

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Pennsylvania-American	:	A-2025-3052745
Water Company and Corner Water Supply and	:	A-2025-3052747
Service Corporation for approval of: (1) the	:	
Transfer by sale of certain water service	:	
Facilities from Corner Water Supply and	:	
Service Corporation to Pennsylvania-American	:	
Water Company; (2) the abandonment by	:	
Corner Water Supply and Service Corporation	:	
Of water service to the public in Elk and Paint	:	
Townships, Clarion County; and (3)	:	
Pennsylvania-American Water Company's right:	:	
To begin to offer, render, furnish or supply	:	
Water service to the public in additional	:	
Portions of Elk and Paint Townships, Clarion	:	
County, Pennsylvania	:	

**INITIAL DECISION**

Before  
Emily I. DeVoe  
Administrative Law Judge

**INTRODUCTION**

This decision approves, without modification, the Joint Petition for Approval of Unanimous Settlement of All Issues (Joint Petition for Settlement or Settlement) filed and signed by the Pennsylvania-American Water Company (PAWC), the Corner Water Supply and Service Corporation (Corner Water), the Office of Consumer Advocate (OCA), and the Office of Small Business Advocate (OSBA) (collectively, Joint Petitioners).

This decision also approves, as modified by the Settlement, the Joint Application filed in this proceeding by PAWC and Corner Water (collectively, Joint Applicants), and deeming as satisfied the Protests to the Application filed by OCA and OSBA.

The Settlement represents a full settlement of all issues and concerns raised in the instant proceeding.

### HISTORY OF THE PROCEEDINGS

On December 31, 2024, PAWC and Corner Water filed an application with the Commission to request approval pursuant to Sections 1101, 1102, and 1103 of the Public Utility Code. 66 Pa.C.S. §§ 1101, 1102, 1103. Specifically, the Joint Applicants are requesting: (1) the transfer, by sale, of all assets, property, and rights of Corner Water owned and used in connection with its water system (System) to PAWC, (2) the right of PAWC to begin to offer, render, furnish and supply water service to the public in portions of Elk and Paint Townships, Clarion County, Pennsylvania, currently served by Corner, and (3) the abandonment by Corner of all water service to the public, docketed at Docket Nos. A-2025-3052745 and A-2025-3052747 (Joint Application).

Corner Water serves approximately 605 customers, of which 355 are residential, 83 are commercial, 5 are industrial, 2 are public fire service, and 160 are customers categorized as “other” (customers in two Mobile Home Park Communities). PAWC provides water service to approximately 686,789 customers throughout the Commonwealth.

By Secretarial Letter dated January 2, 2025, the Commission directed PAWC to serve copies of the application to: (1) each city, borough, town, township,

county and related planning office, which is included, in whole or in part, in the proposed service area; (2) any water or wastewater utility, municipal corporation or authority which provides water or wastewater collection, treatment, and disposal service to the public and whose service area abuts or is within one mile of the service area proposed in the application; and (3) OCA, OSBA, and the Department of Environmental Protection's central and regional offices. The Secretarial Letter also directed PAWC to publish notice of the above captioned proceeding once a week for two consecutive weeks in a newspaper having a general circulation in the area involved and file proof of publication with the Commission on or before February 3, 2025.

The Joint Application was published in the *Pennsylvania Bulletin* on January 18, 2025, and the Commission set a 16-day deadline from the publication of the notice, or by February 3, 2025, for individuals or businesses to file protests. *See* 55 Pa.B. 650 (Jan. 25, 2025).

On January 17, 2025, as authorized by the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50, OSBA filed a Notice of Intervention, Protest, and Public Statement. On January 29, 2025, OSBA filed an Amended Protest, Amended Public Statement, and Amended Notice of Intervention.

On February 12, 2025, I sent electronic mail correspondence to counsel for the Joint Applicants, OSBA, and OCA, directing the parties to submit prehearing conference memoranda on or before 12:00 P.M. on February 18, 2025.

On February 3, 2025, PAWC submitted proof showing publication of the above captioned proceeding in the *Clarion News* for two consecutive weeks, as well as a certificate of service showing PAWC served the Application on all affected municipalities and entities.

On February 13, 2025, the Office of Administrative Law Judge (OALJ) issued a Notice setting the date and time for the prehearing conference in this matter for February 19, 2025, at 11:00 A.M.

On February 14, 2025, OCA filed a Notice of Intervention and separately filed a Protest *nunc pro tunc* and Public Statement.

On February 18, 2025, I issued a Prehearing Conference Order.

On February 17, 2025, Corner Water filed its Prehearing Memorandum. On February 18, 2025, PAWC, OCA, and OSBA filed Prehearing Memoranda.

On February 19, 2025, the prehearing conference was convened as scheduled. PAWC, Corner Water, OCA, and OSBA were present and represented by counsel. The parties all agreed to be served by electronic mail. Without objection from any party, I consolidated A-2025-3052745 with A-2025-3052747 and granted OCA's request to have its Protest considered *nunc pro tunc*.

After discussion, the parties agreed to forgo the setting of a procedural schedule and schedule a status conference to be held in 45 days. On the record, I scheduled the status conference for April 8, 2025, at 10:00 a.m.

On February 19, 2025, the Commission issued a Notice, scheduling a status conference for April 8, 2025.

On February 21, 2025, I issued an Interim Order which memorialized the actions taken at the prehearing conference.

On February 21, 2025, Joint Petitioners filed a Petition for Protective Order.

On February 25, 2025, I issued the Protective Order.

On April 8, 2025, the status conference convened as scheduled. PAWC, Corner Water, OCA, and OSBA were present and represented by counsel. At the conference, the parties represented that they had made substantial progress towards a settlement, but advised they had agreed upon a procedural schedule to keep the litigation process moving forward: the Joint Applicants' direct testimony would be due April 28, 2025; the other parties' direct testimony would be due by June 2, 2025; rebuttal testimony would be due June 23, 2025; surrebuttal testimony would be due July 14, 2025; written rejoinder testimony would be due July 21, 2025; evidentiary hearings would be held on July 23 and 24, 2025; main briefs would be due August 18, 2025; and reply briefs would be due September 4, 2025.

On April 8, 2025, the Commission issued a Notice, scheduling an evidentiary hearing for July 23 and 24, 2025.

On April 9, 2025, I issued a Prehearing Order.

On April 28, 2025, Corner Water filed its direct testimony, which included a witness verification, and PAWC filed a certificate of service indicating it had served its direct testimony upon me and the other parties. PAWC's direct testimony included Statement Nos. 1-3, and supporting exhibits, and it noted on its cover page to the certificate of service that portions of Statement No. 1 and Statement No. 2 were confidential.

On May 13, 2025, counsel for Joint Petitioners contacted me advising that the parties had reached a full, unanimous settlement and requested that the litigation schedule be suspended so the parties could submit a Joint Petition for Settlement, as well as a Joint Stipulation of Fact within 30 days.

On May 14, 2025, I responded to the parties by email approving of their proposal.

On June 16, 2025, the Joint Applicants, OCA, and OSBA (collectively, Stipulating Parties) filed a Joint Stipulation for Admission of Evidence (Stipulation for Evidence), a Joint Stipulation of Fact (Stipulation of Fact),<sup>1</sup> and a Joint Petition for Approval of Unanimous Settlement of All Issues (Settlement).

On June 26, 2025, a Hearing Cancellation Notice was issued, which canceled the evidentiary hearing scheduled for July 23 and 24, 2025.

*Joint Stipulation for Admission of Evidence*

Regarding the Stipulation for Evidence, the Stipulating Parties agreed to the authenticity of and admission into the evidentiary record of the following statements and exhibits:

<b>DOCUMENT</b>	<b>DESCRIPTION</b>
PAWC Statement No. 1	Direct Testimony of Tracy J. Baer (portions <b>CONFIDENTIAL</b> ) and Exhibit TB-1 ( <b>CONFIDENTIAL</b> ), Exhibit TB-2 ( <b>CONFIDENTIAL</b> ), Exhibit TB-3, and Exhibit TB-4

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<sup>1</sup> The Stipulating Parties filed a public version and a confidential version of the Stipulation of Fact.

DOCUMENT	DESCRIPTION
PAWC Statement No. 2	Direct Testimony of Jed A. Fiscus (portions <b>CONFIDENTIAL</b> ) and Exhibit JAF-1, Exhibit JAF-2 ( <b>CONFIDENTIAL</b> ), and Exhibit JAF-3
PAWC Statement No. 3	Direct Testimony of Stacey Gress and Exhibit SDG-1
Corner Water statement No. 1	Direct Testimony of Thomas Weaver, President, of Corner Water Supply and Service Corporation

The Stipulation for Evidence was presented in conjunction with a Joint Petition for Approval of Unanimous Settlement (Settlement). Stipulation for Evidence ¶ 3. They further explained that copies of the statements and exhibits would be filed with the Commission’s Secretary’s Bureau upon approval of the Stipulation for Evidence. *Id.* at ¶ 5.

The Stipulating Parties requested the Stipulation for Evidence be adopted and the exhibits and witness statements identified in the Stipulation for Evidence be admitted into the record on the terms and conditions set forth in the Stipulation for Evidence.

On June 26, 2025, I issued an Interim Order approving and adopting the Stipulation for Evidence. In my Interim Order, I directed the parties to file all admitted statements and exhibits, along with signed verifications, with the Commission’s Secretary’s Bureau by July 3, 2025.

*Amended Joint Stipulation of Fact*

The Stipulating Parties also filed a Stipulation of Fact. In the Stipulation of Fact, the Stipulating Parties averred, because the parties reached a Settlement prior to the admission of any testimony in this matter, and in view of the need for substantial evidence supporting the decision of the Administrative Law Judge and the Commission,

the Stipulating Parties jointly stipulate to the veracity of the facts set forth in Appendix A, which is attached to the Stipulation of Fact. Stipulation of Fact ¶ 2. The Stipulating Parties explained that the Stipulation of Fact is presented in conjunction with the Settlement, which is intended to settle all issues in the above-captioned proceedings. *Id.* at ¶ 3. The Stipulating Parties requested that the Stipulation of Fact be approved and admitted into the record in this proceeding. *Id.* at ¶ 6.

On June 23, 2025, counsel for PAWC contacted me by email, advising that since filing the Stipulation of Fact, the parties discussed and agreed to the removal of the confidential designation for certain material that was included in the Joint Stipulation of Fact. Counsel informed me that the parties intended to file an Amended Stipulation of Fact which removes the confidential designations from the originally filed Joint Stipulation of Fact.

On June 30, 2025, the Stipulating Parties filed an Amended Joint Stipulation of Fact (Amended Stipulation of Fact). The Amended Stipulation of Fact explains that after filing the original Stipulation of Fact, the parties subsequently agreed to remove the confidential designation of the purchase price. Amended Stipulation of Fact ¶ 3. The Stipulated Facts are attached to the Amended Stipulation of Fact as Appendix A.

On July 9, 2025, I issued an Interim Order approving and adopting the Amended Stipulation of Fact, admitting the facts listed in the Amended Joint Stipulation of Fact into the record.

*Joint Petition for Approval of Unanimous Settlement of All Issues*

Lastly, on June 16, 2025, PAWC, Corner Water, OCA, and OSBA (collectively, Settling Parties) filed a Settlement, which is intended by the parties to fully

resolve the issues raised in the above-captioned proceedings. There were eight attachments to the Settlement: Attachment A (Joint Proposed Findings of Fact), Attachment B (Joint Proposed Conclusions of Law), Attachment C (Joint Proposed Ordering Paragraphs), Attachment D (*Pro Forma* Tariff Supplement), Attachment E (Statement in Support of PAWC), Attachment F (Statement in Support of Corner Water), Attachment G (Statement in Support of OCA), and Attachment H (Statement in Support of OSBA). The Settlement, with accompanying Statements in Support, was filed concurrently with the Stipulation for Evidence and the original Stipulation of Fact.

On July 9, 2025, I issued an Interim Order Closing the Evidentiary Record.

The record in this proceeding consists of the Amended Joint Stipulation of Fact; the witness statements and attached exhibits listed in the Stipulation for Evidence - PAWC Statement No. 1, PAWC Statement No. 2, PAWC Statement No. 3, and Corner Water Statement No. 1; all orders issued herein; and the Joint Petition for Approval of Settlement of All Issues, with Attachments.

This Initial Decision adopts the Settlement without modification as it is in the public interest.

#### DESCRIPTION AND TERMS OF SETTLEMENT

The Settlement, which is fully executed by the Joint Applicants, OCA, and OSBA, consists of 17 pages.

The essential terms of Settlement are as follows<sup>2</sup>:

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<sup>2</sup> For ease of reference, the essential terms of the Settlement, including footnotes, have been adopted using the same paragraph numbering as found in the

A. Approval of Application

23. The Joint Petitioners agree that the Commission should approve the Joint Application, as modified by this Settlement. More specifically, the Joint Petitioners agree that the Commission should:

- A. Grant PAWC's request for certificate of public convenience authority to (1) acquire Corner Water's water system assets (the "System") (the acquisition is referred to herein as the "Transaction"); and (2) to begin to offer, render, furnish or supply water service in the areas served by Corner Water.
- B. Grant Corner Water's request for certificate of public convenience authority to abandon service to its customers subject to the condition that the closing of the Transaction occurs.
- C. Grant any other approvals or certificate of public convenience authority that are appropriate, customary, or necessary under the Public Utility Code to carry out the Transaction contemplated in the Application in a lawful manner.

B. Closing

24. If PAWC and Corner Water decide to close on the Transaction in accordance with their respective contractual rights and obligations under the APA<sup>3</sup>, as amended, the closing will not take place sooner than the date of the existence of a final,

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original. Although no substantive modifications were made, the formatting, including footnote numbers, may have been slightly modified consistent with the formatting and footnote numbering found within this decision.

<sup>3</sup> "APA" is defined as the Asset Purchase Agreement.

unappealable order of the Commission approving the Application. If the closing occurs, promptly after the closing date, PAWC and Corner Water will file a joint letter in the docket evidencing that the closing occurred and the date it occurred and serve such letter on the statutory advocates.

25. If PAWC and Corner Water elect not to close on the Transaction, promptly after the date the decision was made not to close the Transaction, (a) PAWC will file a letter in this docket and serve it on the parties to this proceeding explaining the reasons why the Transaction would not be consummated notwithstanding the existence of a final, unappealable order of the Commission approving the Application; and (b) Corner Water will file a letter in the docket stating its intention to continue to serve its customers.

#### C. System Enhancement Commitments

26. PAWC will interconnect and integrate the System into PAWC's Clarion regional water system as soon as reasonably possible following the closing date but no later than within eighteen (18) months following the date of the Pennsylvania Department of Environmental Protection's ("DEP") issuance of the permit for the interconnect construction.

27. Within five (5) years of the closing date, PAWC will replace all meters within the System.

28. As part of its integration of the System with PAWC's Clarion regional water system, PAWC will install SCADA<sup>4</sup> improvements to allow for continuous, remote monitoring of the System. The timeframe for the installation of

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<sup>4</sup> "SCADA" is defined as Supervisory Control and Data Acquisition.

SCADA improvements will correspond with the timeframe for the integration and tie-in of the System to PAWC's Clarion regional water system as established in paragraph 26 above.

29. As soon as reasonably possible following the closing date but no later than twelve (12) months following closing date, PAWC will complete a thorough review of the System's security matters. Necessary upgrades identified in the review to improve safety, and security will be implemented as soon as reasonably possible but no later than three (3) months from the date the necessary upgrades were identified.

30. As soon as reasonably possible following the closing date but no later than twelve (12) months following closing date, PAWC will ensure uninterrupted power is available to critical infrastructure within the System.

31. PAWC will investigate the feasibility of applying for a PENNVEST grant or loan for all eligible system improvements relating to the enhancements described in paragraphs 26 through 30 above and any other upgrade identified in PAWC's tentative five-year plan for upgrades to the Corner Water system totaling over four million, three hundred thousand (\$4,300,000.00) dollars (*see*, PAWC's Attachment A-8-a to TUS Set 1 in this proceeding) and will agree to share information relating to such investigation with OCA in its next rate case.

#### D. Tariff

32. The *pro forma* water tariff supplement attached as Appendix D to the Settlement should be permitted to become effective immediately upon the closing date.

33. In addition, PAWC should be authorized to implement on customer bills for the formerly Corner Water customers all other miscellaneous fees and charges (for example, a turn on fee at time of service reconnection), and the rules and regulations regarding conditions of PAWC's water service, as reflected in PAWC's prevailing water tariff, effective at and after the closing date.

E. Distribution System Improvement Charge ("DSIC")

34. The DSIC provisions of PAWC's effective water tariff will apply to the former Corner Water customers in the System no sooner than the effective date of new rates established by a final order in the first base rate case in which the System is included. Additionally, PAWC will not seek to recover investments in the System in its DSIC until PAWC applies the DSIC to System customers.

F. Rates

35. PAWC will adopt Corner Water's existing Commission-approved base rates, which shall become effective at the time of the closing date. The Transaction will have no immediate effect on the base rates for water service to be charged to PAWC's and Corner Water's existing customers, except for the miscellaneous fees and charges that are permitted to be charged to the former Corner Water customers in accordance with PAWC's tariff and paragraph 33 above. Base rates for the Corner Water customers will not change until the effective date of new rates established by a final order in the first base rate case in which the System is included.

36. Except as explicitly agreed upon in this Settlement, nothing contained herein or in the Commission's approval of the Application shall preclude any Joint Petitioner from asserting any position or raising any issue in other PAWC proceedings. This includes, but is not limited to, the rights of OCA and OSBA to address

and make other proposals for System rate base and rates in PAWC's future rate cases, appeals, and remands.

37. Any claim by PAWC to recover Transaction and closing costs associated with the acquisition of the System will not include costs incurred by Corner Water. OCA and OSBA reserve their rights to challenge the reasonableness, prudence, and basis for PAWC's Transaction and closing cost claims in the rate filing where they are claimed.

#### G. Low Income Program Outreach

38. Within the first billing cycle following the closing date, PAWC shall provide a bill insert to System customers regarding PAWC's low-income programs (including but not limited to Bill Discount and Arrearage Management) and customer payment arrangement programs. The bill insert shall include, at a minimum, a description of the available low-income programs, eligibility requirements for participation in the programs, and PAWC's, OCA's and OSBA's contact information. PAWC, OCA, and OSBA agree to discuss the specific language and placement of contact information after the submission of this Settlement but before the finalization of the bill insert.

39. Within the first thirty (30) days of the closing date, PAWC shall provide a welcome letter to System customers that includes information about bill payment options; identifies locations where customers can pay in-person for no additional fee, which are reasonably proximate to the areas served by the System; provides the information listed in Paragraph 38 above about the Company's low-income programs and customer payment arrangement programs; and identifies resources promoting water efficiency. PAWC will track and report to OCA the number of former Corner Water customers who signed up for PAWC's low-income program after six

months or at the next low-income collaborative meeting, whichever is sooner. PAWC will track and report to OSBA the number of formerly Corner Water commercial customers who received a commercial payment arrangement after six months or at the next low-income collaborative meeting, whichever is sooner.

#### H. Commercial Payment Arrangements

40. Effective on the closing date, the System's commercial customers will be eligible to seek participation in PAWC's formal program for payment arrangements for commercial customers. The formal program offers a standard six (6) month payment plan to payment-troubled commercial customers, which can be extended on a case-by-case basis by PAWC in its discretion. PAWC will maintain a written internal policy of this formal program for payment arrangements for commercial customers going forward.

Settlement ¶¶ 23-40.

Notably, the Settlement sets forth the customary provisions that the Settlement is made without prejudice to each party's litigation position; that it is conditioned upon the Commission's approval without modification; that the parties agree to waive the filing of exceptions if the Commission approves the Settlement without modification; and that if the Commission fails to grant approval or modifies any material term or condition of the Settlement, any party may elect to withdraw from the Settlement upon written notice to the Commission and the other parties within five business days and the Settlement will be of no force and effect. Additionally, attached to the Settlement as **Attachments F-H** are the Settling Parties' Statements in Support which contend that the Settlement is in the public interest. *See* Settlement ¶ 45.

## AMENDED JOINT STIPULATION OF FACT

The Settling Parties submitted their Amended Joint Stipulation of Fact, which was approved, adopted, and entered into the record by Interim Order dated July 9, 2025. The Settling Parties agreed to the following<sup>5</sup>:

### PARTIES

1. Pennsylvania-American Water Company (“PAWC”) is a subsidiary of American Water Works Company, Inc. (“American Water”). It is the largest regulated public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania, engaged in the business of collecting, treating, storing, supplying, distributing, and selling water to the public, and collecting, treating, transporting, and disposing of wastewater for the public. PAWC St. No. 1, p. 8.

2. Corner Water Supply and Service Corporation (“Corner Water”) is a regulated public utility corporation organized and existing under the laws of the Commonwealth of Pennsylvania engaged in treating, storing, supplying, distributing, and providing water service within portions of Elk and Paint Townships, Clarion County. Corner Water St. No. 1, p. 2.

3. The Office of Consumer Advocate (“OCA”) is a Commonwealth agency created by Act 161 of 1976 to represent the interests of consumers before the Pennsylvania Public Utility Commission (“Commission”). 71 P.S. § 309-2.

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<sup>5</sup> For ease of reference, Appendix A of the Amended Joint Stipulation of Fact has been reproduced here using the same paragraph numbering as found in the original. Although no substantive modifications were made, the formatting may have been slightly modified.

4. The Office of Small Business Advocate (“OSBA”) is a Commonwealth agency created by Act 181 of 1988 to represent the interests of small businesses before the Commission. 73 P.S. § 399.41.

#### THE CORNER WATER SYSTEM

5. Corner Water’s water distribution, production wells and treatment systems (the “System”) consists of two wells, a treatment plant, two finished water storage tanks, and a distribution network. It is a ground water system utilizing two wells and all sources are classified as groundwater. PAWC St. No. 1, p. 10; PAWC St. No. 2, pp. 3-4.

6. The System uses a water softening technology for treatment, which is costly to operate due to the amount of salt required for regeneration of the resin. Corner Water St. No. 1, pp. 2-3.

7. The System has approximately 605 customers, of which 355 are residential, 83 are commercial, 5 are industrial, 2 are public fire service, and 160 are “other” (customers in two mobile home park communities). Corner Water St. No. 1, p. 2.

8. Corner Water’s current water rates include a monthly service charge based on meter size (\$16.88 for a 5/8-inch meter), which includes the first 1,000 gallons of usage. Consumption charges after the first 1,000 gallons include a usage charge of \$1.151 per 100 gallons for the next 9,000 gallons, a second block rate of \$0.987 per hundred gallons for usage over 10,000 gallons per month, and a third block rate of \$0.784 per hundred gallons for all usage over 120,000 gallons. PAWC St. No. 3, p. 7.

9. Corner Water has three (3) employees: their president, who is sixty-five (65) years old, an office manager who is seventy (70) years old, and another

employee who is sixty-four (64) years old. No associates have the desire to own Corner Water. Corner Water St. No. 1, p. 3.

## PAWC'S SYSTEM

10. As of October 31, 2024, PAWC furnished water service to approximately 686,798 customers. Joint Application, ¶ 6.

11. As of October 31, 2024, PAWC furnished wastewater service to approximately 98,632 customers. Joint Application, ¶ 6.

## THE TRANSACTION

12. Corner Water and PAWC are not affiliated entities. They engaged in arm's length negotiations to reach an agreement on an asset purchase agreement ("APA"). PAWC St. No. 1, p. 7.

13. On September 25, 2024, Corner Water and PAWC entered into the APA for the transfer of substantially all the assets, properties, and rights of the System to PAWC (the "Transaction"). PAWC St. No. 1, p. 6.

14. The total purchase price for the System is \$250,000. PAWC St. No. 1, pp. 25-26.

15. The price per customer for the System is \$413, which is approximately 90% less than the average price per customer for PAWC's Commission-approved Section 1102 Transactions since 2018. PAWC St. No. 1, p. 26.

16. Corner Water's current owners desire to exit the water industry in Pennsylvania. Corner Water St. No. 1, p. 3; PAWC St. No. 1, p. 6.

#### PAWC's FITNESS

17. No party has contested PAWC's fitness.

18. PAWC has a history of complying with the Pennsylvania Public Utility Code ("Code") and other applicable laws, including environmental laws. There are no pending legal proceedings that would suggest that PAWC is not legally fit to provide service to customers of the System. PAWC St. No. 1, pp. 11-12.

19. For 2024, PAWC had total assets of approximately \$7.3 billion, an operating income of approximately \$498 million and a net income of approximately \$314 million. PAWC has the fitness to acquire the System and operate it in the public interest. PAWC St. No. 3, p. 4.

20. PAWC does not anticipate that the acquisition of the System will have a negative impact on PAWC's cashflows, credit ratings, or access to capital and, therefore, will not deteriorate in any manner PAWC's ability to continue to provide safe, adequate, and reasonable service to its existing customers at just and reasonable rates. PAWC St. No. 3, p. 6.

21. PAWC currently employs approximately 1,179 professionals with expertise in all areas of water and wastewater utility operations, including engineering, regulatory compliance, water and wastewater treatment plant operation and maintenance, distribution and collection system operation and maintenance, materials management, risk management, human resources, legal, accounting, and customer service. PAWC St. No. 1, p. 9.

## POST-CLOSING OPERATION OF THE SYSTEM

22. The System will be physically integrated into PAWC's regional Clarion Water System and served by employees from that district. PAWC St. No. 2, pp. 5-6.

23. PAWC expects to invest \$4,292,323 in the System during the first five years of ownership. PAWC Exhibit JAF-3.

24. The System will have the support of PAWC's surrounding water operations as well as PAWC's operations throughout the Commonwealth and American Water's resources. PAWC St. No. 2, p. 6.

## BENEFITS OF THE TRANSACTION

25. The Transaction will further the Commission's goals of regionalization and consolidation because PAWC will operate the System with operational, management and functional support from PAWC's Clarion District. The Transaction promotes consolidation by combining two public utilities' systems into one—following the closing of the acquisition ("Closing") PAWC will own and operate the System and Corner Water will cease to exist. A regionalized system provides for additional staffing and equipment generally, and in the event of emergencies such as a main break, will allow for faster resolution. PAWC St. No. 1, p. 17; PAWC St. No. 2, pp. 5-6.

26. The integration of the System with PAWC's Clarion system creates opportunities for functional and operational consolidation and associated efficiencies and

cost savings. Consolidating the System will reduce costs for equipment and materials and compliance monitoring. PAWC St. No. 1, pp. 17; 21-22.

27. As regulated public utilities, PAWC and Corner Water each must have tariffs, and each must file annual reports and other Commission-required filings on a regular basis. If the Transaction is approved, water service to customers of Corner Water would be provided under the rules and regulations of PAWC's tariffs, and reporting requirements would be fulfilled by PAWC rather than separate reports being filed by PAWC and Corner Water. This will conserve resources of the Commission which will no longer need to review filings from two separate public utilities. PAWC St. No. 1, p. 18.

28. Corner Water received four violations from the Pennsylvania Department of Environmental Protection ("PADEP") in the last five years. These include three monitoring and reporting violations that were resolved and closed out by PADEP. The fourth is an inspection violation from July 10, 2024, concerning Corner Water's deficient wells, that is still outstanding. PAWC will promptly address these issues and bring the System into compliance with applicable environmental laws and regulations. Corner Water St. No. 1, p. 3; PAWC St. No. 2, pp. 8-11; 20.

29. Corner Water's source of supply is limited, and their well production facilities have significant deficiencies that could easily compromise the safety and quality of drinking water provided to their customers. The Transaction will allow Corner Water to tie into PAWC's larger, more reliable system. PAWC St. No. 2, pp. 5, 9-10.

30. Integrating the System into PAWC's Clarion regional system will improve service reliability by replacing Corner Water's limited and poor-quality groundwater source, aging plant and single-point-of-failure high service pumping operation with the state-of-the-art surface water treatment plant, redundant pumping

units, and reliable floating storage of PAWC's nearby Clarion regional system. PAWC St. No. 1, pp. 14, 20, 22.

31. Corner Water's source water is supplied by two groundwater wells that are impacted by high levels of iron and manganese. These wells are prone to flooding during rain events and require new wellheads and well pit covers to reduce the potential of source water contamination. Extensive work and capital investment by Corner Water is required to make the wells floodproof. By interconnecting with PAWC's Clarion regional system, these vulnerable well supplies can be eliminated, and customers will no longer be at risk. PAWC St. No. 1, p. 23; PAWC St. No. 2, p. 4; Corner Water St. No. 1, p. 4.

32. PAWC has access to equity markets and a line of credit through American Water Capital Corp. that Corner Water does not have. PAWC St. No. 3, p. 5; Corner Water St. No. 1, pp. 3, 5.

33. PAWC will adopt Corner Water's existing tariff rates upon Closing. The rates will remain in effect until the Commission approves other rates for Corner Water's customers. PAWC St. No. 3, p. 7.

34. The System's customers will become customers of a large system and be able to share the costs of upgrading and operating the System with many other customers. PAWC St. No. 1, p. 20.

35. The Transaction will benefit Corner Water customers because low-income customers will become eligible for PAWC's low-income assistance programs. Corner Water does not have a low-income assistance program. PAWC St. No. 1, p. 21; PAWC St. No. 2, pp.18-19; PAWC St. No. 3, pp. 7-8.

36. The acquisition will have no impact on PAWC's existing customers until the first base rate case in which the System is included. PAWC St. No. 1, p. 27.

37. Because the Transaction will expand PAWC's customer base, PAWC's customers will be able to share the costs of upgrading and operating PAWC's system with a larger number of customers. PAWC St. No. 1, pp. 26-27.

38. The System's existing customers will be eligible for PAWC's customer assistance programs. Corner Water does not have a low-income assistance program. PAWC St. No. 1, p. 21; PAWC St. No. 2, pp.18-19; PAWC St. No. 3, pp. 7-8.

39. PAWC's distribution system improvement charge ("DSIC") will allow it to replace mains at a faster rate than Corner Water, which will help address the System's excessive non-revenue water rate (30%). PAWC St. No. 1, p. 23.

40. PAWC will ensure that uninterrupted power is available to critical infrastructure, which will improve the reliability of the System. PAWC St. No. 1, p. 23.

41. PAWC offers more payment options, longer hours for customer service, and greater cyber-security protection than Corner Water. PAWC St. No. 2, pp. 16-19.

42. The Transaction allows PAWC to acquire an additional system near its Clarion regional system at a very reasonable price per customer. PAWC St. No. 1, p. 25.

43. The Transaction would allow PAWC to gain approximately 605 additional water customers, most of which are current PAWC Paint-Elk sewer customers. PAWC St. No. 1, p. 25.

44. By adding more customers to the entire PAWC system, there are more customers to share future infrastructure investment costs. PAWC St. No. 1, p. 26

Amended Stipulation of Fact, Appendix A, ¶¶ 1- 44.

## LEGAL STANDARDS

### A. Actions Requiring a Certificate of Public Convenience

Under Section 1102 of the Public Utility Code, a public utility, only upon application and approval of the application by the Commission as evidenced by a certificate of public convenience, may undertake certain actions.

Specifically, Section 1102(a) of the Code requires an application and Commission approval of the following:

(1) For any public utility to begin to offer render, furnish or supply within this Commonwealth service of a different nature or to a different territory than that authorized by:

(i) A certificate of public convenience granted under this part or under the former provisions of the act of July 26, 1913 (P.L.1374, No.854), known as "The Public Service Company Law," or the act of May 28, 1937 (P.L.1053, No.286), known as the "Public Utility Law."

(ii) An unregistered right, power or privilege preserved by section 103 (relating to prior rights preserved).

(2) For any public utility to abandon or surrender, in whole or in part, any service, except that this provision is

not applicable to discontinuance of service to a patron for nonpayment of a bill, or upon request of a patron.

(3) For any public utility or an affiliated interest of a public utility to acquire from, or to transfer to, any person or corporation, including a municipal corporation, by any method or device whatsoever, including the sale or transfer of stock and including a consolidation, merger, sale or lease, the title to, or the possession or use of, any tangible or intangible property used or useful in the public service.

66 Pa.C.S. § 1102(a). The acquisition proposed under the Joint Petition is within the scope of Section 1102(a)(1)-(3) of the Code.

When a certificate of public convenience is required under Section 1102, pursuant to Section 1103(a) of the Code, 66 Pa.C.S. § 1103(a), the Commission may issue the certificate only upon a finding or determination that the granting of such certificate is “necessary or proper for the service, accommodation, convenience, or safety of the public.”

The Pennsylvania Supreme Court has explained the Commission, in issuing a certificate of public convenience, must find that a proposed transaction would “affirmatively promote the ‘service, accommodation, convenience, or safety of the public’ in some substantial way.” *City of York v. Pa. Pub. Util. Comm’n*, 295 A.2d 825, 828 (Pa. 1972) (*City of York*); *see also, Popowsky v. Pa. Pub. Util. Comm’n*, 937 A.2d 1040, 1057 (Pa. 2007) (when addressing the issue of affirmative public benefits “the appropriate legal framework requires a reviewing court to determine whether substantial evidence supports the Commission's finding that a merger will affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way”). In addition, Section 1103(a) allows the Commission to impose upon its issuance of a certificate of public convenience “such conditions as it may deem to be just and reasonable.” 66 Pa.C.S. § 1103(a).

## B. Burden of Proof

Since Joint Applicants are the parties that filed the Application at issue in this proceeding, the Joint Applicants have the burden of proof to establish they are entitled to the relief requested. 66 Pa.C.S. § 332(a). Pursuant to Section 1103 of the Code, Joint Applicants must show that that they are technically, legally, and financially fit to own and operate the assets of the utilities that they seek to consolidate. *Seaboard Tank Lines v. Pa. Pub. Util. Comm'n*, 502 A.2d 762 (Pa. Cmwlth. 1985); *Warminster Twp. Mun. Auth. v. Pa. Pub. Util. Comm'n*, 138 A.2d 240 (Pa. Super. 1958). As certificated public utilities, there is a rebuttable presumption that the Joint Applicants possess the requisite fitness. *South Hills Movers, Inc. v. Pa. Pub. Util. Comm'n*, 601 A.2d 1308 (Pa. Cmwlth. 1992); *see also*, 66 Pa.C.S. § 1329.

## C. Settlements

Commission policy promotes settlements. 52 Pa. Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401. The focus of inquiry for determining whether a proposed settlement should be approved is not a “burden of proof” standard, as is utilized for contested matters. *Pa. Pub. Util. Comm'n v. City of Lancaster – Bureau of Water*, Docket No. R-2010-2179103 (Opinion and Order entered July 14, 2011) (*Lancaster*). Instead, the benchmark for determining the acceptability of a settlement or partial settlement is whether the proposed terms and conditions are in the public interest. *Id.* (citing, *Warner v. GTE North, Inc.*, Docket No. C00902815 (Opinion and Order entered Apr. 1, 1996) (Warner)); *Pa. Pub. Util. Comm'n v. CS Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991). In addition, the Commission has held that parties to settled

cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. Pub. Util. Comm'n v. MXenergy Elec. Inc.*, Docket No. M-2012-2201861 (Opinion and Order entered Dec. 5, 2013).

As discussed below, this decision approves the Settlement without modification.

### PARTIES' POSITIONS ON THE SETTLEMENT

#### A. Positions of the Parties on the Settlement

Through the Joint Application, PAWC and Corner Water requested Commission approval for: (1) the transfer of Corner Water's water facilities to PAWC; (2) Corner Water's abandonment of water service in Salisbury Township, Lancaster County, PA; and (3) York Water's expansion of its service territory to include HR Water's current certificated service territory in Elk and Paint Townships in Clarion County, PA.

The Joint Petitioners agreed to a Settlement of all issues in this proceeding, including issues arising under Sections 66 Pa.C.S. §§ 1101-1103 of the Code. The Joint Petitioners submitted separate Statements in Support of the Settlement, which are attached to the Settlement, and they averred the Settlement benefits the public interest. The Joint Petitioners noted the Commission's policy to encourage settlements, as outlined in 52 Pa. Code § 5.231 and various caselaw.

The parties addressed the Settlement as a whole, but also a few specific terms: (1) Tariff/rates; (2) DSIC; (3) Low-Income Program Outreach; and (4) Commercial Payment Arrangements.

## 1. PAWC's Statement in Support of Settlement

As an initial matter, PAWC notes that Commission policy promotes settlements, and the Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. PAWC Statement in Support, pp. 2-3; 52 Pa. Code § 69.401. Additionally, PAWC avers that settlements lessen the time and expense that the parties must expend litigating a case and, at the same time, conserve administrative resources. PAWC Statement in Support, pp. 2-3. PAWC avers that the Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners and satisfies the various requirements of the Code. *Id.* at 3.

PAWC submits that it is technically, financially, and legally fit to own and operate the System. PAWC Statement in Support, pp. 3-4.

PAWC further argues the Settlement is in the best interest of the stakeholder groups impacted by the Transaction, including the sellers of the System, the System and its existing customers, PAWC as the buyer of the System, PAWC's existing customers, and the public-at-large (persons who are not customers of Corner Water or PAWC). PAWC Statement in Support, pp. 2-5.

## 2. Corner Water's Statement in Support

As an initial matter, Corner Water notes that no existing customer of Corner Water filed a protest or objection to this proposed transaction, suggesting that the people who are most familiar with the present service of Corner Water believe that the acquisition is in their best interest. Corner Water Statement in Support, p. 5. Similarly, no existing customer of PAWC filed a protest or objection to this proposed transaction, which also suggests that they believe that the acquisition is in their best interest. *Id.*

Additionally, the fact that the Settlement resolves all issues raised by all parties is, in and of itself, strong evidence that the Settlement is reasonable and in the public interest. Corner Water avers the Joint Petitioners, their counsel and experts, have considerable experience in acquisition proceedings, and their knowledge, experience and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus on the issues. *Id.* Corner Water maintains that the Joint Petitioners, their counsel, and experts fully explored the issues in this case.

Corner Water avers the Transaction is in the public interest because it will ensure enhanced water quality, stable rates, reliable operations, and better service for existing Corner Water customers. Corner Water Statement in Support, p. 6-7.

Further, Corner Water explains the Transaction will transform a struggling small utility into a sustainable part of a robust system. Corner Water, with three aging employees and no successors, faces mounting challenges: costly regulatory compliance, deficient wells cited by DEP on July 10, 2024, and an outdated infrastructure straining its limited finances. *Id.* at 7. By transferring its assets to PAWC, Corner Water avoids financial collapse and secures a sustainable future for its customers, making the transaction a clear win for the utility. *Id.* at 8.

### 3. OCA's Statement in Support

As an initial matter, OCA submits that the terms and conditions of the proposed Settlement provide a reasonable resolution of the concerns raised in OCA's protest. Those concerns included whether the acquisition satisfies the criteria for approval under Section 1103(a) of the Public Utility Code and whether conditions should be imposed to ensure the public interest standard is met. OCA Statement in Support, pp. 5-6.

OCA also identified areas where more support was needed to assess the reasonableness of the proposed transaction, including scrutinizing the claims made by the Joint Applicants about the benefits of the transaction, and sought clarity as to whether the Joint Application would result in an affirmative public benefit, and whether PAWC would seek an acquisition adjustment under Section 1327. *Id.* at 6. OCA avers it supports PAWC's acquisition of Corner Water as modified and conditioned by the terms of Settlement. *Id.*

#### 4. OSBA's Statement in Support

As an initial matter, OSBA explains that it participated in the negotiations that led to the Settlement and is a signatory to it. OSBA Statement in Support, p. 1. It avers the Settlement sets forth a comprehensive list of issues that were resolved through the negotiation process, and in OSBA's view, it provides a reasonable result and meaningful benefit to small business customers. *Id.* at 2.

### DISCUSSION

As an initial matter, all parties agree, and there is no evidence in the record to refute, that PAWC is legally, technically, and financially fit. Further, as a currently certificated utility, PAWC is presumed to be technically, financially, and legally fit to operate, absent proof to the contrary. *See, e.g., South Hills Movers, Inc. v. Pa. Pub. Util. Comm'n*, 601 A.2d 1308 (Pa. Cmwlth. 1992); *Application of Aqua Pa. Wastewater, Inc.*, 2017 Pa.P.U.C. LEXIS 163 (Order entered June 29, 2017). Therefore, I find that PAWC is legally, technically, and financially fit to own and operate Corner Water's System and to provide water service to the customers in Corner Water's service area.

As discussed above, Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. The principal issue for the Commission to consider is whether the

settlement is in the public interest. *Pa. Pub. Util. Comm'n v. MXenergy Elec. Inc.*, Docket No. M-2012-2201861 (Opinion and Order entered Dec. 5, 2013). *Pa. Pub. Util. Comm'n v. Windstream Pa., LLC*, Docket No. M-2012-2227108 (Opinion and Order entered Sept. 27, 2012); *Pa. Pub. Util. Comm'n v. CS Water and Sewer Assocs.*, Docket No. R-00881147 (Opinion and Order entered July 22, 1991).

The Joint Petitioners agree that the Settlement is in the public interest. The Settlement was achieved only after discovery, the review of Joint Applicants' written testimony, and settlement discussions and negotiations, which ultimately led to the Settlement. Furthermore, the Joint Petitioners agree they undertook significant time and effort to reach a full settlement of all issues. Both OCA and OSBA, statutory advocates tasked with representing the interests of consumers and small businesses, respectively, aver the Settlement addresses their concerns and provides affirmative public benefits.

#### The Transaction Will Produce Substantial Affirmative Public Benefits

The Transaction, as conditioned by the Settlement, will produce substantial affirmative public benefits upon closing and additional public benefits in the future. As explained in the Joint Application, the Joint Applicants' direct testimony admitted into the record, and the Amended Stipulation of Fact, the Transaction will result in numerous public benefits, including, but not limited to, continued water service in the service area by an experienced and legally fit utility, as well as additional resources, investments, and improvements in the Corner Water service area.

As an initial matter, the owners of Corner Water are not interested in continuing to provide water service and are seeking to exit its business. Amended Stipulation of Fact, Appendix A, ¶¶ 9, 16. The Settlement allows for a change in ownership in an orderly fashion so another water utility may assume responsibility for the

System and continue providing quality water service to customers in the Corner Water service area.

The Commission encourages utilities, such as PAWC, to acquire water facilities like Corner Water's water system assets. 52 Pa. Code § 69.721; Amended Joint Stipulation of Fact, Appendix A, ¶ 25. PAWC's acquisition of Corner Water's water facilities will help further consolidate the water systems in Pennsylvania, which may, with appropriate management, result in greater environmental and economic benefits to customers. The transaction, consistent with Commission policy, provides an opportunity for the water industry to institute better management practices and achieve greater economies of scale. 52 Pa. Code § 69.721.

Following the closing of the Transaction, the System will be physically integrated into PAWC's regional Clarion Water System and served by PAWC employees from that district. Amended Joint Stipulation of Fact, Appendix A, ¶ 22. The System will have the support of PAWC's surrounding water operations as well as PAWC's operations throughout the Commonwealth and American Water Works Company, Inc.'s (American Water) nationwide resources. *Id.* at ¶ 24. A regionalized system provides additional staffing and equipment generally, and in the event of emergencies such as a main break, allows for faster resolution. *Id.* at ¶ 25. Former Corner Water customers will have access to PAWC's enhanced customer service, including its customer assistance programs, extended call hours, additional bill payment options, and greater cyber-security protection than Corner Water. *See Id.* at ¶¶ 35, 38, 41.

Additionally, the Transaction promotes consolidation, which necessarily creates public benefits in the form of greater efficiencies. Consolidation conserves the resources of the Commission which will no longer need to review filings from two separate public utilities. *Id.* at ¶¶ 25, 27. Additionally, the Transaction creates opportunities for functional and operational consolidation and associated efficiencies and

cost savings. Consolidating the System will reduce costs for equipment and materials and compliance monitoring. *Id.* at ¶ 26. The Transaction will allow Corner Water’s existing customers to become part of a larger system and be able to share the costs of upgrading and operating the System with many other customers. *Id.* at ¶ 34.

The Transaction will also yield environmental benefits because it will allow PAWC, which has a record of compliance with environmental laws and regulations, to bring the System into compliance, as it has done with other water and wastewater systems it has acquired. *Id.* at ¶¶ 18, 28. Corner Water sources its water from two groundwater wells, which are impacted by high levels of iron and manganese. *Id.* at ¶ 31. The wells are at risk of potential source water contamination because they are prone to flooding during rain events and require upgrades such as new well heads and well pit covers. *Id.* Corner Water calculates that extensive work and capital investment are needed to make the wells floodproof. *Id.* Corner Water believes its well production facilities also have significant deficiencies that could compromise the safety and quality of the drinking water it supplies to its customers. *Id.* at ¶ 29. Corner Water is constrained in its ability to source its water supply, so any interruption in service due to equipment malfunction or contamination could have an immediate and adverse impact on drinking water customers. *Id.* Notably, Corner Water received four violations from the DEP in the last five years, including three monitoring and reporting violations, as well as an inspection violation from July 10, 2024, concerning Corner Water’s deficient wells which is still outstanding. *Id.* at ¶ 28.

The Settlement requires PAWC to address the unresolved DEP violations and promptly bring the System into compliance with applicable environmental laws and regulations and remedy the System’s source of supply issues by allowing integration into PAWC’s larger, more reliable system. Joint Stipulation of Fact ¶¶ 26, 28-29. Interconnecting and integrating the Corner Water System into PAWC’s Clarion regional water system is a public benefit because it promotes the availability of clean, potable

water and adequate, safe, and reasonable water service and facilities. Integrating the System into PAWC's Clarion regional system will improve service reliability by replacing the System's poor-quality groundwater source, aging plant, and single-point-of-failure high service pumping operation with the state-of-the-art surface water treatment plant, redundant pumping units, and reliable floating storage of PAWC's Clarion regional system. *Id.* at ¶ 30. Corner Water's customers will also benefit from PAWC's nearby state-certified microbiology lab which will provide bacteriological sampling and analysis to help ensure the water provided to customers will be safe. Application ¶ 21(f). Further, PAWC will ensure that uninterrupted power is available to critical infrastructure, which will improve the reliability of the System. Amended Joint Stipulation of Fact, Appendix A, ¶ 40. PAWC's DSIC will allow it to replace mains at a faster rate than Corner Water, which will help address the System's excessive non-revenue water rate (30%). *Id.* at ¶ 39.

Additionally, PAWC will bring additional resources to Corner Water's water system to improve service and System reliability. PAWC expects to invest \$4,292,323 in the System during the first five years of ownership. *Id.* at ¶ 23. The Settlement requires PAWC to: (1) interconnect the System into PAWC's Clarion regional system and install SCADA improvements as soon as reasonably possible but no later than within eighteen months following the date of the DEP issuance of the permit for the interconnect construction; (2) replace all meters within the System within five years after Closing; (3) ensure uninterrupted power is available to the System's critical infrastructure as soon as possible but no later than twelve months following Closing; and (4) complete a thorough review of the System's security matters as soon as possible but no later than twelve months following Closing and implement necessary upgrades no later than three months from the date they were identified. Settlement ¶¶ 26-30.

PAWC's commitment to investigate the feasibility of applying for a PENNVEST grant or loan for these system improvements, and other upgrades identified

in PAWC's tentative five-year plan for upgrades to the System, ensures that PAWC will investigate these alternatives for funding while also balancing the need for these upgrades to be completed within the timeframes in the Settlement, to the ultimate benefit of the System's customers. *Id.* at ¶ 31. If PAWC secures a low-interest loan or grant using PENNVEST to finance the upgrades listed above, it will benefit PAWC customers, because a lower interest rate means the total rate impact from these projects will be lower to all PAWC customers. As described above, the Corner Water system is sorely in need of upgrades, and Corner Water does not have a customer base large enough to support those upgrades and maintain just and reasonable rates. *See* OCA Statement in Support, p. 11. The Settlement represents a compromise between OCA's interest in ensuring all necessary system upgrades be installed as quickly as possible while providing PAWC with enough time to engage with the application process if it pursues financing through PENNVEST.

In addition, the Transaction will allow Corner Water's existing customers to benefit from PAWC's access to equity markets and line of credit through American Water Capital Corp., which Corner Water does not have. Amended Joint Stipulation of Fact, Appendix A, ¶ 32.

The Transaction will benefit PAWC's current customers because it will immediately add 605 new customers to PAWC's water customer base, who can share future infrastructure investment costs. *Id.* at ¶¶ 43-44. Increasing the number of customers promotes stable rates across the entire PAWC system because customers who benefit from near-term improvements will one day help pay for improvements on behalf of other customers in other parts of the PAWC system.

## Specific Settlement Terms

### *Tariff/Rates*

The Settlement terms pertaining to tariff/rates are in the public interest because PAWC commits to adopt Corner Water's rates at closing, which will not change until the effective date of new rates established by a final order in the first base rate case in which the System is included. Settlement ¶ 35. The Settlement goes on to note that PAWC will be permitted to charge miscellaneous fees and charges in accordance with PAWC's tariff, but that "Base rates for the Corner Water customers will not change until the effective date of new rates established by a final order in the first base rate case in which the System is included." *Id.* This provision will protect Corner Water's current customer base against any potential rate shock because of this transaction and provides some degree of stability against uncertainty of the kind of rate increase Corner Water would require in a future filing under current ownership.

Importantly, Corner Water's last rate increase was in 2016, and if the Transaction is not approved, Corner Water likely will have to seek a rate increase on its own. PAWC Statement No. 1 at 19. Thomas Weaver, President of Corner Water, testified that raising rates on Corner Water customers on its own to cover maintenance and regulatory compliance costs would have a "very significant" impact to its customers whereas, "a large service provider's ability to share costs and spread them between regions mitigates the potential for drastic rate increases." Corner Water St. No. 1 at 5. Mr. Weaver explained that Corner Water "does not have the luxury of spreading and sharing costs during periods of time when regulatory demands and costs increase disproportionately to rates charged." *Id.* Absent the sale of Corner Water, it is likely rates would need to be raised on customers by a significant margin to cover upgrading Corner Water's deteriorating plant operations.

The Transaction provides current Corner Water customers and PAWC customers assurance that their rates will not change upon the closing of this acquisition, which provides a sense of stability. Further, PAWC can provide customer assistance programs to help Corner Water customers mitigate any future rate increase.

#### *Distribution System Improvement Charge*

Under the terms of the settlement, PAWC will seek to apply its DSIC tariff provisions to Corner Water customers no sooner than the effective date of new rates established by a final order in the first base rate case in which the System is included. Settlement ¶ 34. Additionally, PAWC will not recover investments in the System in its DSIC until PAWC applies the DSIC to System customers. *Id.* This Settlement term protects PAWC's existing customers by helping to ensure that they will not pay for projects in the Corner Water service area through their DSIC rates until Corner Water customers are contributing toward the costs.

#### *Low Income Program Outreach*

Currently, Corner Water customers do not have access to programs to assist low-income customers to pay their monthly drinking water bills. Joint Stipulation of Fact ¶ 35. Under the Settlement, within the first billing cycle following the closing date, PAWC will provide a bill insert to System customers regarding PAWC's low-income programs, including but not limited to bill discount and arrearage management, and customer payment arrangement programs. The bill insert will include, at a minimum, a description of the available low-income programs, eligibility requirements for participation in the programs, and PAWC's, OCA's and OSBA's contact information.

PAWC, OCA, and OSBA agree to discuss the specific language and placement of contact information after the submission of this settlement but before the

finalization of the bill insert. Settlement ¶ 38. Additionally, within the first 30 days of closing, PAWC will provide a welcome letter to System customers that includes information about bill payment options; identifies locations where customers can pay in-person for no additional fee, which are reasonably proximate to the areas served by the System; and provides the information listed in the paragraph above about PAWC's low-income programs and customer payment arrangement programs. Settlement ¶ 39.

PAWC will track and report to OCA the number of former Corner Water customers who signed up for PAWC's low-income program after six months or at the next low-income collaborative meeting, whichever is sooner. *Id.* PAWC will track and report to OSBA the number of former Corner Water commercial customers who received a commercial payment arrangement after six months or at the next low-income collaborative meeting, whichever is sooner. *Id.*

This marketing and outreach effort will let Corner water customers know these programs exist and are available to help make their drinking water bill more affordable. Corner customers should have an easier time enrolling in a payment assistance program because they are current PAWC customers for wastewater service and presumably have a degree of familiarity with PAWC's workings. Amended Joint Stipulation, Appendix A ¶ 43.

These Settlement terms are designed to increase customer participation in low-income programs and ensure customers are well-informed about the resources available to them. These terms also increase PAWC's accountability to the Commission and transparency with the statutory advocates.

### *Commercial Payment Arrangements*

The Settlement provides that, effective upon the closing of the Transaction, the System's commercial customers will be eligible to seek participation in PAWC's formal program for payment arrangements for commercial customers. Settlement ¶ 39. The program offers a standard six-month payment plan to payment-troubled commercial customers, which can be extended on a case-by-case basis by PAWC in its discretion. PAWC will maintain a written internal policy of this formal program for payment arrangements for commercial customers going forward, which will ensure that these parameters are memorialized in an internal written policy.

### Conclusion

Weighing the evidence and duly considering the positions of the Joint Petitioners, I find the Settlement is in the public interest.

I also find that the transaction affirmatively promotes the service, accommodation, convenience, and safety of the public in a substantial way, and that PAWC is technically, legally, and financially fit to own and operate the assets of the utilities set forth under the proposed transaction.

Accordingly, the Settlement is approved, without modification, and the Joint Application is approved, as modified by the Settlement in the ordering paragraphs below.

### CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. *See* 66 Pa.C.S. §§ 1101-1103.

2. A public utility must receive Commission approval before “begin[ning] to offer, render, furnish or supply within this Commonwealth service of a different nature or to a different territory than that authorized by” a certificate of public convenience or an unregistered right, power or privilege preserved by Section 103 of the Public Utility Code. 66 Pa.C.S. § 1102(a)(1).

3. A public utility must obtain Commission approval before “abandon[ing] or surrender[ing], in whole or in part, any service . . . .” 66 Pa.C.S. § 1102(a)(2).

4. The Commission’s prior approval, evidenced by a certificate of public convenience, is required:

For any public utility or an affiliated interest of a public utility . . . to acquire from, or to transfer to, any person or corporation . . . by any method or devise whatsoever, including the sale or transfer of stock and including a consolidation, merger, sale or lease, the title to, or the possession or use of, any tangible or intangible property used or useful in the public service.

66 Pa.C.S. §1102(a)(3).

5. Section 1103 of the Code sets forth the procedure to obtain certificates of public convenience under Sections 1101 and 1102 of the Code. 66 Pa.C.S. §1101-03.

6. The Commission may issue a certificate of public convenience upon a finding that “the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public.” 66 Pa.C.S. § 1103(a).

7. In transactions involving the merger or acquisition of utilities, the Commission must find that the Transaction will “affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way.” *City of York v. Pa. Pub. Util. Comm’n*, 295 A.2d 825, 828 (Pa. 1972).

8. The “substantial public interest” standard is satisfied by a simple preponderance of the evidence of benefits, and such burden can be met by showing a likelihood or probability of public benefits that need not be quantified or guaranteed. *Popowsky v. Pa. Pub. Util. Comm’n*, 937 A.2d 1040 (Pa. 2007).

9. The substantial public benefit test does not require that every customer receives a benefit from the proposed transaction. *Popowsky v. Pa. Pub. Util. Comm’n*, 937 A.2d 1040 (Pa. 2007).

10. To obtain a certificate of public convenience under Sections 1102 and 1103 of the Code, the Joint Applicants must demonstrate that the utility is legally, technically, and financially fit. *See Seaboard Tank Lines v. Pa. Pub. Util. Comm’n*, 502 A.2d 762 (Pa. Cmwlth. 1985); *Warminster Twp. Mun. Auth. v. Pa. Pub. Util. Comm’n*, 138 A.2d 240 (Pa. Super. 1958).

11. Certificated public utilities are presumed to be technically, financially, and legally fit to operate, absence proof to the contrary. *See, e.g., South Hills Movers, Inc. v. Pa. Pub. Util. Comm’n*, 601 A.2d 1308 (Pa. Cmwlth. 1992); *Application of Aqua Pa. Wastewater, Inc.*, 2017 Pa.P.U.C. LEXIS 163 (Order entered June 29, 2017).

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

13. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

14. The decision of the Commission must be supported by substantial evidence. 2 Pa.C.S. § 704.

15. The terms and conditions of the Settlement are supported by substantial evidence and are in the public interest.

ORDER

THEREFORE,

IT IS ORDERED,

1. That the Joint Petition for Approval of Unanimous Settlement filed in this proceeding by Pennsylvania-American Water Company, Corner Water Supply and Service Corporation, the Office of Consumer Advocate, and the Office of Small Business Advocate is approved without modification.

2. That the Joint Application of Pennsylvania-American Water Company and Corner Water Supply and Service Corporation under Sections 1120(a)(1)-(3) of the Public Utility Code, for approval of (1) the transfer, by sale, of all assets, property, and rights of Corner Water owned and used in connection with its water system (System) to PAWC, (2) the right of PAWC to begin to offer, render, furnish and supply water service to the public in portions of Elk and Paint Townships, Clarion County, Pennsylvania, currently served by Corner, and (3) the abandonment by Corner of all water service to the public, docketed at Docket Nos. A-2025-3052745 and A-2025-3052747 is approved, as modified by the Joint Petition for Approval of Unanimous Settlement filed in this proceeding.

