

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

Public Meeting held October 9, 2025

Commissioners Present:

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

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, for :  
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 treatment :  
plant and collection system owned and :  
operated by the Elizabeth Borough :  
Municipal Authority, (2) the rights of :  
Pennsylvania-American Water Company to :  
begin to offer or furnish wastewater service :  
to the public in the Borough of Elizabeth, :  
and portions of the Borough of Lincoln, and :  
the Townships of Elizabeth and Forward, in :  
Allegheny County, Pennsylvania :  
A-2025-3052983

## **ORDER**

BY THE COMMISSION:

We adopt as our action the Recommended Decision of Administrative Law Erin L. Gannon and Administrative Law Judge Steven K. Haas dated August 22, 2025;

THEREFORE,

IT IS ORDERED:

1. That the Joint Petition for Non-Unanimous Settlement of All Issues as submitted at Docket No. A-2025-3052983, including all terms and conditions thereof, is hereby approved without modification.

2. That the Application of Pennsylvania-American Water Company filed in this matter on January 28, 2025, as amended, and as further modified by the Joint Petition for Non-Unanimous Settlement of All Issues, is hereby approved.

3. That within ten (10) days after the closing of the Pennsylvania-American Water Company's acquisition of the Elizabeth Borough Municipal Authority wastewater system, Pennsylvania-American Water Company shall file notice of closing of the transaction with the Commission at this docket.

4. That the Commission issue Certificates of Public Convenience under 66 Pa.C.S. § 1102(a) and 1103(a) evidencing Commission approval of (i) the transfer, by sale, of substantially all of the assets, properties and rights related to the wastewater collection and treatment system owned by Elizabeth Borough Municipal Authority to Pennsylvania-American Water Company, and (ii) the right of Pennsylvania-American

Water Company to begin to offer, render, furnish and supply wastewater service in the areas served by the wastewater collection and treatment system owned by Elizabeth Borough Municipal Authority.

5. That the Commission permit Pennsylvania-American Water Company to issue compliance tariff supplements, consistent with the *pro forma* tariff supplement submitted with the Application as Appendix A-12, including all rates, rules and regulations regarding conditions of Pennsylvania-American Water Company's wastewater service, to become effective immediately upon closing.

6. That, in the first base rate case that includes System assets:

a. Pennsylvania-American Water Company will propose to move the System closer to Pennsylvania-American Water Company's Rate Zone 2 system-average wastewater rates consistent with principles of gradualism to avoid rate shock.

b. Pennsylvania-American Water Company will not propose to increase rates for the Elizabeth Borough Municipal Authority zone more than 30% of Elizabeth Borough Municipal Authority's rates in effect at closing in Pennsylvania-American Water Company's first base rate case in which the System is included. Pennsylvania-American Water Company also will not propose to increase rates for the Elizabeth Borough Municipal Authority zone more than 60% of Elizabeth Borough Municipal Authority's rates in effect at closing in Pennsylvania-American Water Company's second base rate case in which the System is included.

c. Pennsylvania-American Water Company may agree to rates other than those proposed for System customers in the context of a settlement of the base rate case.

d. The Office of Consumer Advocate, Bureau of Investigation and Enforcement, and Office of Small

Business Advocate reserve their rights to address Pennsylvania-American Water Company's rate proposals fully, and to make other rate proposals. The Commission has ultimate ratemaking authority to set just and reasonable rates and, notwithstanding anything to the contrary contained in Ordering Paragraph 6, the Parties may enter into a settlement of the base rate case, whether full or partial and whether unanimous or non-unanimous, on reasonable terms and conditions.

e. Pennsylvania-American Water Company will propose to limit any Section 1311(c), 66 Pa.C.S. § 1311(c), shift of a revenue requirement deficiency related to Elizabeth Borough Municipal Authority's operations to no more than is needed to achieve the proposed rates as provided for in Ordering Paragraph 6.b.

7. That Pennsylvania-American Water Company will use \$27,138,703 as the ratemaking rate base for the acquired System.

8. That Pennsylvania-American Water Company may record the acquisition at the net value of the assets (i.e., the Commission-approved ratemaking rate base of the acquired assets), consistent with generally accepted accounting principles.

9. That any goodwill resulting from this transaction that is included on the balance sheet of Pennsylvania-American Water Company shall be excluded from its rate base. Therefore, financing costs for the goodwill will not be recovered in rates.

10. That the difference between the purchase price and the allowed rate base will not be recovered in rate base nor via amortization from Pennsylvania-American Water Company's existing customers or from Elizabeth Borough Municipal Authority's current customers.

11. That Pennsylvania-American Water Company will not include System-related investments in its DSIC until Pennsylvania-American Water Company collects a DSIC from System customers. Pennsylvania-American Water Company may collect a DSIC from System customers upon (i) Pennsylvania-American Water Company's filing of an amended wastewater Long-Term Infrastructure Improvement Plan including the System, which does not re-prioritize other existing commitments in other service areas; (ii) the Commission's approval of the Amended LTIP, as may be modified in the discretion of the Commission; and (iii) Pennsylvania-American Water Company's filing of a compliance tariff supplement which incorporates the System into Pennsylvania-American Water Company's DSIC tariff, including all customer safeguards applicable thereto, no later than the next quarterly DSIC filing after Commission approval of the Amended LTIP. Pennsylvania-American Water Company will file an Amended LTIP with the Commission within 270 days of closing.

12. That the Application includes a request that (i) Pennsylvania-American Water Company be permitted to accrue AFUDC for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes, and (ii) Pennsylvania-American Water Company be permitted to defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes. Any claims for AFUDC and deferred depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes will be addressed in Pennsylvania-American Water Company's first base rate case that includes System assets. The Joint Petitioners reserve their rights to litigate their positions fully in future rate cases when these issues are ripe for review.

13. That, if Pennsylvania-American Water Company and Elizabeth Borough Municipal Authority decide to close on the transaction in accordance with their respective contractual rights and obligations under the APA, the closing will not take place

sooner than the date of the existence of a final, unappealable order of the Commission approving the Application.

14. That the Application includes a request that Pennsylvania-American Water Company be permitted to claim transaction and closing costs associated with the acquisition of the System. The Joint Petitioners do not contest these requests in this proceeding, but they reserve their rights to litigate their positions fully in future rate cases when this issue is ripe for review. In a future rate case when these costs are claimed, Pennsylvania-American Water Company will clearly set out and identify all transaction and closing costs associated with this matter.

15. That outside legal fees, if any, included in Pennsylvania-American Water Company's transaction and closing costs under the APA shall be separately identified in Pennsylvania-American Water Company's next base rate case, and OCA, I&E, and OSBA reserve the right to challenge the reasonableness, prudence, and basis for such costs.

16. That any claim by Pennsylvania-American Water Company to recover transaction and closing costs associated with the transaction will not include costs incurred by Elizabeth Borough Municipal Authority.

17. That the Commission issue Certificates of Filing or approval pursuant to 66 Pa.C.S. § 507 for:

- a. The APA dated January 24, 2023, by and between the Elizabeth Borough Municipal Authority and Pennsylvania-American Water Company;
- b. First Amendment to Asset Purchase Agreement, dated July 5, 2023, by and between the Elizabeth Borough Municipal Authority and Pennsylvania-American Water Company;

c. Service Agreement dated January 25, 2000, by and between the Borough of Elizabeth and the Sanitary Authority of Elizabeth Township;

d. Fallen Timber Run Watershed Area Interceptor Sewer Project Agreement between the Borough of Elizabeth, Elizabeth Borough Municipal Authority, the Township of Forward, the Township of Elizabeth, and the Sanitary Authority of Elizabeth Township;

e. Agreement dated December 15, 1987, by and between the Borough of Elizabeth, Elizabeth Borough Municipal Authority and the Borough of Lincoln;

f. Agreement dated November 26, 1957, by and between Borough of Elizabeth, Elizabeth Borough Municipal Authority, the Township of Elizabeth and Sanitary Authority of Elizabeth Township;

g. Agreement dated January 23, 1958, by and between Borough of Elizabeth, Elizabeth Borough Municipal Authority and the Township of Forward; and

h. Pro Forma Lease Agreement by and between the Elizabeth Borough Municipal Authority and Pennsylvania-American Water Company.

18. That, in the first base rate case that includes the System's assets, Pennsylvania-American Water Company will submit a cost of service study that removes all costs and revenues associated with the operation of the System.

19. That, in the first base rate case that includes the System's assets, Pennsylvania-American Water Company will also provide a separate cost of service study for the System.

20. That Pennsylvania-American Water Company, pursuant to its voluntary settlement commitment, contribute a total of \$100,000 to its Hardship Fund

either (1) in installments over the five-year period after closing, or (2) as a one-time contribution within 60 days after closing. This contribution is in addition to Pennsylvania-American Water Company's funding commitments to the Hardship Fund in its last base rate proceeding at Docket No. R-2023-3043189, et al.

21. That, immediately after closing, Elizabeth Borough Municipal Authority's customers will become eligible for all Pennsylvania-American Water Company payment options and customer programs.

22. That, within the first billing cycle following closing, Pennsylvania-American Water Company shall include a bill insert to System customers regarding its low income programs and shall include such information in a welcome letter to System customers. The bill insert and welcome letter shall include, at a minimum, a description of the available low income programs, eligibility requirements for participation in the programs, and Pennsylvania-American Water Company's contact information. Pennsylvania-American Water Company will also conduct ongoing, targeted outreach to its Elizabeth Borough Municipal Authority-area wastewater customers regarding its low income programs.

23. That the welcome letter will be sent within the first 30 days of closing and will also include information about payment options (including low-income programs, eligibility requirements, Pennsylvania-American Water Company contact information) and in-person bill payment locations reasonably proximate to the areas served by the System. The welcome letter shall also include notice language referring customers to Pennsylvania-American Water Company's website (including the link) where a customer can find the rate impact range. Unless Pennsylvania-American Water Company and the OCA agree to work together on a different timeline, within 15 days of a final order in this proceeding, Pennsylvania-American Water Company will provide the OCA with a copy of the draft welcome letter; OCA will provide any suggestions to Pennsylvania-American Water

Company within 10 days of receipt; and Pennsylvania-American Water Company, in good faith, will consider incorporation of OCA's suggestions.

24. That every six months for a period of two years following closing, Pennsylvania-American Water Company will track the number of Elizabeth Borough Municipal Authority's customers that are (1) potentially eligible to enroll in Pennsylvania-American Water Company's CAP; and (2) who are enrolled in Pennsylvania-American Water Company's CAP. Pennsylvania-American Water Company will provide and present this information on a timely basis to the regularly held meetings of Pennsylvania-American Water Company's Customer Assistance Advisory Group. Pennsylvania-American Water Company will also present this information, as available at the time, in its first base rate case in which the Elizabeth Borough Municipal Authority System is included. The information will be in a format showing the potential eligibility and enrollment data broken down by six-month increments starting from the time of closing through and until the time of filing the rate case. Potential eligibility will be based on U.S. Census data.

25. That, pursuant to the APA, Elizabeth Borough Municipal Authority is to use commercially reasonable efforts to obtain all easements prior to closing, so that they may be transferred to Pennsylvania-American Water Company at closing. The APA also requires Elizabeth Borough Municipal Authority to commence condemnation proceedings to obtain all missing easements that it can, prior to closing. Finally, the APA created a Missing Easement Escrow (funded in the amount of \$2,000 per missing easement) to secure Elizabeth Borough Municipal Authority's obligations concerning easements that were not obtained as of closing. Elizabeth Borough Municipal Authority is required to diligently pursue the missing easements for two years after closing. After two years, the portion of the Missing Easement Escrow Fund that compensates Elizabeth Borough Municipal Authority for the missing easements obtained after closing is to be released to Elizabeth Borough Municipal Authority, with the balance being released to Pennsylvania-

American Water Company to compensate it for the missing easements not obtained after closing.

26. That Pennsylvania-American Water Company will investigate the feasibility of applying for a PENNVEST grant or loan for all eligible system improvements relating to the Long Term Control Plan and any other upgrade identified in the Company's tentative plan for upgrades to the Elizabeth Borough Municipal Authority System, and will agree to share information relating to such investigation with the OCA in Pennsylvania-American Water Company's first base rate case in which the System is included upon request.

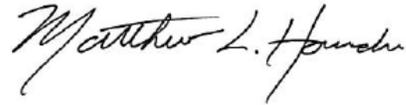
27. That the Commission issue any other approvals or certificates appropriate, customary or necessary under the Pennsylvania Public Utility Code to carry out the transactions contemplated in a lawful manner.

28. That the protest filed by Forward Township in this proceeding, is hereby denied and dismissed.

29. That the Commission's Secretary, upon the receipt of written notice from Pennsylvania-American Water Company, filed with the Secretary's Bureau notifying the Commission of the closing of the Pennsylvania-American Water Company's acquisition of the Elizabeth Borough Municipal Authority wastewater system, pursuant to

Ordering Paragraph No. 3 above, and upon the completion of Ordering Paragraph No. 5 above, mark this docket at No. A-2025-3052983 closed.

BY THE COMMISSION,

A handwritten signature in black ink, appearing to read "Matthew L. Homsher". The signature is written in a cursive style with a large initial "M".

Matthew L. Homsher  
Secretary

(SEAL)

ORDER ADOPTED: October 9, 2025

ORDER ENTERED: October 9, 2025