Direct testimony submitted March 27, 2012. Cross rebuttal testimony submitted April 13, 2012.

“In the Matter of Advice Letter No. 1597 – Electric Filed by Public Service Company of Colorado to Revise Its Colorado PUC No. 7 – Electric Tariff to Implement a General Rate Schedule Adjustment and Other Changes Effective December 23, 2011,” **Colorado** Public Utilities Commission, Docket No. 11AL-947E. Answer testimony submitted March 2, 2012. Supplemental testimony submitted April 18, 2012.

“In the Matter of the Rocky Mountain Power Proposed Schedule 94, Energy Balancing Account (EBA) Pilot Program Tariff,” **Utah** Public Service Commission, Docket No. 11-035-T10. Direct testimony submitted February 23, 2012. Rebuttal testimony submitted March 15, 2012. Supplemental rebuttal testimony submitted March 16, 2012. Cross examined April 24, 2012.

“Investigation into the Changes Proposed for the 3 and 5 Year Cost Of Service Opt-Out Program for Large Nonresidential Customers,” **Oregon** Public Utilities Commission, Docket No. UE-236. Joint testimony in support of Stipulation submitted January 11, 2012.

“In the Matter of the Joint Application of Westar Energy, Inc. and Kansas Gas and Electric Company for Approval to Make Certain Changes in Their Charges for Electric Service,” **Kansas** Corporation Commission,” Docket No. 12-WSEE-112-RTS. Direct testimony submitted January 5, 2012. Cross-Answering testimony submitted January 17, 2012.

“In the Matter of the Petition of Public Service Company of Colorado Pursuant to C.R.S. § 40-6-111(1)(d) for Interim Rate Relief Effective on or before January 21, 2012,” **Colorado** Public Utilities Commission, Docket No. 11M-951E. Affidavit submitted December 23, 2011.

“2011 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket No. UG-101644. Response testimony submitted December 3, 2011. Cross Answer testimony submitted January 17, 2012. Joint testimony in support of electric rate design stipulation filed January 13, 2012. Joint testimony in support of gas rate design stipulation filed January 17, 2012. Oral testimony in support of stipulations presented February 14, 2012.

“In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes, to Fix a Just and Reasonable Rate of Return Thereon, to Approve Rate Schedules Designed to Develop Such Return,” **Arizona** Corporation Commission, Docket No. E-01345A-11-0224. Direct testimony submitted November 18, 2011 (revenue requirement), December 2, 2011 (cost of service), January 18, 2012 (settlement agreement), and June 19, 2014 (Four Corners adjustment mechanism). Responsive testimony submitted January 25, 2012 (settlement agreement). Cross examined February 1, 2012.

“In the Matter of the Application of Duke Energy Carolinas, LLC for Adjustment of Rates and Charges Applicable to Electric Service in North Carolina,” **North Carolina** Utilities Commission, Docket No. E-7, Sub 989. Direct testimony submitted October 31, 2011.

“Application of Nevada Power Company d/b/a NV Energy, for Authority to Increase Its Annual Revenue Requirement for General Rates Charged to All Classes of Customers, Begin to Recover the Costs of Constructing Harry Allen Combined Cycle, Goodsprings and Other Generating, Transmission and Distribution Plant Additions, and to Reflect Changes in Cost of Service and for Relief Properly Thereto; Application of Nevada Power Company d/b/a/ NV Energy for Approval of New and Revised Depreciation Rates for Its Electrical Operations; Application of Sierra Pacific Power Company d/b/a/ NV Energy for a Determination of the Reasonableness of the Ely Energy Center Project Development Costs and for Authority to Reclassify Those Costs from a Deferred Debit to a Regulatory Asset with an Appropriate Carrying Charge,” Public Utilities Commission of **Nevada**, Docket Nos. 11-06006, 11-06007, and 11-06008. Direct testimony submitted October 12, 2011. Cross examined November 2, 2011.

“In the Matter of the Application of Idaho Power Company for Authority to Increase Its Rates and Charges for Electric Service in Idaho,” **Idaho** Public Utilities Commission, Case No. IPC-E-11-08. Direct testimony submitted October 7, 2011. Rebuttal testimony submitted November 16, 2011. Cross examined December 5, 2011.

“In the Matter of the Application of Public Service Company of Colorado for an Order Approving Regulatory Treatment of Margins Earned from Certain Renewable Energy Credit and Energy Transactions and Petition for Declaratory Order Clarifying the Meaning of the Phrase) “Transactions Executed” as that Phrase Is Used in the Settlement Agreement Approved in Docket No. 09A-602E,” **Colorado** Public Utilities Commission, Docket No. 11A-510E. Answer testimony submitted September 19, 2011. Cross examined October 20, 2011.

“In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan,” Public Utilities Commission of **Ohio**,” Case Nos. 11-346-EL-SSO and Case No. 11-348-EL-SSO. “In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of Certain Accounting Authority,” Case Nos. 11-349-EL-AAM and 11-350-EL-AAM. Direct testimony submitted July 25, 2011. Direct testimony in support of Stipulation submitted October 28, 2011.

“In the Matter of the Application of Appalachian Power Company for an Adjustment of Electric Base Rates,” **Virginia** Corporation Commission, Case No. PUE-2011-00037. Direct testimony submitted July 20, 2011.

“Ameren Illinois Company d/b/a Ameren Illinois, Proposed General Increase in Electric Delivery Service Rates; Ameren Illinois Company d/b/a Ameren Illinois, Proposed General Increase in Natural Gas Rates,” **Illinois** Commerce Commission, Docket Nos. 11-0279 and 11-0282. Direct testimony submitted June 29, 2011. Rebuttal testimony submitted August 23, 2011.

“In the Matter of PacifiCorp, dba Pacific Power 2012 Transition Adjustment Mechanism,” Public Utility Commission of **Oregon**, Docket No. UE-227. Reply testimony submitted June 24, 2011. Rebuttal testimony submitted August 16, 2011.

“In the Matter of the Application of Rocky Mountain Power to Implement a Permanent Avoided Cost Methodology for Customers That Do Not Qualify for Tariff Schedule 37 – Avoided Cost Purchases from Qualifying Facilities,” **Wyoming** Public Service Commission, Docket No. 20000-388-EA-11. Direct testimony submitted May 26, 2011. Cross examined August 2, 2011.

“In the Matter of the Application of Public Service Company of New Mexico for Revision of Its Retail Electric Rates Pursuant to Advice Notice Nos. 397 and 32 (Former TNMP Services), Public Service Company of New Mexico, Applicant,” **New Mexico** Public Regulation Commission, Case No. 10-00086-UT. Direct testimony in Opposition to Stipulation submitted April 14, 2011. Cross examined May 12, 2011.

“In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Utility Service Rates in Wyoming Approximately \$97.9 Million Per Year or 17.3 Percent,” **Wyoming** Public Service Commission, Docket No. 20000-384-ER-10. Direct testimony submitted April 11, 2011. Cross answer testimony submitted May 6, 2011. Stipulation testimony submitted June 9, 2011. Cross examined June 20, 2011.

“In the Matter of the Application of Rocky Mountain Power for Approval of an Adjustment to the Demand-Side Management Program and Suspend Schedule 191 Rate Surcharges,” **Wyoming** Public Service Commission, Docket No. 20000-383-ER-10. Direct testimony submitted March 30, 2011. Cross examined May 11, 2011.

“In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 10-035-124. Direct testimony submitted March 9, 2011 (test period); May 26, 2011 (revenue requirement); and June 2, 2011 (cost of service). Rebuttal testimony submitted March 17, 2011 (test period) and June 30, 2011 (revenue requirement). Surrebuttal testimony submitted July 19, 2011 (revenue requirement). Cross examined March 24, 2011 (test period); August 3, 2011 (revenue requirement stipulation); and August 8, 2011 (cost of service stipulation).

“Application of Nevada Power Company d/b/a NV Energy to Establish Interim Base Energy Efficiency Program Rates and Base Energy Efficiency Implementation Rates Pursuant To NRS 704.785 and the Order Issued in Docket No. 09-07016; Application of Sierra Pacific Power Company d/b/a NV Energy to Establish Interim Base Energy Efficiency Program Rates and Base Energy Efficiency Implementation Rates Pursuant to NRS704.785 and the Order Issued in Docket No. 09-07016,” Public Utilities Commission of **Nevada**, Docket Nos. 10-10024 and 10-10025. Direct testimony submitted March 8, 2011. Cross examined March 29, 2011.

“2010 Puget Sound Energy Tariff Filing,” **Washington** Utilities and Transportation Commission, Docket No. UG-101644. Joint testimony in support of stipulation filed February 11, 2011. Oral testimony in support of stipulation presented March 1, 2011.

“Petition of Duke Energy Indiana, Inc. for Approval to Offer Additional Energy Efficiency Programs; For Approval of Program Cost Recovery, Lost Revenues and Incentives Pursuant to 170 IAC 4-8-5, 170 IAC 4-8-6, and 170 IAC 4-8-7; Authority to Defer Costs Pending Approval and for Authority to Implement Annual Tracking Mechanism,” **Indiana** Utility Regulatory Commission, Cause No. 43955. Direct testimony submitted February 9, 2011.

“In the Matter of the Application of Duke Energy Ohio for Approval of a Market Rate Offer to Conduct a Competitive Bidding Process for Standard Service Offer Electric Generation Supply, Accounting Modifications, and Tariffs for Generation Service,” Public Utilities Commission of **Ohio**, Case No. 10-2586-EL-SSO. Direct testimony submitted December 21, 2010. Deposed December 22, 2010. Cross examined January 18, 2011.

“In the Matter of the Application of Public Service Company of Colorado for Approval of a Number of Strategic Issues Relating To Its DSM Plan, Including Long-Term Electric Energy Savings Goals and Incentives,” **Colorado** Public Utilities Commission, Docket No. 10A-554EG. Answer testimony submitted December 17, 2010. Cross answer testimony submitted February 4, 2011. Cross examined March 2, 2011.

“In the Matter of Appalachian Power Company and Wheeling Power Company,” Public Service Commission of **West Virginia**, Case No. 10-0699-E-42T. Direct testimony submitted November 10, 2010. Rebuttal testimony submitted November 23, 2010.

“In the Matter of the Application of Rocky Mountain Power for Alternative Cost Recovery for Major Plant Additions of the Populus to Ben Lomond Transmission Line and Dunlap I Wind Project,” **Utah** Public Service Commission, Docket No. 10-035-89. Confidential direct testimony submitted October 26, 2010. Oral testimony in support of stipulation presented December 6, 2010.

“In the Matter of Georgia Power Company’s 2010 Rate Case,” **Georgia** Public Service Commission, Docket No. 31958. Direct testimony submitted October 22, 2010. Cross examined November 8, 2010.

“In the Matter of the Application of Rocky Mountain Power for Authority to Implement an Energy Cost Adjustment Mechanism,” **Wyoming** Public Service Commission, Docket No. 20000-368-EA-10. Direct testimony submitted September 10, 2010. Cross examined November 9, 2010.

“Application of Entergy Texas, Inc. for Authority to Change Rates and Reconcile Fuel Costs,” Public Utility Commission of **Texas**, Docket No. 37744. Direct testimony submitted June 9, 2010.

“Portland General Electric General Rate Case Filing,” Public Utility Commission of **Oregon**, Docket No. UE-215. Opening testimony submitted June 4, 2010. Joint testimony in support of stipulation submitted August 2, 2010.

“In the Matter of the Application of Duke Energy Ohio, Inc. to Establish and Adjust the Initial Level of its Distribution Reliability Rider,” Public Utilities Commission of **Ohio**, Case No. 09-1946-EL-RDR. Direct testimony submitted May 18, 2010.

“In the Matter of PacifiCorp, dba Pacific Power, 2011 Transition Adjustment Mechanism,” Public Utility Commission of **Oregon**, Docket No. UE-216. Reply testimony submitted May 12, 2010. Joint testimony in support of stipulation submitted July 26, 2010.

“In the Matter of the Application of Rocky Mountain Power for Alternative Cost Recovery for Major Plant Additions of the Ben Lomond to Terminal Transmission Line and the Dave Johnston Generation Unit 3 Emissions Control Measure,” **Utah** Public Service Commission, Docket No. 10-035-13. Direct testimony submitted April 26, 2010.

“In the Matter of a Notice of Inquiry into Energy Efficiency,” **Arkansas** Public Service Commission, Docket No. 10-010-U. Direct testimony submitted March 23, 2010. Cross examined October 18, 2010.

“In the Matter of the Application of Entergy Arkansas, Inc. for Approval of Changes in Rates for Retail Electric Service,” **Arkansas** Public Service Commission,” Docket No. 09-084-U. Direct testimony submitted February 26, 2010.

“In the Matter of the Application of Rocky Mountain Power for Approval of a General Rate Increase of Approximately \$70.9 Million per Year or 13.7 Percent,” **Wyoming** Public Service Commission, Docket No. 20000-352-ER-09. Direct testimony submitted February 16, 2010. Cross answer testimony submitted March 15, 2010. Direct settlement testimony submitted March 31, 2010. Cross examined April 23, 2010.

“Amended Petition of Puget Sound Energy, Inc., for an Order Authorizing the Use of the Proceeds from the Sale of Renewable Energy Credits and Carbon Financial Instruments,” **Washington** Utilities and Transportation Commission, Docket No. UE-070725. Response testimony submitted January 28, 2010.

“Application of Appalachian Power Company for a 2009 Statutory Review of Rates Pursuant to § 56.585.1 A of the Code of Virginia,” **Virginia** Corporation Commission, Case No. PUE-2009-00030. Direct testimony submitted December 28, 2009. Additional direct testimony submitted March 8, 2010. Cross examined April 1, 2010.

“In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Approval of a Market Rate Offer to Conduct a

Competitive Bidding Process for Standard Service Offer Electric Generation Supply, Accounting Modifications with Reconciliation Mechanism and Tariffs for Generation Service,” Public Utilities Commission of **Ohio**, Case No. 09-906-EL-SSO. Direct testimony submitted December 4, 2009. Deposed December 10, 2009.

“2009 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-090704 and UG-090705. Response testimony submitted November 17, 2009. Joint testimony in support of stipulation submitted January 8, 2010.

“In the Matter of the Application of Rocky Mountain Power for Approval of Its Proposed Energy Cost Adjustment Mechanism,” **Utah** Public Service Commission, Docket No. 09-035-15. Direct Phase I testimony submitted November 16, 2009. Direct Phase II testimony submitted August 4, 2010. Rebuttal Phase II testimony submitted September 15, 2010. Surrebuttal Phase I testimony submitted January 5, 2010. Surrebuttal Phase II testimony submitted October 13, 2010. Cross examined January 12, 2010 (Phase I) and November 2, 2010 (Phase II). Rebuttal testimony regarding Final EBA Report submitted November 16, 2016. Surrebuttal testimony regarding Final EBA Report submitted December 15, 2016. Cross examined January 17, 2017.

“In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 09-035-23. Direct testimony submitted October 8, 2009. Rebuttal testimony submitted November 12, 2009. Surrebuttal testimony submitted November 30, 2009. Cross examined December 15-16, 2009.

“Re: The Tariff Sheets Filed by Public Service Company of Colorado with Advice Letter No. 1535 – Electric,” **Colorado** Public Utilities Commission, Docket No. 09AL-299E. Answer testimony submitted October 2, 2009. Surrebuttal testimony submitted December 18, 2009.

“In the Matter of the Applications of Westar Energy, Inc., and Kansas Gas and Electric Company for Approval to Make Certain Changes in their Charges for Electric Service,” **Kansas** Corporation Commission, Docket No. 09-WSEE-925-RTS. Direct testimony submitted September 30, 2009. Cross answer testimony submitted October 16, 2009.

“Central Illinois Light Company d/b/a AmerenCILCO Proposed General Increase in Electric Delivery Service Rates; Central Illinois Public Service Company d/b/a AmerenCIPS Proposed General Increase in Electric Delivery Service Rates; Illinois Power Company d/b/a/ AmerenIP Proposed General Increase in Electric Delivery Service Rates; Central Illinois Light Company d/b/a AmerenCILCO Proposed General Increase in Gas Delivery Service Rates; Central Illinois Public Service Company d/b/a AmerenCIPS Proposed General Increase in Gas Delivery Service Rates; Illinois Power Company d/b/a/ AmerenIP Proposed General Increase in Gas Delivery Service Rates,” **Illinois** Commerce Commission, Docket Nos. 09-0306, 09-0307, 09-0308, 09-

0309, 09-0310, and 09-0311. Direct testimony submitted September 28, 2009. Rebuttal testimony submitted November 20, 2009.

“In the Matter of the Complaint of Nucor Steel-Indiana, a Division of Nucor Corporation against Duke Energy Indiana, Inc. for Determination of Reasonable and Just Charges and Conditions for Electric Service and Request for Expedited Adjudication,” **Indiana** Utility Regulatory Commission, Cause No. 43754. Direct testimony submitted September 18, 2009. Rebuttal testimony submitted December 3, 2009. Testimony withdrawn pursuant to settlement agreement.

“In the Matter of PacifiCorp’s Filing of Revised Tariff Schedules for Electric Service in Oregon,” Public Utility Commission of **Oregon**, Docket No. UE-210. Reply testimony submitted July 24, 2009. Joint testimony in support of stipulation submitted September 25, 2009.

“In the Matter of the Application of Rocky Mountain Power to Establish an Avoided Cost Methodology for Customers That Do Not Qualify for Tariff Schedule 37 – Avoided Cost Purchases from Qualifying Facilities,” **Wyoming** Public Service Commission, Docket No. 20000-342-EA-09. Direct testimony submitted July 21, 2009. Cross examined September 1, 2009.

“In the Matter of PacifiCorp, dba Pacific Power, 2010 Transition Adjustment Mechanism,” Public Utility Commission of **Oregon**, Docket No. UE-207. Reply testimony submitted July 14, 2009. Joint testimony in support of stipulation submitted September 25, 2009.

“In The Matter of the Application of The Detroit Edison Company for Authority to Increase Its Rates, Amend Its Rate Schedules and Rules Governing the Distribution and Supply of Electric Energy,” **Michigan** Public Service Commission, Case No. U-15768. Direct testimony submitted July 9, 2009. Rebuttal testimony submitted July 30, 2009.

“In the Matter of the Investigation of Westar Energy, Inc., and Kansas Gas and Electric Company to Consider the Issue of Rate Consolidation and Resulting Rate Design,” **Kansas** Corporation Commission,” Docket No. 09-WSEE-641-GIE. Direct testimony submitted June 26, 2009. Cross examined August 17, 2009.

“Illinois Commerce Commission on Its Own Motion vs Commonwealth Edison Company, Investigation of Rate Design Pursuant to Section 9-250 of the Public Utilities Act,” **Illinois** Commerce Commission, Docket No. 08-0532. Direct testimony submitted May 22, 2009.

“In the Matter of the Application of Duke Energy Kentucky, Inc. for Approval of Energy Efficiency Plan, Including an Energy Efficiency Rider and Portfolio of Energy Efficiency Programs,” **Kentucky** Public Service Commission, Case No. 2008-00495. Direct testimony submitted May 11, 2009.

“In the Matter of the Application by Nevada Power Company d/b/a NV Energy, filed Pursuant to NRS§704.110(3) and NRS §704.110(4) for Authority to Increase Its Annual Revenue Requirement for General Rates Charged to All Classes of Customers, Begin to Recover the Costs of Acquiring the Bighorn Power Plant, Constructing the Clark Peakers, Environmental Retrofits and Other Generating, Transmission and Distribution Plant Additions, to Reflect Changes in Cost of Service and for Relief Properly Related Thereto, Public Utilities Commission of **Nevada**, Docket No. 08-12002. Direct testimony submitted April 14, 2009 (revenue requirement) and April 21, 2009 (cost of service/rate design). Cross examined May 6, 2009.

“Verified Petition of Duke Energy Indiana, Inc. Requesting the Indiana Utility Regulatory Commission to Approve an Alternative Regulatory Plan Pursuant to the Ind. Code 8-1-2.5, *Et Seq.*, for the Implementation of an Electric Distribution System “SmartGrid” and Advanced Metering Infrastructure, Distribution Automation Investments, and a Distribution Renewable Generation Demonstration Project and Associated Accounting and Rate Recovery Mechanisms, Including a Ratemaking Proposal to Update Distribution Rates Annually and a “Lost Revenue” Recovery Mechanism, in Accordance with Ind. Code 8-1-2-42(a) and 8-1-2.5-1 *Et Seq.* and Preliminary Approval of the Estimated Costs and Scheduled Deployment of the Company’s SmartGrid Initiative,” **Indiana** Utility Regulatory Commission, Cause No. 43501. Direct testimony submitted February 27, 2009.

“In The Matter of the Application of Duke Energy Ohio for an Increase in Electric Distribution Rates,” Public Utilities Commission of **Ohio**, Case No. 08-709-EL-AIR; “In the Matter of the Application of Duke Energy Ohio for Tariff Approval,” Case No. 08-710-EL-ATA; “In the Matter of the Application of Duke Energy Ohio for Approval to Change Accounting Methods,” Case No. 08-711-EL-AAM. Direct testimony submitted February 26, 2009.

“In The Matter of the Amended Application of Rocky Mountain Power for Approval of a General Rate Increase of Approximately \$28.8 Million per Year (6.1 Percent Overall Average Increase)”, **Wyoming** Public Service Commission, Docket No. 20000-333-ER-08. Direct testimony submitted January 30, 2009. Summary of cross answer testimony submitted February 27, 2009. Settlement testimony submitted March 13, 2009. Cross examined March 24, 2009.

“In the Matter of the Application of Dayton Power and Light Company for Approval of Its Electric Security Plan,” Public Utilities Commission of **Ohio**, Case No. 08-1094-EL-SSO; “In the Matter of the Application of Dayton Power and Light Company for Approval of Revised Tariffs, Case No. 08-1095-EL-ATA; “In the Matter of the Application of Dayton Power and Light Company for Approval of Certain Accounting Authority Pursuant to Ohio Rev. Code §4905.13,” Case No. 08-1096-EL-AAM; In the Matter of the Application of Dayton Power and Light Company for Approval of Its Amended Corporate Separation Plan, Case No. 08-1097-EL-UNC. Direct testimony submitted January 26, 2009. Deposed February 6, 2009. Testimony withdrawn pursuant to stipulation filed February 24, 2009.

“Application of Oncor Electric Delivery Company LLC for Authority to Change Rates,” Public Utility Commission of **Texas**, SOAH Docket No. 473-08-3681, PUC Docket No. 35717. Direct testimony submitted November 26, 2008. Cross examined February 3, 2009.

“In the Matter of the Application of Columbus Southern Power Company for Approval of Its Electric Security Plan; An Amendment to Its Corporate Separation Plan; and the Sale of Certain Generating Assets”, Public Utilities Commission of **Ohio**, Case No. 08-917-EL-SSO; “In the Matter of the Application of Ohio Power Company for Approval of Its Electric Security Plan; and an Amendment to Its Corporate Separation Plan,” Case No. 08-918-EL-SSO. Direct testimony submitted October 31, 2008. Cross examined November 25, 2008.

“Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Base Rates,” **Kentucky** Public Service Commission, Case No. 2008-00252. Direct testimony submitted October 28, 2008.

“Application of Kentucky Utilities Company for an Adjustment of Base Rates,” **Kentucky** Public Service Commission, Case No. 2008-00251. Direct testimony submitted October 28, 2008.

“In the Matter of the Application of Idaho Power Company for Authority to Increase its Rates and Charges for Electric Service,” **Idaho** Public Utilities Commission, Case No. IPC-E-08-10. Direct testimony submitted October 24, 2008. Rebuttal testimony submitted December 3, 2008. Cross examined December 19, 2008.

“In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 08-035-38. Direct testimony submitted October 7, 2008 (test period) and February 12, 2009 (revenue requirement). Cross examined October 28, 2008 (test period).

“In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to R.C. § 4928.143 in the Form of an Electric Security Plan,” Public Utility Commission of **Ohio**, Case No. 08-935-EL-SSO. Direct testimony submitted September 29, 2008. Deposed October 13, 2008. Cross examined October 21, 2008.

“In the Matter of the Application of Westar Energy, Inc. and Kansas Gas and Electric Company for Approval to Make Certain Changes In Their Charges for Electric Service,” State Corporation Commission of **Kansas**, Docket No. 08-WSEE-1041-RTS. Direct testimony submitted September 29, 2008. Cross Answer testimony submitted October 8, 2008.

“In the Matter of Appalachian Power Company’s Application for Increase in Electric Rates,” **Virginia** State Corporation Commission, Case No. PUE-2008-00046. Direct testimony submitted September 26, 2008.

“In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Approval of a Market Rate Offer to Conduct a Competitive Bidding Process for Standard Service Offer Electric Generation Supply, Accounting Modifications with Reconciliation Mechanism and Tariffs for Generation Service,” Public Utility Commission of **Ohio**, Case No. 08-936-EL-SSO. Direct testimony submitted September 9, 2008. Deposed September 16, 2008.

“In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes, to Fix a Just and Reasonable Rate of Return Thereon, to Approve Rate Schedules Designed to Develop Such Return,” **Arizona** Corporation Commission, Docket No. E-01345A-08-0172. Direct testimony submitted August 29, 2008 (interim rates), December 19, 2008 (revenue requirement), January 9, 2009 (cost of service, rate design), and July 1, 2009 (settlement agreement). Reply testimony submitted August 6, 2009 (settlement agreement). Cross examined September 16, 2008 (interim rates) and August 20, 2009 (settlement agreement).

“Verified Joint Petition of Duke Energy Indiana, Inc., Indianapolis Power & Light Company, Northern Indiana Public Service Company and Vectren Energy Delivery of Indiana, Inc. for Approval, if and to the Extent Required, of Certain Changes in Operations That Are Likely To Result from the Midwest Independent System Operator, Inc.’s Implementation of Revisions to Its Open Access Transmission and Energy Markets Tariff to Establish a Co-Optimized, Competitive Market for Energy and Ancillary Services Market; and for Timely Recovery of Costs Associated with Joint Petitioners’ Participation in Such Ancillary Services Market,” **Indiana** Utility Regulatory Commission, Cause No. 43426. Confidential direct testimony submitted August 6, 2008. Confidential direct testimony in opposition to Settlement Agreement submitted November 12, 2008.

“In The Matter of the Application of The Detroit Edison Company for Authority to Increase Its Rates, Amend Its Rate Schedules and Rules Governing the Distribution and Supply of Electric Energy, and for Miscellaneous Accounting Authority,” **Michigan** Public Service Commission, Case No. U-15244. Direct testimony submitted July 15, 2008. Rebuttal testimony submitted August 8, 2008.

“Portland General Electric General Rate Case Filing,” Public Utility Commission of **Oregon**, Docket No. UE-197. Direct testimony submitted July 9, 2008. Surrebuttal testimony submitted September 15, 2008.

“In the Matter of PacifiCorp, dba Pacific Power, 2009 Transition Adjustment Mechanism, Schedule 200, Cost-Based Supply Service,” Public Utility Commission of **Oregon**, Docket No. UE-199. Reply testimony submitted June 23, 2008. Joint testimony in support of stipulation submitted September 4, 2008.

“2008 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-072300 and UG-072301. Response testimony submitted May 30, 2008. Cross-Answer testimony submitted July 3, 2008. Joint testimony in support of partial

stipulations submitted July 3, 2008 (gas rate spread/rate design), August 12, 2008 (electric rate spread/rate design), and August 28, 2008 (revenue requirements). Cross examined September 3, 2008.

“Verified Petition of Duke Energy Indiana, Inc. Requesting the Indiana Utility Regulatory Commission to Approve an Alternative Regulatory Plan Pursuant to the Ind. Code 8-1-2.5, Et Seq., for the Offering of Energy Efficiency Conservation, Demand Response, and Demand-Side Management Programs and Associated Rate Treatment Including Incentives Pursuant to a Revised Standard Contract Rider No. 66 in Accordance with Ind. Code 8-1-2.5-1 Et Seq. and 8-1-2-42(a); Authority to Defer Program Costs Associated with Its Energy Efficiency Portfolio of Programs; Authority to Implement New and Enhanced Energy Efficiency Programs in Its Energy Efficiency Portfolio of Programs; and Approval of a Modification of the Fuel Adjustment Clause Earnings and Expense Tests,” **Indiana** Utility Regulatory Commission, Cause No. 43374. Confidential direct testimony submitted May 21, 2008 and October 27, 2008. Testimony withdrawn pursuant to stipulation, but re-submitted June 1, 2010. Confidential supplemental direct testimony submitted June 10, 2010. Application withdrawn by Duke Energy Indiana, June 2010.

“Cinergy Corp., Duke Energy Ohio, Inc., Cinergy Power Investments, Inc., Generating Facilities LLCs,” **Federal Energy Regulatory Commission**, Docket No. EC-08-78-000. Affidavit filed May 14, 2008.

“Application of Entergy Gulf States, Inc. for Authority to Change Rates and to Reconcile Fuel Costs, Public Utility Commission of **Texas**, Docket No. 34800 [SOAH Docket No. 473-08-0334]. Direct testimony submitted April 11, 2008. Testimony withdrawn pursuant to stipulation.

“Central Illinois Light Company d/b/a AmerenCILCO Proposed General Increase in Electric Delivery Service Rates, Central Illinois Public Service Company d/b/a AmerenCIPS Proposed General Increase in Electric Delivery Service Rates, Illinois Power Company d/b/a/ AmerenIP Proposed General Increase in Electric Delivery Service Rates, Central Illinois Light Company d/b/a AmerenCILCO, Proposed General Increase in Gas Delivery Service Rates, Central Illinois Public Service Company d/b/a AmerenCIPS Proposed General Increase in Gas Delivery Service Rates, Illinois Power Company d/b/a/ AmerenIP Proposed General Increase in Gas Delivery Service Rates,” **Illinois** Commerce Commission, Docket Nos. 07-0585, 07-0586, 07-0587, 07-0588, 07-0589, 07-0590. Direct testimony submitted March 14, 2008. Rebuttal testimony submitted April 8, 2008.

“In the Matter of the Application of Public Service Company of Colorado for Authority to Implement an Enhanced Demand Side Management Cost Adjustment Mechanism to Include Current Recovery and Incentives,” **Colorado** Public Utilities Commission, Docket No. 07A-420E. Answer testimony submitted March 10, 2008. Cross examined April 25, 2008.

“An Investigation of the Energy and Regulatory Issues in Section 50 of Kentucky’s 2007 Energy Act,” **Kentucky** Public Service Commission, Administrative Case No. 2007-00477. Direct

testimony submitted February 29, 2008. Supplemental direct testimony submitted April 1, 2008. Cross examined April 30, 2008.

“In the Matter of the Application of Tucson Electric Power Company for the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on the Fair Value of Its Operations throughout the State of Arizona,” **Arizona** Corporation Commission, Docket No. E-01933A-07-0402. Direct testimony submitted February 29, 2008 (revenue requirement), March 14, 2008 (rate design), and June 12, 2008 (settlement agreement). Cross examined July 14, 2008.

“Commonwealth Edison Company Proposed General Increase in Electric Rates,” **Illinois** Commerce Commission, Docket No. 07-0566. Direct testimony submitted February 11, 2008. Rebuttal testimony submitted April 8, 2008.

“In the Matter of the Application of Questar Gas Company to File a General Rate Case,” **Utah** Public Service Commission, Docket No. 07-057-13. Direct testimony submitted January 28, 2008 (test period), March 31, 2008 (rate of return), April 21, 2008 (revenue requirement), and August 18, 2008 (cost of service, rate spread, rate design). Rebuttal testimony submitted September 22, 2008 (cost of service, rate spread, rate design). Surrebuttal testimony submitted May 12, 2008 (rate of return) and October 7, 2008 (cost of service, rate spread, rate design). Cross examined February 8, 2008 (test period), May 21, 2008 (rate of return), and October 15, 2008 (cost of service, rate spread, rate design).

“In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations, Consisting of a General Rate Increase of Approximately \$161.2 Million Per Year, and for Approval of a New Large Load Surcharge,” **Utah** Public Service Commission, Docket No. 07-035-93. Direct testimony submitted January 25, 2008 (test period), April 7, 2008 (revenue requirement), and July 21, 2008 (cost of service, rate design). Rebuttal testimony submitted September 3, 2008 (cost of service, rate design). Surrebuttal testimony submitted May 23, 2008 (revenue requirement) and September 24, 2008 (cost of service, rate design). Cross examined February 7, 2008 (test period).

“In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Increase Rates for Distribution Service, Modify Certain Accounting Practices and for Tariff Approvals,” Public Utilities Commission of **Ohio**, Case Nos. 07-551-EL-AIR, 07-552-EL-ATA, 07-553-EL-AAM, and 07-554-EL-UNC. Direct testimony submitted January 10, 2008.

“In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Utility Service Rates in Wyoming, Consisting of a General Rate Increase of Approximately \$36.1 Million per Year, and for Approval of a New Renewable Resource Mechanism and Marginal Cost Pricing Tariff,” **Wyoming** Public Service Commission, Docket

No. 20000-277-ER-07. Direct testimony submitted January 7, 2008. Cross examined March 6, 2008.

“In the Matter of the Application of Idaho Power Company for Authority to Increase Its Rates and Charges for Electric Service to Electric Customers in the State of Idaho,” **Idaho** Public Utilities Commission, Case No. IPC-E-07-8. Direct testimony submitted December 10, 2007. Cross examined January 23, 2008.

“In The Matter of the Application of Consumers Energy Company for Authority to Increase Its Rates for the Generation and Distribution Of Electricity and Other Relief,” **Michigan** Public Service Commission, Case No. U-15245. Direct testimony submitted November 6, 2007. Rebuttal testimony submitted November 20, 2007.

“In the Matter of Montana-Dakota Utilities Co., Application for Authority to Establish Increased Rates for Electric Service,” **Montana** Public Service Commission, Docket No. D2007.7.79. Direct testimony submitted October 24, 2007.

“In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 334,” **New Mexico** Public Regulation Commission, Case No. 07-0077-UT. Direct testimony submitted October 22, 2007. Rebuttal testimony submitted November 19, 2007. Cross examined December 12, 2007.

“In The Matter of Georgia Power Company’s 2007 Rate Case,” **Georgia** Public Service Commission, Docket No. 25060-U. Direct testimony submitted October 22, 2007. Cross examined November 7, 2007.

“In the Matter of the Application of Rocky Mountain Power for an Accounting Order to Defer the Costs Related to the MidAmerican Energy Holdings Company Transaction,” **Utah** Public Service Commission, Docket No. 07-035-04; “In the Matter of the Application of Rocky Mountain Power, a Division of PacifiCorp, for a Deferred Accounting Order To Defer the Costs of Loans Made to Grid West, the Regional Transmission Organization,” Docket No. 06-035-163; “In the Matter of the Application of Rocky Mountain Power for an Accounting Order for Costs related to the Flooding of the Powerdale Hydro Facility,” Docket No. 07-035-14. Direct testimony submitted September 10, 2007. Surrebuttal testimony submitted October 22, 2007. Cross examined October 30, 2007.

“In the Matter of General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc.,” **Kentucky** Public Service Commission, Case No. 2006-00472. Direct testimony submitted July 6, 2007. Supplemental direct testimony submitted March 18, 2008.

“In the Matter of the Application of Sempra Energy Solutions for a Certificate of Convenience and Necessity for Competitive Retail Electric Service,” **Arizona** Corporation Commission, Docket No. E-03964A-06-0168. Direct testimony submitted July 3, 2007. Rebuttal testimony submitted January 17, 2008 and February 7, 2007.

“Application of Public Service Company of Oklahoma for a Determination that Additional Electric Generating Capacity Will Be Used and Useful,” **Oklahoma** Corporation Commission, Cause No. PUD 200500516; “Application of Public Service Company of Oklahoma for a Determination that Additional Baseload Electric Generating Capacity Will Be Used and Useful,” Cause No. PUD 200600030; “In the Matter of the Application of Oklahoma Gas and Electric Company for an Order Granting Pre-Approval to Construct Red Rock Generating Facility and Authorizing a Recovery Rider,” Cause No. PUD200700012. Responsive testimony submitted May 21, 2007. Cross examined July 26, 2007.

“Application of Nevada Power Company for Authority to Increase Its Annual Revenue Requirement for General Rates Charged to All Classes of Electric Customers and for Relief Properly Related Thereto,” Public Utilities Commission of **Nevada**, Docket No. 06-11022. Direct testimony submitted March 14, 2007 (Phase III – revenue requirements) and March 19, 2007 (Phase IV – rate design). Cross examined April 10, 2007 (Phase III – revenue requirements) and April 16, 2007 (Phase IV – rate design).

“In the Matter of the Application of Entergy Arkansas, Inc. for Approval of Changes in Rates for Retail Electric Service,” **Arkansas** Public Service Commission, Docket No. 06-101-U. Direct testimony submitted February 5, 2007. Surrebuttal testimony submitted March 26, 2007.

“Monongahela Power Company and The Potomac Edison Company, both d/b/a Allegheny Power – Rule 42T Application to Increase Electric Rates and Charges,” Public Service Commission of **West Virginia**, Case No. 06-0960-E-42T; “Monongahela Power Company and The Potomac Edison Company, both d/b/a Allegheny Power – Information Required for Change of Depreciation Rates Pursuant to Rule 20,” Case No. 06-1426-E-D. Direct and rebuttal testimony submitted January 22, 2007.

“In the Matter of the Tariffs of Aquila, Inc., d/b/a Aquila Networks-MPS and Aquila Networks-L&P Increasing Electric Rates for the Services Provided to Customers in the Aquila Networks-MPS and Aquila Networks-L&P Missouri Service Areas,” **Missouri** Public Service Commission, Case No. ER-2007-0004. Direct testimony submitted January 18, 2007 (revenue requirements) and January 25, 2007 (revenue apportionment). Supplemental direct testimony submitted February 27, 2007.

“In the Matter of the Filing by Tucson Electric Power Company to Amend Decision No. 62103, **Arizona** Corporation Commission, Docket No. E-01933A-05-0650. Direct testimony submitted January 8, 2007. Surrebuttal testimony filed February 8, 2007. Cross examined March 8, 2007.

“In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Company’s Missouri Service Area,” **Missouri** Public Service Commission, Case No. ER-2007-0002. Direct testimony submitted December 15, 2006 (revenue requirements) and December 29, 2006 (fuel adjustment

clause/cost-of-service/rate design). Rebuttal testimony submitted February 5, 2007 (cost-of-service). Surrebuttal testimony submitted February 27, 2007. Cross examined March 21, 2007.

“In the Matter of Application of The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky, Inc. for an Adjustment of Electric Rates,” **Kentucky** Public Service Commission, Case No. 2006-00172. Direct testimony submitted September 13, 2006.

“In the Matter of Appalachian Power Company’s Application for Increase in Electric Rates,” **Virginia** State Corporation Commission, Case No. PUE-2006-00065. Direct testimony submitted September 1, 2006. Cross examined December 7, 2006.

“In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property for Ratemaking Purposes, to Fix a Just and Reasonable Rate of Return Thereon, To Approve Rate Schedules Designed to Develop Such Return, and to Amend Decision No. 67744, **Arizona** Corporation Commission,” Docket No. E-01345A-05-0816. Direct testimony submitted August 18, 2006 (revenue requirements) and September 1, 2006 (cost-of-service/rate design). Surrebuttal testimony submitted September 27, 2006. Cross examined November 7, 2006.

“Re: The Tariff Sheets Filed by Public Service Company of Colorado with Advice Letter No 1454 – Electric,” **Colorado** Public Utilities Commission, Docket No. 06S-234EG. Answer testimony submitted August 18, 2006.

“Portland General Electric General Rate Case Filing,” Public Utility Commission of **Oregon**, Docket No. UE-180. Direct testimony submitted August 9, 2006. Joint testimony regarding stipulation submitted August 22, 2006.

“2006 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-060266 and UG-060267. Response testimony submitted July 19, 2006. Joint testimony regarding stipulation submitted August 23, 2006.

“In the Matter of PacifiCorp, dba Pacific Power & Light Company, Request for a General Rate Increase in the Company’s Oregon Annual Revenues,” Public Utility Commission of **Oregon**, Docket No. UE-179. Direct testimony submitted July 12, 2006. Joint testimony regarding stipulation submitted August 21, 2006.

“Petition of Metropolitan Edison Company for Approval of a Rate Transition Plan,” **Pennsylvania** Public Utilities Commission, Docket Nos. P-00062213 and R-00061366; “Petition of Pennsylvania Electric Company for Approval of a Rate Transition Plan,” Docket Nos. P-0062214 and R-00061367; Merger Savings Remand Proceeding, Docket Nos. A-110300F0095 and A-110400F0040. Direct testimony submitted July 10, 2006. Rebuttal testimony submitted August 8, 2006. Surrebuttal testimony submitted August 18, 2006. Cross examined August 30, 2006.

“In the Matter of the Application of PacifiCorp for approval of its Proposed Electric Rate Schedules & Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 06-035-21. Direct testimony submitted June 9, 2006 (Test Period). Surrebuttal testimony submitted July 14, 2006.

“Joint Application of Questar Gas Company, the Division of Public Utilities, and Utah Clean Energy for the Approval of the Conservation Enabling Tariff Adjustment Option and Accounting Orders,” **Utah** Public Service Commission, Docket No. 05-057-T01. Direct testimony submitted May 15, 2006. Rebuttal testimony submitted August 8, 2007. Cross examined September 19, 2007.

“Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS, Illinois Power Company d/b/a AmerenIP, Proposed General Increase in Rates for Delivery Service (Tariffs Filed December 27, 2005),” **Illinois** Commerce Commission, Docket Nos. 06-0070, 06-0071, 06-0072. Direct testimony submitted March 26, 2006. Rebuttal testimony submitted June 27, 2006.

“In the Matter of Appalachian Power Company and Wheeling Power Company, both dba American Electric Power,” Public Service Commission of **West Virginia**, Case No. 05-1278-E-PC-PW-42T. Direct and rebuttal testimony submitted March 8, 2006.

“In the Matter of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota,” **Minnesota** Public Utilities Commission, Docket No. G-002/GR-05-1428. Direct testimony submitted March 2, 2006. Rebuttal testimony submitted March 30, 2006. Cross examined April 25, 2006.

“In the Matter of the Application of Arizona Public Service Company for an Emergency Interim Rate Increase and for an Interim Amendment to Decision No. 67744,” **Arizona** Corporation Commission, Docket No. E-01345A-06-0009. Direct testimony submitted February 28, 2006. Cross examined March 23, 2006.

“In the Matter of the Applications of Westar Energy, Inc. and Kansas Gas and Electric Company for Approval to Make Certain Changes in Their Charges for Electric Service,” State Corporation Commission of **Kansas**, Case No. 05-WSEE-981-RTS. Direct testimony submitted September 9, 2005. Cross examined October 28, 2005.

“In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Recover Costs Associated with the Construction and Ultimate Operation of an Integrated Combined Cycle Electric Generating Facility,” Public Utilities Commission of **Ohio**,” Case No. 05-376-EL-UNC. Direct testimony submitted July 15, 2005. Cross examined August 12, 2005.

“In the Matter of the Filing of General Rate Case Information by Tucson Electric Power

Company Pursuant to Decision No. 62103,” **Arizona** Corporation Commission, Docket No. E-01933A-04-0408. Direct testimony submitted June 24, 2005.

“In the Matter of Application of The Detroit Edison Company to Unbundle and Realign Its Rate Schedules for Jurisdictional Retail Sales of Electricity,” **Michigan** Public Service Commission, Case No. U-14399. Direct testimony submitted June 9, 2005. Rebuttal testimony submitted July 1, 2005.

“In the Matter of the Application of Consumers Energy Company for Authority to Increase Its Rates for the Generation and Distribution of Electricity and Other Relief,” **Michigan** Public Service Commission, Case No. U-14347. Direct testimony submitted June 3, 2005. Rebuttal testimony submitted June 17, 2005.

“In the Matter of Pacific Power & Light, Request for a General Rate Increase in the Company’s Oregon Annual Revenues,” Public Utility Commission of **Oregon**, Docket No. UE 170. Direct testimony submitted May 9, 2005. Surrebuttal testimony submitted June 27, 2005. Joint testimony regarding partial stipulations submitted June 2005, July 2005, and August 2005.

“In the Matter of the Application of Trico Electric Cooperative, Inc. for a Rate Increase,” **Arizona** Corporation Commission, Docket No. E-01461A-04-0607. Direct testimony submitted April 13, 2005. Surrebuttal testimony submitted May 16, 2005. Cross examined May 26, 2005.

“In the Matter of the Application of PacifiCorp for Approval of its Proposed Electric Service Schedules and Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 04-035-42. Direct testimony submitted January 7, 2005.

“In the Matter of the Application by Golden Valley Electric Association, Inc., for Authority to Implement Simplified Rate Filing Procedures and Adjust Rates,” Regulatory Commission of **Alaska**, Docket No. U-4-33. Direct testimony submitted November 5, 2004. Cross examined February 8, 2005.

“Advice Letter No. 1411 - Public Service Company of Colorado Electric Phase II General Rate Case,” **Colorado** Public Utilities Commission, Docket No. 04S-164E. Direct testimony submitted October 12, 2004. Cross-answer testimony submitted December 13, 2004. Testimony withdrawn January 18, 2005, following Applicant’s withdrawal of testimony pertaining to TOU rates.

“In the Matter of Georgia Power Company’s 2004 Rate Case,” **Georgia** Public Service Commission, Docket No. 18300-U. Direct testimony submitted October 8, 2004. Cross examined October 27, 2004.

“2004 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-040641 and UG-040640. Response testimony submitted September 23, 2004. Cross-answer testimony submitted November 3, 2004. Joint testimony regarding stipulation submitted December 6, 2004.

“In the Matter of the Application of PacifiCorp for an Investigation of Interjurisdictional Issues,” **Utah** Public Service Commission, Docket No. 02-035-04. Direct testimony submitted July 15, 2004. Cross examined July 19, 2004.

“In the Matter of an Adjustment of the Gas and Electric Rates, Terms and Conditions of Kentucky Utilities Company,” **Kentucky** Public Service Commission, Case No. 2003-00434. Direct testimony submitted March 23, 2004. Testimony withdrawn pursuant to stipulation entered May 2004.

“In the Matter of an Adjustment of the Gas and Electric Rates, Terms and Conditions of Louisville Gas and Electric Company,” **Kentucky** Public Service Commission, Case No. 2003-00433. Direct testimony submitted March 23, 2004. Testimony withdrawn pursuant to stipulation entered May 2004.

“In the Matter of the Application of Idaho Power Company for Authority to Increase Its Interim and Base Rates and Charges for Electric Service,” **Idaho** Public Utilities Commission, Case No. IPC-E-03-13. Direct testimony submitted February 20, 2004. Rebuttal testimony submitted March 19, 2004. Cross examined April 1, 2004.

“In the Matter of the Applications of the Ohio Edison Company, the Cleveland Electric Illuminating Company and the Toledo Edison Company for Authority to Continue and Modify Certain Regulatory Accounting Practices and Procedures, for Tariff Approvals and to Establish Rates and Other Charges, Including Regulatory Transition Charges Following the Market Development Period,” Public Utilities Commission of **Ohio**, Case No. 03-2144-EL-ATA. Direct testimony submitted February 6, 2004. Cross examined February 18, 2004.

“In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes, To Fix a Just and Reasonable Rate of Return Thereon, To Approve Rate Schedules Designed to Develop Such Return, and For Approval of Purchased Power Contract,” **Arizona** Corporation Commission, Docket No. E-01345A-03-0437. Direct testimony submitted February 3, 2004. Rebuttal testimony submitted March 30, 2004. Direct testimony regarding stipulation submitted September 27, 2004. Responsive / Clarifying testimony regarding stipulation submitted October 25, 2004. Cross examined November 8-10, 2004 and November 29-December 3, 2004.

“In the Matter of Application of the Detroit Edison Company to Increase Rates, Amend Its Rate Schedules Governing the Distribution and Supply of Electric Energy, etc.,” **Michigan** Public Service Commission, Case No. U-13808. Direct testimony submitted December 12, 2003 (interim request) and March 5, 2004 (general rate case).

“In the Matter of PacifiCorp’s Filing of Revised Tariff Schedules,” Public Utility Commission of **Oregon**, Docket No. UE-147. Joint testimony regarding stipulation submitted August 21, 2003.

“Petition of PSI Energy, Inc. for Authority to Increase Its Rates and Charges for Electric Service, etc.,” **Indiana** Utility Regulatory Commission, Cause No. 42359. Direct testimony submitted August 19, 2003. Cross examined November 5, 2003.

“In the Matter of the Application of Consumers Energy Company for a Financing Order Approving the Securitization of Certain of its Qualified Cost,” **Michigan** Public Service Commission, Case No. U-13715. Direct testimony submitted April 8, 2003. Cross examined April 23, 2003.

“In the Matter of the Application of Arizona Public Service Company for Approval of Adjustment Mechanisms,” **Arizona** Corporation Commission, Docket No. E-01345A-02-0403. Direct testimony submitted February 13, 2003. Surrebuttal testimony submitted March 20, 2003. Cross examined April 8, 2003.

“Re: The Investigation and Suspension of Tariff Sheets Filed by Public Service Company of Colorado, Advice Letter No. 1373 – Electric, Advice Letter No. 593 – Gas, Advice Letter No. 80 – Steam,” **Colorado** Public Utilities Commission, Docket No. 02S-315 EG. Direct testimony submitted November 22, 2002. Cross-answer testimony submitted January 24, 2003.

“In the Matter of the Application of The Detroit Edison Company to Implement the Commission’s Stranded Cost Recovery Procedure and for Approval of Net Stranded Cost Recovery Charges,” **Michigan** Public Service Commission, Case No. U-13350. Direct testimony submitted November 12, 2002.

“Application of South Carolina Electric & Gas Company: Adjustments in the Company’s Electric Rate Schedules and Tariffs,” Public Service Commission of **South Carolina**, Docket No. 2002-223-E. Direct testimony submitted November 8, 2002. Surrebuttal testimony submitted November 18, 2002. Cross examined November 21, 2002.

“In the Matter of the Application of Questar Gas Company for a General Increase in Rates and Charges,” **Utah** Public Service Commission, Docket No. 02-057-02. Direct testimony submitted August 30, 2002. Rebuttal testimony submitted October 4, 2002.

“The Kroger Co. v. Dynegy Power Marketing, Inc.,” **Federal Energy Regulatory Commission**, EL02-119-000. Confidential affidavit filed August 13, 2002.

“In the matter of the application of Consumers Energy Company for determination of net stranded costs and for approval of net stranded cost recovery charges,” **Michigan** Public Service Commission, Case No. U-13380. Direct testimony submitted August 9, 2002. Rebuttal testimony submitted August 30, 2002. Cross examined September 10, 2002.

“In the Matter of the Application of Public Service Company of Colorado for an Order to Revise Its Incentive Cost Adjustment,” **Colorado** Public Utilities Commission, Docket 02A-158E. Direct testimony submitted April 18, 2002.

“In the Matter of the Generic Proceedings Concerning Electric Restructuring Issues,” **Arizona** Corporation Commission, Docket No. E-00000A-02-0051, “In the Matter of Arizona Public Service Company’s Request for Variance of Certain Requirements of A.A.C. R14-2-1606,” Docket No. E-01345A-01-0822, “In the Matter of the Generic Proceeding Concerning the Arizona Independent Scheduling Administrator,” Docket No. E-00000A-01-0630, “In the Matter of Tucson Electric Power Company’s Application for a Variance of Certain Electric Competition Rules Compliance Dates,” Docket No. E-01933A-02-0069, “In the Matter of the Application of Tucson Electric Power Company for Approval of its Stranded Cost Recovery,” Docket No. E-01933A-98-0471. Direct testimony submitted March 29, 2002 (APS variance request); May 29, 2002 (APS Track A proceeding/market power issues); and July 28, 2003 (Arizona ISA). Rebuttal testimony submitted August 29, 2003 (Arizona ISA). Cross examined June 21, 2002 (APS Track A proceeding/market power issues) and September 12, 2003 (Arizona ISA).

“In the Matter of Savannah Electric & Power Company’s 2001 Rate Case,” **Georgia** Public Service Commission, Docket No. 14618-U. Direct testimony submitted March 15, 2002. Cross examined March 28, 2002.

“Nevada Power Company’s 2001 Deferred Energy Case,” Public Utilities Commission of **Nevada**, PUCN 01-11029. Direct testimony submitted February 7, 2002. Cross examined February 21, 2002.

“2001 Puget Sound Energy Interim Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-011570 and UE-011571. Direct testimony submitted January 30, 2002. Cross examined February 20, 2002.

“In the Matter of Georgia Power Company’s 2001 Rate Case,” **Georgia** Public Service Commission, Docket No. 14000-U. Direct testimony submitted October 12, 2001. Cross examined October 24, 2001.

“In the Matter of the Application of PacifiCorp for Approval of Its Proposed Electric Rate Schedules and Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 01-35-01. Direct testimony submitted June 15, 2001. Rebuttal testimony submitted August 31, 2001.

“In the Matter of Portland General Electric Company’s Proposal to Restructure and Reprice Its Services in Accordance with the Provisions of SB 1149,” Public Utility Commission of **Oregon**, Docket No. UE-115. Direct testimony submitted February 20, 2001. Rebuttal testimony submitted May 4, 2001. Joint testimony regarding stipulation submitted July 27, 2001.

“In the Matter of the Application of APS Energy Services, Inc. for Declaratory Order or Waiver of the Electric Competition Rules,” **Arizona** Corporation Commission, Docket No. E-01933A-00-0486. Direct testimony submitted July 24, 2000.

“In the Matter of the Application of Questar Gas Company for an Increase in Rates and Charges,” **Utah** Public Service Commission, Docket No. 99-057-20. Direct testimony submitted April 19, 2000. Rebuttal testimony submitted May 24, 2000. Surrebuttal testimony submitted May 31, 2000. Cross examined June 6 & 8, 2000.

“In the Matter of the Application of Columbus Southern Power Company for Approval of Electric Transition Plan and Application for Receipt of Transition Revenues,” Public Utility Commission of **Ohio**, Case No. 99-1729-EL-ETP; “In the Matter of the Application of Ohio Power Company for Approval of Electric Transition Plan and Application for Receipt of Transition Revenues,” Public Utility Commission of **Ohio**, Case No. 99-1730-EL-ETP. Direct testimony prepared, but not submitted pursuant to settlement agreement effected May 2, 2000.

“In the Matter of the Application of FirstEnergy Corp. on Behalf of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company for Approval of Their Transition Plans and for Authorization to Collect Transition Revenues,” Public Utility Commission of **Ohio**, Case No. 99-1212-EL-ETP. Direct testimony prepared, but not submitted pursuant to settlement agreement effected April 11, 2000.

“2000 Pricing Process,” **Salt River Project** Board of Directors, oral comments provided March 6, 2000 and April 10, 2000.

“Tucson Electric Power Company vs. Cyprus Sierrita Corporation,” **Arizona** Corporation Commission, Docket No. E-000001-99-0243. Direct testimony submitted October 25, 1999. Cross examined November 4, 1999.

“Application of Hildale City and Intermountain Municipal Gas Association for an Order Granting Access for Transportation of Interstate Natural Gas over the Pipelines of Questar Gas Company for Hildale, Utah,” **Utah** Public Service Commission, Docket No. 98-057-01. Rebuttal testimony submitted August 30, 1999.

“In the Matter of the Application by Arizona Electric Power Cooperative, Inc. for Approval of Its Filing as to Regulatory Assets and Transition Revenues,” **Arizona** Corporation Commission, Docket No. E-01773A-98-0470. Direct testimony submitted July 30, 1999. Cross examined February 28, 2000.

“In the Matter of the Application of Tucson Electric Power Company for Approval of its Plan for Stranded Cost Recovery,” **Arizona** Corporation Commission, Docket No. E-01933A-98-0471; “In the Matter of the Filing of Tucson Electric Power Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.,” Docket No. E-01933A-97-0772; “In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona,” Docket No.

RE-00000C-94-0165. Direct testimony submitted June 30, 1999. Rebuttal testimony submitted August 6, 1999. Cross examined August 11-13, 1999.

“In the Matter of the Application of Arizona Public Service Company for Approval of its Plan for Stranded Cost Recovery,” **Arizona** Corporation Commission, Docket No. E-01345A-98-0473; “In the Matter of the Filing of Arizona Public Service Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.,” Docket No. E-01345A-97-0773; “In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona,” Docket No. RE-00000C-94-0165. Direct testimony submitted June 4, 1999. Rebuttal testimony submitted July 12, 1999. Cross examined July 14, 1999.

“In the Matter of the Application of Tucson Electric Power Company for Approval of its Plan for Stranded Cost Recovery,” **Arizona** Corporation Commission, Docket No. E-01933A-98-0471; “In the Matter of the Filing of Tucson Electric Power Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.,” Docket No. E-01933A-97-0772; “In the Matter of the Application of Arizona Public Service Company for Approval of its Plan for Stranded Cost Recovery,” Docket No. E-01345A-98-0473; “In the Matter of the Filing of Arizona Public Service Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.,” Docket No. E-01345A-97-0773; “In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona,” Docket No. RE-00000C-94-0165. Direct testimony submitted November 30, 1998.

“Hearings on Pricing,” **Salt River Project** Board of Directors, written and oral comments provided November 9, 1998.

“Hearings on Customer Choice,” **Salt River Project** Board of Directors, written and oral comments provided June 22, 1998; June 29, 1998; July 9, 1998; August 7, 1998; and August 14, 1998.

“In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona,” **Arizona** Corporation Commission, Docket No. U-0000-94-165. Direct and rebuttal testimony filed January 21, 1998. Second rebuttal testimony filed February 4, 1998. Cross examined February 25, 1998.

“In the Matter of Consolidated Edison Company of New York, Inc.’s Plans for (1) Electric Rate/Restructuring Pursuant to Opinion No. 96-12; and (2) the Formation of a Holding Company Pursuant to PSL, Sections 70, 108, and 110, and Certain Related Transactions,” **New York** Public Service Commission, Case 96-E-0897. Direct testimony filed April 9, 1997. Cross examined May 5, 1997.

“In the Matter of the Petition of Sunnyside Cogeneration Associates for Enforcement of Contract Provisions,” **Utah** Public Service Commission, Docket No. 96-2018-01; “In the Matter of the Application of Rocky Mountain Power for an Order Approving an Amendment to Its Power Purchase Agreement with Sunnyside Cogeneration Associates,” Docket Nos. 05-035-46, and 07-035-99. Direct testimony submitted July 8, 1996. Oral testimony provided March 18, 2008.

“In the Matter of the Application of PacifiCorp, dba Pacific Power & Light Company, for Approval of Revised Tariff Schedules and an Alternative Form of Regulation Plan,” **Wyoming** Public Service Commission, Docket No. 20000-ER-95-99. Direct testimony submitted April 8, 1996.

“In the Matter of the Application of Mountain Fuel Supply Company for an Increase in Rates and Charges,” **Utah** Public Service Commission, Case No. 95-057-02. Direct testimony submitted June 19, 1995. Rebuttal testimony submitted July 25, 1995. Surrebuttal testimony submitted August 7, 1995.

“In the Matter of the Investigation of the Reasonableness of the Rates and Tariffs of Mountain Fuel Supply Company,” **Utah** Public Service Commission, Case No. 89-057-15. Direct testimony submitted July 1990. Surrebuttal testimony submitted August 1990.

“In the Matter of the Review of the Rates of Utah Power and Light Company pursuant to The Order in Case No. 87-035-27,” **Utah** Public Service Commission, Case No. 89-035-10. Rebuttal testimony submitted November 15, 1989. Cross examined December 1, 1989 (rate schedule changes for state facilities).

“In the Matter of the Application of Utah Power & Light Company and PC/UP&L Merging Corp. (to be renamed PacifiCorp) for an Order Authorizing the Merger of Utah Power & Light Company and PacifiCorp into PC/UP&L Merging Corp. and Authorizing the Issuance of Securities, Adoption of Tariffs, and Transfer of Certificates of Public Convenience and Necessity and Authorities in Connection Therewith,” **Utah** Public Service Commission, Case No. 87-035-27; Direct testimony submitted April 11, 1988. Cross examined May 12, 1988 (economic impact of UP&L merger with PacifiCorp).

“In the Matter of the Application of Mountain Fuel Supply Company for Approval of Interruptible Industrial Transportation Rates,” **Utah** Public Service Commission, Case No. 86-057-07. Direct testimony submitted January 15, 1988. Cross examined March 30, 1988.

“In the Matter of the Application of Utah Power and Light Company for an Order Approving a Power Purchase Agreement,” **Utah** Public Service Commission, Case No. 87-035-18. Oral testimony delivered July 8, 1987.

“Cogeneration: Small Power Production,” **Federal Energy Regulatory Commission**, Docket No. RM87-12-000. Statement on behalf of State of Utah delivered March 27, 1987, in San Francisco.

“In the Matter of the Investigation of Rates for Backup, Maintenance, Supplementary, and Standby Power for Utah Power and Light Company,” **Utah** Public Service Commission, Case No. 86-035-13. Direct testimony submitted January 5, 1987. Case settled by stipulation approved August 1987.

“In the Matter of the Application of Sunnyside Cogeneration Associates for Approval of the Cogeneration Power Purchase Agreement,” **Utah** Public Service Commission, Case No. 86-2018-01. Rebuttal testimony submitted July 16, 1986. Cross examined July 17, 1986.

“In the Matter of the Investigation of Demand-Side Alternatives to Capacity Expansion for Electric Utilities,” **Utah** Public Service Commission, Case No. 84-999-20. Direct testimony submitted June 17, 1985. Rebuttal testimony submitted July 29, 1985. Cross examined August 19, 1985.

“In the Matter of the Implementation of Rules Governing Cogeneration and Small Power Production in Utah,” **Utah** Public Service Commission, Case No. 80-999-06, pp. 1293-1318. Direct testimony submitted January 13, 1984 (avoided costs), May 9, 1986 (security for levelized contracts) and November 17, 1986 (avoided costs). Cross-examined February 29, 1984 (avoided costs), April 11, 1985 (standard form contracts), May 22-23, 1986 (security for levelized contracts) and December 16-17, 1986 (avoided costs).

## **PUBLICATIONS**

Kevin C. Higgins and Caitlin Collins, “Utility Transmission Infrastructure,” Chapter 5 in *Coastal Wind: Energy for North Carolina’s Future*. University of North Carolina, Chapel Hill: 2009.

Kevin C. Higgins, Neal Townsend, and Susannah Vale, “Utility-Related Statutory and Regulatory Barriers,” Chapter 6 in *Coastal Wind: Energy for North Carolina’s Future*. University of North Carolina, Chapel Hill: 2009.

## **OTHER RELATED ACTIVITY**

Participant, Wyoming Load Growth Collaborative, March 2008 to January 2009.

Participant, Oregon Direct Access Task Force (UM 1081), May 2003 to November 2003.

Participant, Michigan Stranded Cost Collaborative, March 2003 to March 2004.

Member, Arizona Electric Competition Advisory Group, December 2002 to December 2005.

Board of Directors, ex-officio, Desert STAR RTO, September 1999 to February 2002.

Member, Advisory Committee, Desert STAR RTO, September 1999 to February 2002. Acting Chairman, October 2000 to February 2002.

Board of Directors, Arizona Independent Scheduling Administrator Association, October 1998 to present.

Acting Chairman, Operating Committee, Arizona Independent Scheduling Administrator Association, October 1998 to June 1999.

Member, Desert Star ISO Investigation Working Groups: Operations, Pricing, and Governance, April 1997 to December 1999. Legal & Negotiating Committee, April 1999 to December 1999.

Participant, Independent System Operator and Spot Market Working Group, Arizona Corporation Commission, April 1997 to September 1997.

Participant, Unbundled Services and Standard Offer Working Group, Arizona Corporation Commission, April 1997 to October 1997.

Participant, Customer Selection Working Group, Arizona Corporation Commission, March 1997 to September 1997.

Member, Stranded Cost Working Group, Arizona Corporation Commission, March 1997 to September 1997.

Member, Electric System Reliability & Safety Working Group, Arizona Corporation Commission, November 1996 to September 1998.

Chairman, Salt Palace Renovation and Expansion Committee, Salt Lake County/State of Utah/Salt Lake City, multi-government entity responsible for implementation of planning, design, finance, and construction of an \$85 million renovation of the Salt Palace Convention Center, Salt Lake City, Utah, May 1991 to December 1994.

State of Utah Representative, Committee on Regional Electric Power Cooperation, a joint effort of the Western Interstate Energy Board and the Western Conference of Public Service Commissioners, January 1987 to December 1990.

Member, Utah Governor's Economic Coordinating Committee, January 1987 to December 1990.

Chairman, Standard Contract Task Force, established by Utah Public Service Commission to address contractual problems relating to qualifying facility sales under PURPA, March 1986 to December 1990.

Chairman, Load Management and Energy Conservation Task Force, Utah Public Service Commission, August 1985 to December 1990.

Alternate Delegate for Utah, Western Interstate Energy Board, Denver, Colorado, August 1985 to December 1990.

Articles Editor, Economic Forum, September 1980 to August 1981.

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF PENNSYLVANIA**

Application of Appalachian Utilities, Inc. for a  
Certificate of Public Convenience Evidencing the  
Pennsylvania Public Utility Commission's Approval of  
the Transfer of 40% of Outstanding and Issued Stock in  
Appalachian Utilities, Inc.

A-2024-3046068

Joint Application of Pennsylvania-American Water  
Company and Appalachian Utilities, Inc., Pursuant to  
Section 1102 of the Public Utility Code, for approval of  
(1) the transfer to American Water Works Company,  
Inc., by merger, of all property of Appalachian Utilities,  
Inc. used and useful in the public service; (2) the  
transfer to Pennsylvania-American Water Company,  
by merger, of all property of Appalachian Utilities, Inc.  
used or useful in the public service, (3) the right of  
Pennsylvania American Water Company to begin to  
offer, render, furnish and supply water service to the  
public in the Borough of Avis and Townships of Pine  
Creek and Dunnstable, Clinton County, Pennsylvania,  
and (4) the abandonment by Appalachian Utilities,  
Inc. of all water service.

A-2024-3046084

A-2024-3046092

**VERIFICATION**

I, Kevin C. Higgins, hereby state that the facts set forth in my Direct Testimony labelled OSBA Statement No. 1, and associated Exhibits, are true and correct to the best of my knowledge, information, and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: August 15, 2024

  
\_\_\_\_\_

Kevin C. Higgins

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Appalachian Utilities, Inc. for a	:	
Certificate of Public Convenience Evidencing the	:	
Pennsylvania Public Utility Commission's Approval of	:	A-2024-3046068
the Transfer of 40% of Outstanding and Issued Stock in	:	
Appalachian Utilities, Inc.	:	
	:	
Joint Application of Pennsylvania-American Water	:	
Company and Appalachian Utilities, Inc., Pursuant to	:	
Section 1102 of the Public Utility Code, for approval of	:	
(1) the transfer to American Water Works Company,	:	
Inc., by merger, of all property of Appalachian Utilities,	:	
Inc. used and useful in the public service; (2) the transfer	:	A-2024-3046084
to Pennsylvania-American Water Company,	:	A-2024-3046092
by merger, of all property of Appalachian Utilities, Inc.	:	
used or useful in the public service, (3) the right of	:	
Pennsylvania American Water Company to begin to	:	
offer, render, furnish and supply water service to the	:	
public in the Borough of Avis and Townships of Pine	:	
Creek and Dunnstable, Clinton County, Pennsylvania,	:	
and (4) the abandonment by Appalachian Utilities,	:	
Inc. of all water service.	:	

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing have been served via email (*unless otherwise noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

The Honorable Conrad A. Johnson  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
Piatt Place, Suite 220  
201 Fifth Avenue  
Pittsburgh, PA 15222  
[cojohnson@pa.gov](mailto:cojohnson@pa.gov)

Melanie J. El Atieh, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101  
[MElatieh@paoca.org](mailto:MElatieh@paoca.org)

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400 North Street  
Commonwealth Keystone Building  
Harrisburg, PA 17120  
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Pennsylvania-American Water Company  
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[erin.fure@amwater.com](mailto:erin.fure@amwater.com)

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David P. Zambito, Esquire  
Jonathan P. Nase, Esquire  
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17 North Second Street, Suite 1410  
Harrisburg, PA 17101  
[dzambito@cozen.com](mailto:dzambito@cozen.com)  
[jnase@cozen.com](mailto:jnase@cozen.com)

DATE: August 16, 2024

/s/ Sharon E. Webb

Sharon E. Webb  
Assistant Small Business Advocate  
Attorney ID No. 73995



COMMONWEALTH OF PENNSYLVANIA

September 16, 2024

The Honorable Conrad A. Johnson  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
Piatt Place, Suite 220  
201 Fifth Avenue  
Pittsburgh, PA 15222

**Re: Application of Appalachian Utilities, Inc. for a Certificate of Public Convenience Evidencing the Pennsylvania Public Utility Commission's Approval of the Transfer of 40% of Outstanding and Issued Stock in Appalachian Utilities, Inc. & Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service / Docket Nos. A-2024-3046068, A-2024-3046084, A-2024-3046092**

Dear Judge Johnson:

Enclosed please find the Surrebuttal Testimony of Kevin C. Higgins, labelled OSBA Statement No. 1-S, on behalf of the Office of Small Business Advocate ("OSBA"), in the above-captioned proceedings.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

*/s/ Sharon E. Webb*

Sharon E. Webb  
Assistant Small Business Advocate  
Attorney ID No. 73995

*Enclosures*

cc: PA PUC, Secretary Rosemary Chiavetta (Cover Letter and Certificate of Service Only)  
Kevin Higgins / Parties of Record



1                   **SURREBUTTAL TESTIMONY OF KEVIN C. HIGGINS**

2

3    **INTRODUCTION**

4    **Q.     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

5    A.     My name is Kevin C. Higgins. My business address is 111 East Broadway, Suite  
6           1200, Salt Lake City, Utah, 84111.

7    **Q.     BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8    A.     I am a Principal in the firm of Energy Strategies, LLC. Energy Strategies is a  
9           private consulting firm specializing in economic and policy analysis applicable to  
10          energy production, transportation, and consumption.

11   **Q.     ARE YOU THE SAME KEVIN C. HIGGINS WHO PREFILED DIRECT**  
12       **TESTIMONY IN THESE DOCKETS ON BEHALF OF THE**  
13       **PENNSYLVANIA OFFICE OF SMALL BUSINESS ADVOCATE**  
14       **(“OSBA”)?**

15   A.     Yes.

16   **Q.     WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

17   A.     My surrebuttal testimony responds to the Rebuttal Testimony of Pennsylvania-  
18          American Water Company (“PAWC”) witness Ms. Ashley E. Everette and the  
19          Rebuttal Testimony of Office of Consumer Advocate (“OCA”) witness Ms.  
20          Morgan N. DeAngelo

1 **RESPONSE TO MS. EVERETTE AND MS. DEANGELO**

2 **Q. PLEASE EXPLAIN THE ACQUISITION PREMIUM LIMITATION YOU**  
3 **RECOMMEND IN YOUR DIRECT TESTIMONY.**

4 A. If the Commission approves the merger and PAWC seeks to include the  
5 Appalachian acquisition in rate base in a subsequent rate case, I recommend that  
6 the acquisition premium that is eligible for inclusion in rate base be limited to  
7 34% above the depreciated original cost. This amount is derived using the  
8 Reasonableness Review Ratio (“RRR”), a valuation metric that the Commission  
9 recently adopted as a guidepost in its evaluation of Section 1329 applications.  
10 The RRR represents the ratio of fair market value to depreciated original cost of a  
11 barometer group of similarly situated investor-owned water utility companies.<sup>1</sup>  
12 According to the Bureau of Technical Utility Services Report on the RRR for the  
13 year ended December 31, 2023, the current RRR is 1.68.<sup>2</sup>

14 Consistent with prior recommendations of the OSBA, it may be  
15 reasonable to consider that 50% of the RRR in excess of 1.0 could be borne by  
16 customers in rates and any premium in excess of that borne by shareholders.  
17 Thus, an acquisition premium of 34% above depreciated original cost could be  
18 deemed reasonable for inclusion in rate base.<sup>3</sup>

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<sup>1</sup> Docket Number: M-2024-3050303, Bureau of Technical Utility Services Report on the Reasonableness Review Ratio for the Year Ended 12.31.2023, pp. 3-4.

<sup>2</sup> Docket Number: M-2024-3050303, Bureau of Technical Utility Services Report on the Reasonableness Review Ratio for the Year Ended 12.31.2023, pp. 6-8.

<sup>3</sup> My recommended 34% premium limitation is derived as follows:  $(1.68 - 1.0) \times 50\% = 0.34$ .

1 **Q. HOW DID PAWC RESPOND TO YOUR RECOMMENDED 34%**  
2 **ACQUISITION PREMIUM LIMITATION?**

3 A. Ms. Everette explains that PAWC is not proposing a rate base valuation in this  
4 proceeding and contends that no rate base determination is needed or appropriate  
5 at this time. She disagrees with limiting the potential future recovery of an  
6 acquisition that may qualify under Section 1327 to the standard developed for  
7 Section 1329 proceedings. Ms. Everette explains that the Company has not yet  
8 determined whether it will seek an acquisition adjustment under Section 1327, but  
9 notes that Section 1327 creates a rebuttable presumption that the entire amount of  
10 the purchase price is reasonable and may be included in rate base if certain  
11 conditions are met.<sup>4</sup>

12 **Q. HOW DID OCA RESPOND TO YOUR RECOMMENDED ACQUISITION**  
13 **PREMIUM LIMITATION?**

14 A. Ms. DeAngelo argues that it would be improper to apply the RRR in the manner I  
15 suggest since the RRR is intended for Section 1329 valuations, not Section 1327  
16 acquisition premiums. She also argues that the RRR should not be considered a  
17 test of presumptive reasonableness or a determination that the application is in the  
18 public interest if the transaction meets this guidepost.<sup>5</sup> Ms. DeAngelo concludes  
19 that PAWC should not be permitted to claim more than depreciated original cost  
20 in rate base in the first base rate case after closing the Appalachian transaction.<sup>6</sup>

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<sup>4</sup> Rebuttal Testimony of Ashley E. Everette, (PAWC Statement No. 3-R), p. 3.

<sup>5</sup> Rebuttal Testimony of Morgan N. DeAngelo. (OCA Statement 1R), p. 4.

<sup>6</sup> Rebuttal Testimony of Morgan N. DeAngelo. (OCA Statement 1R), p. 6.

1 **Q. WHAT IS YOUR RESPONSE TO MS. EVERETTE AND MS. DEANGELO**  
2 **ON THIS TOPIC?**

3 A. While I recognize that the RRR was designed for Section 1329 acquisitions, I  
4 suggest that it could be utilized to calculate a useful benchmark for the  
5 appropriate acquisition premium that is eligible for inclusion in rate base. I agree  
6 with Ms. DeAngelo that the RRR should not be used as a test of presumptive  
7 reasonableness. However, I suggest that RRR can be a useful metric for  
8 evaluating how any premium above depreciated original cost should be  
9 apportioned between shareholders and customers in the ratemaking process.  
10 Specifically, I recommend that limiting the acquisition premium eligible for rate  
11 base inclusion to 50% of the RRR in excess of 1.0 would appropriately balance  
12 the interests of shareholders and customers.

13 I acknowledge that PAWC has not yet proposed to include an acquisition  
14 premium associated with the Appalachian acquisition in rate base and is not  
15 seeking a rate base determination at this time. However, I recommend that the  
16 Commission adopt an acquisition premium limitation as a condition of approval  
17 in the interest of mitigating future rate impacts to PAWC's customers. While I  
18 suggest that a 34% premium is a reasonable upward limit for rate base inclusion, I  
19 do not oppose further limiting the rate base addition to depreciated original cost as  
20 Ms. DeAngelo recommends.

21 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

22 A. Yes, it does.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Appalachian Utilities, Inc. for a Certificate of Public Convenience Evidencing the Pennsylvania Public Utility Commission's Approval of the Transfer of 40% of Outstanding and Issued Stock in Appalachian Utilities, Inc.

A-2024-3046068

Joint Application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., Pursuant to Section 1102 of the Public Utility Code, for approval of (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service, (3) the right of Pennsylvania American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County, Pennsylvania, and (4) the abandonment by Appalachian Utilities, Inc. of all water service.

A-2024-3046084

A-2024-3046092

**VERIFICATION**

I, Kevin C. Higgins, hereby state that the facts set forth in my Surrebuttal Testimony labelled OSBA Statement No. 1-S are true and correct to the best of my knowledge, information, and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: September 13, 2024

  
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Kevin C. Higgins



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DATE: September 16, 2024

/s/ Sharon E. Webb

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