

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: 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 : Docket No. A-2025-3053487, *et al.*
and rights related to the wastewater system owned and :
operated by the East Coventry Township, and (2) the :
rights of Pennsylvania- American Water Company to :
begin to offer or furnish wastewater service to the :
public in the Township of East Coventry, Chester :
County, Pennsylvania :

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

Date: October 8, 2025

PAWC Statement No. 1

**DIRECT TESTIMONY OF
MARCUS KOHL**

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

2 **A.** My name is Marcus Kohl, and my business address is 852 Wesley Drive, Mechanicsburg,
3 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” or “Company”) as
7 Director of Business Development.

8

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

11 **A.** I develop and maintain necessary contacts to stay abreast of new business opportunities.
12 I manage the acquisition from initial contact, responding to Requests for Qualifications,
13 Requests for Proposals, Requests for Bids, preparation of the Application for submission
14 to the Pennsylvania Public Utility Commission (“Commission”) through the workflows
15 required to close the acquisition. These responsibilities necessitate that I maintain a
16 working knowledge of regulatory and technical developments, recent technologies and
17 current trends as they affect water and wastewater utility industries, and that I be familiar
18 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 (“DEP”). In my nearly 20 years
10 with DEP, I held roles in the Office of Water Management, including participation in the
11 development of policy, guidance, and regulations applicable to both drinking water and
12 wastewater. Much of my career with DEP was in the role of Director for the Northcentral
13 Region. In this capacity, I was responsible for all aspects of regulatory oversight for safe
14 drinking water, clean water, waste management, air quality, waterways engineering and
15 wetlands, and environmental cleanup and storage tanks programs within the 14-county
16 region. In this capacity, I supervised nearly 130 staff directly or indirectly.

17
18 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
19 **PUBLIC UTILITY COMMISSION?**

20 **A.** Yes, I have previously testified in prior Commission proceedings. The list of proceedings
21 in which I’ve provided testimony is attached.

1 DESCRIPTION OF THE APPLICATION

2 **Q. HAS PAWC FILED AN APPLICATION WITH THE COMMISSION FOR**
3 **REGULATORY APPROVAL TO ACQUIRE THE WASTEWATER SYSTEM**
4 **OWNED AND OPERATED BY EAST COVENTRY TOWNSHIP AND RELATED**
5 **APPROVALS?**

6 **A.** Yes. PAWC filed its Application on October 8, 2025 for approval of PAWC’s acquisition
7 of East Coventry Township’s (hereinafter, “East Coventry” or the “Township”) wastewater
8 system (the “System”). I will refer to the acquisition in my testimony as the “Transaction.”
9 The Application was prepared and filed under my direct supervision. As indicated in my
10 Verification attached to the Application, the Application and its numerous appendices are
11 true and correct to the best of my knowledge, information, and belief. We used PAWC
12 records, as well as the Township’s records, to prepare the Application. For purposes of
13 having a complete evidentiary record in this proceeding upon which the Commission can
14 base its decision, I submit the Application and all of its appendices (Appendices A through
15 K) as **PAWC Exhibit MK-1**. Certain appendices contain proprietary information and are,
16 therefore, labeled as **CONFIDENTIAL**.

17
18 **Q. WHAT IS PAWC SEEKING IN ITS APPLICATION?**

19 **A.** There are four requests. First, PAWC is requesting approval of the acquisition under
20 Section 1102 of the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. § 1102, similar
21 to many requests that come before the Commission. Specifically, PAWC seeks approval
22 to acquire the System and to obtain the right to begin service in the areas currently served
23 by the Township (the “Service Area”). The Application contains a *pro forma* tariff

1 supplement under which the Township’s rates at the time of closing on the Transaction
2 (“Closing”) would be adopted.

3 Second, pursuant to Act 12 of 2016, 66 Pa. C.S. § 1329 (“Section 1329”), PAWC
4 is seeking to utilize fair market value for the ratemaking rate base of the System. As
5 explained more-fully below, fair market value under Section 1329 is the lesser of the stated
6 purchase price in the Asset Purchase Agreement (“APA”), or the average of the appraisal
7 of the Township’s Utility Valuation Expert (“UVE”) and the appraisal of PAWC’s UVE.

8 Third, PAWC is seeking the accrual and deferral of certain post-acquisition
9 improvement costs. Specifically, PAWC is seeking the accrual of Allowance for Funds
10 Used During Construction (“AFUDC”) for post-acquisition improvements (which will not
11 be recovered through its Distribution System Improvement Charge (“DSIC”) for book and
12 ratemaking purposes, as well as the deferral of depreciation related to post-acquisition
13 improvements (which will not be recovered through the DSIC) for book and ratemaking
14 purposes.

15 Fourth, PAWC is seeking Certificates of Filing or approvals under Section 507 of
16 the Code, 66 Pa. C.S. § 507, for the APA and a separate municipal agreement between
17 PAWC and the Township.

18
19 **Q. IS PAWC PROPOSING THAT ITS APPLICATION BE EVALUATED USING THE**
20 **FAIR MARKET VALUE PROVISIONS OF SECTION 1329?**

21 **A.** Yes. PAWC’s Application has been prepared in accordance with the fair market value
22 provisions of Section 1329. Specifically, PAWC is requesting that the ratemaking rate

1 base related to the System be based on the lesser of the average of the UVE fair market
2 value appraisals included in the Application or the APA purchase price.

3 **Q. WHAT DOES SECTION 1329 REQUIRE TO BE INCLUDED IN THE**
4 **APPLICATION?**

5 **A.** Section 1329 requires that the Application include (1) copies of the two UVE appraisals,
6 (2) the purchase price, (3) the ratemaking rate base, (4) the transaction and closing costs,
7 and (5) the proposed tariff. However, the Commission has expanded the filing
8 requirements beyond those specifically required by the statute.

9
10 **Q. WHAT DOES THE COMMISSION REQUIRE BE INCLUDED IN A SECTION**
11 **1329 APPLICATION?**

12 **A.** In its Final Supplemental Implementation Order entered February 28, 2019, at Docket No.
13 M-2016-2543193 (“2019 FSIO”), the Commission attached as Appendix A an extensive
14 list of specific Section 1329 “Filing Requirements” for items to include with an Application
15 for it to be processed in a six-month time frame. PAWC’s Application is structured around
16 those Filing Requirements. On July 2, 2024, the Commission issued a new Final
17 Supplemental Implementation Order (“2024 FSIO”) at the same docket, which modified
18 Appendix A and adopted a new Reasonableness Review Ratio (“RRR”). **Appendix A** to
19 the Application and its sub-appendices directly address each of the Filing Requirements.

20
21 **Q. WHAT IS A REASONABLENESS REVIEW RATIO?**

22 **A.** In the 2024 FSIO, the Commission explains that the RRR is a guidepost for analyzing and
23 making a final determination on the overall prudence of Section 1329 applications. A new

1 RRR will be set annually by the Commission. On August 9, 2024, the Commission issued
2 its first Report on the Reasonableness Review Ratio at Docket No. M-2024-3050303,
3 which established an RRR of 1.68. On April 1, 2025, the Commission updated the RRR
4 to 1.63. When considering if a 1329 application is prudent, the Commission will multiply
5 the depreciated original cost (“DOC”) of a system by 1.63 and compare it to the purchase
6 price of the system.

7 **Q. DID PAWC CONDUCT AN RRR ANALYSIS OF THIS TRANSACTION?**

8 **A.** No, not in advance of executing the APA. The APA was executed on February 7, 2024,
9 which was prior to the Commission’s issuance of the 2024 FSIO, and therefore, no RRR
10 analysis is required. However, PAWC’s purchase price of \$7 million for the Township’s
11 wastewater system is significantly below the RRR thresholds of 1.68 and 1.63. As
12 calculated by PAWC’s UVE witness Weinert, the depreciated original cost of the System
13 is \$8,399,671. When multiplied by an RRR of 1.63, the RRR price threshold for the System
14 is \$13,691,463.70. In other words, the RRR price threshold exceeds PAWC’s purchase
15 price of the System by \$6,691,463.73.

16 **DESCRIPTION OF TESTIMONY FILED WITH THE APPLICATION**

17 **Q. IS PAWC FILING AS PART OF ITS APPLICATION TESTIMONY PREPARED**
18 **BY THE TOWNSHIP?**

19 **A.** Yes. PAWC's Application includes (1) at **Appendix A-13-a**, the written direct testimony
20 of Ray Kolb, Supervisor for the Township; (2) at **Appendix A-13-b**, the written direct
21 testimony of the Township’s Engineer Bill Bohner; and (3) at **Appendix A-13-c**, the
22 Township’s selected UVE, Mr. Harold Walker III, Manager, Financial Studies, for Gannett
23 Fleming Valuation and Rate Consultants, LLC. PAWC is not sponsoring the testimony of

1 the Township's witnesses, but has included their testimony in the Application pursuant to
2 the 2019 FSIO and in anticipation of the Township's intervention and participation in the
3 proceeding. PAWC reserves the right to submit rebuttal testimony regarding the
4 Township's testimony, as appropriate.

5
6 **Q. PLEASE IDENTIFY THE OTHER PAWC WITNESSES WHO WILL BE**
7 **PROVIDING WRITTEN DIRECT TESTIMONY AND THEIR SUBJECT**
8 **MATTER AREAS.**

9 **A.** In addition to my direct testimony, PAWC will submit the written direct testimony of
10 Mr. Michael Guntrum, P.E., Senior Project Engineer for PAWC (PAWC Statement No. 2),
11 and Dr. Christina Chard, American Water Works Service Company, Senior Director of
12 Rates and Regulatory (PAWC Statement No. 3). PAWC is also sponsoring direct
13 testimony by its selected UVE, Mr. Jerome C. Weinert, Principal and Director of Weinert
14 Appraisal & Depreciation Services LLC, d/b/a AUS Consultants (PAWC Statement No.
15 4).

16 Mr. Guntrum will describe engineering and environmental challenges associated
17 with the System, support PAWC's technical fitness to operate the System, and explain
18 certain commitments and improvements to be made by PAWC. Mr. Guntrum will also
19 address the anticipated day-to-day operation of the System once it is acquired by PAWC,
20 including staffing and the customer service enhancements that PAWC intends to
21 implement for the benefit of the Township's customers. Dr. Chard will address the initial
22 rates, rules, and regulations for the Township's customers as well as the impact of the
23 Transaction on PAWC's existing customers. Dr. Chard will also discuss the financing of

1 the Transaction, recording the acquisition at the net value of the assets, and PAWC's overall
2 financial fitness. Mr. Weinert will provide supporting testimony for his fair market
3 valuation report.

4 **Q. ASIDE FROM AUTHENTICATING THE APPLICATION FOR ITS ADMISSION**
5 **INTO THE EVIDENTIARY RECORD AND IDENTIFYING ITS REQUESTS FOR**
6 **RELIEF, WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
7 **PROCEEDING?**

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

12 **DESCRIPTION OF THE TRANSACTION**

13 **Q. TO THE BEST OF YOUR KNOWLEDGE, WHY DID THE TOWNSHIP WANT TO**
14 **SELL ITS SYSTEM?**

15 **A.** As further discussed by Mr. Kolb and Mr. Bohner, it is my understanding that the Township
16 primarily wanted to avoid significant future costs related to System expansion.
17 Specifically, the Township needs to address numerous failing on-lot disposal systems in
18 the southeastern corner of the Township. The sewerage of this community, Parker Ford,
19 has been identified as a “needs area” by DEP for over twenty years and the cost was
20 estimated at approximately \$18.5 million originally; however, more recent estimates
21 provided in 2025 placed the cost at \$27 million. The cost to existing and future residents
22 of Parker Ford in the form of rates would be significant, leading to the decision to explore
23 a sale. The Township wanted to ensure that the solution to the Parker Ford challenge was

1 one that was most efficient economically for the customers. In addition, the sale of the
2 system will allow the Township to eliminate existing debt, including an estimated \$5.4
3 million in sewer-related debt and \$800,000 in other Township debt, and increase future
4 financial flexibility for the Township. Further, the seller will be able to focus on other core
5 government services for which it is better equipped and can provide greater benefit to
6 Township residents. Finally, selling the system to PAWC provides the community with an
7 established utility provider that specializes in wastewater collection.

8 By selling the System, the Township and its customers will receive numerous
9 benefits, including:

10 • Low-income residents will have access to PAWC's customer assistance
11 programs that will help them pay bills.

12 • All of the Township's current long-term debt liability (approximately \$6.2
13 million at the time of making the decision to sell) will be eliminated.

14 • PAWC will complete the connection of residents in the Parker Ford
15 development to the rest of the Township's collection system, successfully implementing
16 the Act 537 Special Study that is currently under review by DEP and removing the
17 environmental contamination resulting from failing on-lot disposal systems.

18 • All Township employees involved in the operation of the System will be
19 offered employment with PAWC, subject to PAWC's existing standard hiring policies and
20 procedures.

21 **Q. PLEASE PROVIDE MORE DETAILS ON THE COSTS TO IMPLEMENT THE**
22 **ACT 537 SPECIAL STUDY AND HOW SELLING THE SYSTEM IS THE MOST**
23 **EFFICIENT SOLUTION FOR EAST COVENTRY CUSTOMERS.**

1 A. The Township completed a cost analysis addressing the failing on-lot systems and
2 additional expansion of the collection system to accommodate known and future growth.
3 The costs associated with the implementation of the Act 537 Special Study to address
4 pollution from the failing on-lot systems in Parker Ford was estimated by ARRO
5 Consulting, Inc. in 2021 to be around \$18,500,000. The cost estimates were updated in
6 June 2025 and are now estimated to cost a total of \$26,790,274. Among the options
7 available to the Township, this was identified as the most cost-effective. Other options
8 included constructing a new treatment facility or sending the flow to East Vincent
9 Township. Additional details of these options are included in the testimony of Mr. Bohner.

10 The Parker Ford development includes an estimated 384 existing properties. The
11 Act 527 Special Study cost, when allocated per property equaled \$48,177 per property
12 based on the 2021 estimated costs. The Township completed two rate impact scenarios
13 should they retain ownership of the system while implementing the Act 537 Special Study
14 to eliminate the failing on-lot systems. In one scenario the costs were spread among all
15 customers of the system, both existing and the new Parker Ford customers. Rates were
16 estimated to increase from \$61.66 per month to \$152.00 per month in the year 2035. In the
17 second scenario, the costs to sewer Parker Ford were only realized by the new Parker Ford
18 customers. In this scenario, rates for current residents were still expected to increase,
19 although only by a small amount, and the Parker Ford residents would have to pay
20 approximately \$65,000 upfront or a monthly bill of \$409. Based on the cost increase
21 between the 2021 estimate and the updated 2025 estimate, the customer impacts would
22 only increase. By selling the system, the costs necessary to implement the Act 537 Special
23 Study and eliminate the continuing pollution from the failing on-lot disposal systems can

1 be shared among the much larger customer base of PAWC. It is important to note that the
2 needs area the Act 537 Special Study addresses has been known and in need for
3 approximately 20 years. The expected cost of implementation has caused delays in both
4 the submission of the Special Study and ultimately its implementation.

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

7 **A.** This transaction was handled as a bid. East Coventry released the Request for
8 Qualifications on July 12, 2022, and PAWC responded on August 5, 2022. PAWC was
9 deemed qualified to bid. PAWC toured the facility on September 27, 2022, and proceeded
10 with our evaluation. PAWC participated in a pre-bid meeting on September 27, 2022. The
11 Township released the Request for Bids on February 16, 2023. Several modifications to
12 the Bid documents were made, the first on February 17 and the second on February 24,
13 2023. After completing our due diligence, PAWC submitted a bid on April 19, 2023.
14 Following the bid, PAWC participated in a post-bid conference on June 12, 2023, as the
15 Township decided between our bid and Aqua Pennsylvania Wastewater, Inc.'s bid of \$9
16 million. At the July 10, 2023, Township Supervisor's meeting, PAWC was selected as the
17 preferred bidder. On September 11, 2023, the Township unanimously approved the sale of
18 the system during their public meeting. Over the next several months, PAWC and the
19 Township negotiated the APA, which was executed on February 7, 2024.

20 **Q. DID THE TOWNSHIP OR PAWC ENSURE THAT RESIDENTS WERE**
21 **INFORMED ABOUT THE SALE AND HAD AN OPPORTUNITY TO ASK**
22 **QUESTIONS?**

1 A. Yes. All decisions related to the sale of the assets, including voting to request bids for the
2 sale of the system were public. On July 10, 2023, the Township held a public meeting to
3 present a summary of the bids received. The decision to select PAWC as the preferred
4 bidder was made at that meeting. Prior to entering into the APA, the Township held two
5 public open houses with PAWC at the Ridge Fire Company on July 26, 2023. The first was
6 from 1 to 3 pm and the second from 6 to 8 pm. Notice of the meetings was published in the
7 local paper, the Mercury, on Saturday, July 15, 2023 and published on the Township
8 Website calendar. The open houses were well attended with many residents coming to ask
9 questions of both the Township and PAWC staff.

10 **Q. PLEASE PROVIDE AN OVERVIEW OF THE APA.**

11 A. The APA is attached as **Appendix A-24-a** to the Application. The APA sets forth the terms
12 and conditions pursuant to which the Township will sell, and PAWC will purchase, the
13 System, as well as substantially all assets, properties and rights that Township owns and
14 uses in connection with the System. The APA sets forth the entire understanding of the
15 parties with respect to the Transaction. Under the APA, the Closing of the Transaction will
16 occur after the receipt of all applicable governmental approvals, including approvals from
17 this Commission, and after all applicable conditions have been met (or waived) by the
18 parties. Upon Closing, PAWC will take ownership of the System and begin rendering
19 wastewater services to the Township's current customers and the Township will
20 permanently discontinue providing or furnishing wastewater service to the public.

21 **Q. PLEASE PROVIDE A SUMMARY OF THE APA'S PROVISIONS GOVERNING**
22 **THE TRANSFER OF ASSETS.**

1 A. The specific properties, assets and rights to be transferred to PAWC are defined and
2 described in the APA's Section 2.01, while the excluded assets are defined in Section 2.02
3 of the APA. Generally, the APA states that every asset, property, business, goodwill and
4 right owned by the Township and used in the provision of sanitary wastewater service,
5 whether real, personal, mixed, tangible or intangible, and including all the collection
6 system mains, property, equipment and facilities comprising the System owned by the
7 Township shall be conveyed to PAWC. The **CONFIDENTIAL** Engineering Assessment
8 (**Appendix A-15-a**) contains a list of the wastewater system inventory used in connection
9 with the System to be conveyed to PAWC. All interests in real estate, including leases,
10 easements and access to public rights-of-way, owned by the Township and relating to the
11 System are defined and described in Schedule 4.09, as well as all assigned contracts to be
12 conveyed to PAWC in Schedule 4.13.

13 **Q. ARE AGREEMENTS IN PLACE RELATED TO THE ONGOING TREATMENT**
14 **OF EAST COVENTRY'S WASTEWATER AT THE EXISTING NORTH**
15 **COVENTRY TOWNSHIP-OWNED TREATMENT PLANT?**

16 A. Yes, an agreement was executed on January 27, 2004, and remains in place between East
17 Coventry, the North Coventry Municipal Authority and North Coventry Township that
18 establishes capacity for East Coventry and how treatment costs will be shared between the
19 two municipalities. As part of the Transaction, PAWC and East Coventry intend to execute
20 a Conveyance and Allocation Agreement that conveys most of the responsibilities from
21 East Coventry to PAWC as it relates to treatment of the wastewater within the Township.
22 This agreement establishes how payments will be made from PAWC to East Coventry
23 based on billing between East Coventry and the North Coventry Municipal Authority.

1 Finally, this agreement conveys all of the capacity allocated to East Coventry from North
2 Coventry. The Conveyance and Allocation Agreement is included at **Appendix A-25**.

3 **Q. PLEASE SUMMARIZE THE APA'S PROVISIONS GOVERNING THE**
4 **NEGOTIATED PURCHASE PRICE OF THE TRANSACTION?**

5 **A.** The consideration for the purchase of the System as set forth in Section 3.01 of the APA is
6 the negotiated purchase price of \$7,000,000. In addition, an amount to be determined will
7 be placed in a Missing Easement Escrow for all of the easements that are missing as of
8 Closing pursuant to Section 3.01(c) of the APA.

9 **Q. PLEASE DESCRIBE IN MORE DETAIL HOW MISSING EASEMENTS WILL BE**
10 **HANDLED AFTER CLOSING.**

11 **A.** As of the Closing Date, the Township will fund an easement escrow fund in the amount of
12 Two Thousand Dollars (\$2,000) for any easement that remains missing at Closing. APA
13 Section 6.05(e).

14 **Q. PLEASE EXPLAIN THE RATES THAT WILL APPLY TO THE TOWNSHIP'S**
15 **CUSTOMERS FOLLOWING THE CLOSING OF THE TRANSACTION.**

16 **A.** As will be explained more fully in the Direct Testimony of Dr. Christina Chard, PAWC
17 Statement No. 3, PAWC committed to implement, upon Closing of the Transaction, the
18 Township's wastewater rates then in effect at Closing.

19 Immediately upon Closing, the Township's customers will be subject to PAWC's
20 prevailing wastewater tariff on file with the Commission with respect to miscellaneous fees
21 and charges and rules and regulations for wastewater service. The Township's customers
22 will not be charged the DSIC until the effective date of PAWC's next Commission-
23 approved base rate increase. The Township's customers billing will change from quarterly

1 billing to being billed on a monthly basis. The monthly rates are shown in PAWC's *pro*
2 *forma* tariff in **Appendix A-12** to the Application.

3 **Q. HAS PAWC MADE ANY COMMITMENTS IN THE APA THAT WILL BE**
4 **IMPLEMENTED AFTER THE CLOSING OF THE TRANSACTION?**

5 **A.** Yes. PAWC has committed to meeting the obligations and commitments in the approved
6 official 537 plan, including the required improvements and upgrades to the system. My
7 colleague, Mr. Michael Guntrum, P.E., will discuss capital investment commitments in
8 greater detail in his written direct testimony, PAWC Statement No. 2. Mr. Guntrum also
9 will discuss anticipated day-to-day operation of the System once it is acquired by PAWC,
10 including staffing. PAWC has also agreed to request approval from the PUC to include as
11 part of its normal capital expenditures the costs to design and construct the wastewater
12 mains and associated equipment to provide wastewater service to the 384 existing
13 properties in the Parker Ford area as provided by the official 537 **Special Study**. This
14 commitment does not include obligations related to costs associated with the installation
15 of lateral lines to connect the properties or the decommissioning or removal of the failing
16 on-lot disposal systems.

17 **BACKGROUND INFORMATION ON PAWC AND THE SYSTEM**

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

19 **A.** PAWC, a subsidiary of American Water Works Company, Inc. (“American Water”), is the
20 largest regulated public utility corporation duly organized and existing under the laws of
21 the Commonwealth of Pennsylvania, engaged in the business of collecting, treating,
22 storing, supplying, distributing, and selling water to the public, and collecting, treating,
23 transporting and disposing of wastewater for the public. Water and wastewater services

1 are furnished by PAWC to the public in a service territory encompassing more than
2 417 communities in 37 counties. Overall, PAWC serves a combined population of over
3 2.3 million people across the Commonwealth and is American Water’s largest subsidiary.

4 PAWC currently employs approximately 1,150 professionals with expertise in all
5 areas of water and wastewater utility operations, including engineering, regulatory
6 compliance, water and wastewater treatment plant operation and maintenance, distribution
7 and collection system operation and maintenance, materials management, risk
8 management, human resources, legal, accounting, and customer service. PAWC has the
9 expertise, the record of environmental compliance, the commitment to invest in necessary
10 capital improvements and resources, and the experienced managerial and operating
11 personnel necessary to provide safe and reliable wastewater services to the residents of the
12 Service Area. In addition, PAWC currently provides water service to many of the
13 Township’s wastewater customers.

14 PAWC takes pride in being a good corporate citizen by sponsoring and
15 participating in local community events, providing environmental and firefighting support
16 grants, offering the “H2O Help to Others Assistance Program” to help low-income
17 customers pay their bills, and supporting economic growth through infrastructure
18 improvements in the communities served by PAWC. In 2024, PAWC contributed over
19 \$1.4M to 325 organizations in our communities through grants, scholarships, general
20 charitable contributions and programming support and over \$754,000 to assist customers
21 in paying their water or wastewater bills. Through collaboration with the American Water
22 Charitable Foundation, the company helped provide an additional \$669,200 in funding to
23 approximately 462 non-profit organizations across Pennsylvania. Grant opportunities are

1 available to non-profit organizations operating or located within communities served by
2 PAWC through the Foundation’s Keep Communities Flowing grant program.

3 Financial support is not the only way PAWC supports the communities it serves.
4 Through partnerships, programming and volunteerism, the Company demonstrates its
5 commitment to being a good neighbor. In fact, in 2024 employees dedicated nearly 2,000
6 hours to volunteering in or around communities that we serve. The Company and its
7 dedicated employees play active roles in supporting environmental and education
8 initiatives related to water, from watershed clean-ups to educational programs focused on
9 drinking water and source water protection, as well as supporting youth education, health
10 and wellness initiatives, community sustainability projects and more to address
11 community-specific needs, PAWC is eager to partner with municipalities in the Service
12 Area in providing a sustainable long-term future for the System. Customers of the System
13 will benefit from a stable company with a robust business model and reliable service.

14
15 **Q. HOW MANY CUSTOMERS DOES THE SYSTEM CURRENTLY SERVE AND**
16 **HOW MANY CUSTOMERS DOES PAWC CURRENTLY SERVE**

17 **A.** As of September 25, 2025, the System furnished wastewater services to approximately 966
18 residential, commercial, public and mixed-use connections for a total of 1,235 EDU and
19 approximately 1,504 indirect customers. As of August 31, 2025, PAWC furnished
20 wastewater service to approximately 116,367 residential, commercial, industrial,
21 municipal and bulk customers in Pennsylvania. Additionally, as of August 31, 2025,
22 PAWC furnished water service to approximately 694,673 customers in Pennsylvania.

1 **THE TRANSACTION IS IN THE PUBLIC INTEREST**

2 **Q. PLEASE EXPLAIN WHY THE PROPOSED TRANSACTION IS IN THE PUBLIC**
3 **INTEREST.**

4 **A.** The Transaction will result in an affirmative public benefit of a substantial nature. The
5 largest benefit of the transaction is the minimization of rate impacts to the current and
6 future customers of the system as a result of the implementation of the Act 537 Special
7 Study. As noted previously, that plan requires the installation of a sewer system in the
8 Parker Ford area to address numerous failing on-lot disposal systems. The costs associated
9 with the installation of this new conveyance system are significant, estimated at \$18.5
10 million, and should the Township and its residents make the improvements on their own,
11 the costs are significant. By selling the system and allowing a much larger and financially
12 capable utility to complete the project, the costs of the improvements will be spread over a
13 much larger customer base, resulting in a reduction in future rates for the current and future
14 ratepayers of the Township. Further, the failing on-lot disposal systems represent ongoing
15 environmental pollution to waters of the Commonwealth. This is why the Township
16 completed the Act 537 Special Study that requires them to be addressed through removal.
17 PAWC is capable of implementing the selected Act 537 Special Study more efficiently and
18 sooner than the Township as it is a sophisticated water and wastewater utility and has
19 greater access to capital for system improvements. Addressing the failing on-lot systems
20 in the most expeditious manner eliminates ongoing pollution to waters of the
21 Commonwealth sooner.

22 PAWC, as a large and long-established public utility, has the managerial, technical,
23 and financial fitness to operate the System in a safe and efficient manner in compliance

1 with the Code, the Pennsylvania Clean Streams Law, and all other applicable statutory and
2 regulatory requirements. PAWC has extensive experience in the operation of wastewater
3 collection systems. PAWC continues to develop expertise for the benefit of the
4 Commonwealth through its operation of 38 wastewater treatment plants providing service
5 to approximately 115,073 customers in Pennsylvania.

6 Second, the Township's current customers will benefit in several ways from
7 becoming PAWC wastewater customers. Approximately 71% of East Coventry customers
8 are already PAWC water customers. For those customers, the reduction to one bill is a
9 benefit as they currently receive two. All customers will gain increased bill payment
10 options and extended hours for customer service calls for issues related to wastewater
11 service. As inflation continues to put pressure on families as the balance paying bills with
12 purchasing daily essentials, monthly billing allows for smaller payments and better budget
13 control for customers. As was noted earlier, PAWC is a large, financially-sound company
14 that has the capacity to finance necessary capital additions and improvements that will
15 benefit its customers. In addition, given its size, its access to capital, and its recognized
16 strengths in system planning, capital budgeting, and construction management, PAWC is
17 well-positioned to ensure that wastewater is collected and conveyed in a manner that meets
18 all applicable state and federal regulatory requirements prior to treatment at the North
19 Coventry treatment facility. There is also a general public benefit of PAWC being subject
20 to the jurisdiction of the Commission, which requires PAWC to provide adequate, efficient,
21 safe and reliable service at just and reasonable rates. Currently, the Township has no such
22 regulatory oversight.

1 The Township’s current customers will benefit from the enhanced and proven
2 customer service that PAWC provides. My colleague, Mr. Michael Guntrum, P.E.,
3 discusses these customer service enhancements in more detail in PAWC Statement No. 2.
4 Nevertheless, I would like to note that they include, but are not limited to, extended
5 customer service and call center hours, enhanced customer information and educational
6 programs and access to PAWC’s customer assistance programs. Additionally, through
7 community giving, partnerships and volunteering, PAWC demonstrates its commitment to
8 programs that address community-specific needs. One example is PAWC’s H2O – Help
9 to Others Program, which for more than twenty-five years has assisted low-income
10 customers. In 2011, the program was expanded to include wastewater customers. My
11 colleague, Dr. Christina Chard, will provide more details about these programs in her
12 testimony. PAWC Statement No. 3.

13 Fourth, residents of the area will benefit from the tax revenues that PAWC will pay
14 to municipal governments in the area. The Township’s facilities are not subject to tax.
15 Utility operational costs are higher, in part, due to these expenses, but there is a public
16 benefit of having more private property on the tax rolls as a result of the Transaction. As
17 was noted in the testimony of Mr. Kolb, the Township has had a shrinking tax base, which
18 has both resulted in tax increases for residents and modifications of services provided. Our
19 tax revenues will aid in offsetting these increases.

20 Fifth, the proceeds of the sale of the assets will aid in stabilizing the financial
21 situation of the Township. The proceeds will be used to eliminate existing debt and increase
22 future financial flexibility for the Township. It will also allow the Township to focus on

1 other core government services and turn over the day-to-day operation of the collection
2 system to an established and capable utility.

3 Finally, the Transaction will benefit PAWC's existing wastewater customers in the
4 long term by expanding PAWC's customer base. There will be no immediate rate impact
5 on PAWC's existing customers. By adding additional connections to the entire PAWC
6 system, there are more customers to share future infrastructure investment costs, which
7 promotes stable rates across the entire PAWC system. Customers who benefit from near-
8 term improvements will one day help pay for improvements on behalf of other customers
9 on other parts of the PAWC system. Being able to spread the costs of investing in and
10 maintaining public wastewater systems over a growing customer base, particularly in a
11 time of increased environmental requirements, is essential to the continued success and
12 longevity of wastewater systems and maintaining reasonable rates for customers. As a
13 matter of public policy, the Pennsylvania Legislature recognized the importance of
14 consolidation and cost sharing in the passage of Act 11 of 2012. As the Commission stated
15 in a recent PAWC base rate case:

16 We also agree with the Company's argument that, in the
17 circumstances, applying Section 1311(c) in conjunction with Section 1329
18 is in the public interest because otherwise, larger viable public utilities
19 would be discouraged from acquiring municipal and wastewater systems
20 and contravene the legislative intent and the Commission's policy of
21 encouraging consolidation and regionalization.

22 *Pa. Pub. Util. Comm'n v. PAWC*, Docket Nos. R-2020-3019369, *et al.* (Opinion and Order
23 entered Feb. 25, 2021) p. 82.

24 There is also a clear legislative intent associated with Section 1329 and its
25 allowance of fair market valuation for ratemaking purposes. The General Assembly
26 intended to facilitate the acquisition of municipal water and wastewater systems by

1 investor-owned utilities for the benefit of municipal corporations and their residents.
2 Several of these benefits to the customers of the Township, and the citizens residing in the
3 area, are described in the direct testimony of the Township, and PAWC's witnesses.

4 **Q. PLEASE EXPLAIN WHY THE TRANSACTION WOULD FOSTER THE**
5 **COMMISSION'S GOAL OF PROMOTING THE REGIONALIZATION AND**
6 **CONSOLIDATION OF WASTEWATER SYSTEMS?**

7 **A.** The acquisition fosters the Commission's stated goal of consolidating and regionalizing
8 water and wastewater systems to provide greater environmental and economic benefits to
9 customers. My colleague, Mr. Michael Guntrum, P.E., discusses this in detail in his
10 testimony. PAWC Statement No. 2. After Closing, PAWC will manage the East Coventry
11 collection system with the same management and support teams that oversee its Royersford
12 wastewater operations. The System is only located a few miles from PAWC's Royersford
13 Wastewater Treatment Plant. PAWC can draw upon a much broader range of engineering
14 and operational experience than can the Township, which will be especially beneficial as
15 the selected Act 537 Special Study is implemented. PAWC's deeper financial resources
16 will aid in operation of the existing system and especially in addressing the construction of
17 the new collection system to address the failing on-lot systems. Further, PAWC is well
18 equipped to ensure the collection system is able to support growth and development and
19 maintained in a manner that ensures compliance with applicable environmental
20 regulations. Additionally, some of the System is within the existing PAWC water
21 footprint. This will allow for better coordination of construction projects, more efficient
22 repairs of infrastructure, and the provision of utility services on a long-term, cost-effective
23 basis.

1 **Q. DOES THE REGIONALIZATION AND CONSOLIDATION OF WASTEWATER**
2 **SYSTEMS BENEFIT THE PUBLIC?**

3 **A.** Yes, it does. I am advised by counsel that the Commission has a Statement of Policy at
4 52 Pa. Code § 69.721, which states that the Commission believes that further
5 regionalization and consolidation of water and wastewater systems may result in greater
6 environmental and economic benefits to customers. Regionalization and consolidation
7 have economic benefits for customers because they allow better management practices and
8 greater economies of scale. Examples of economies of scale include:

- 9 • PAWC’s ability to obtain supplies (such as mains, treatment chemicals and
10 purchased power costs (electricity, natural gas and diesel fuel) at lower rates
11 because it is able to buy in bulk.
- 12 • PAWC’s size gives it greater purchasing power, allowing it to negotiate
13 better rates for purchases than the System.
- 14 • PAWC can move equipment (such as emergency generators, portable
15 pumps, excavating equipment, and vacuum-jetter trucks) around its system,
16 whereas the Township currently must buy or rent any equipment it needs.
- 17 • PAWC’s size allows it to spread fixed costs across a larger asset platform
18 and customer base.
- 19 • PAWC’s staffed engineering department allows it to perform planning and
20 design construction management services internally rather than contracting
21 the work out at higher cost to consulting engineers.

22 In addition, regionalization and consolidation have environmental benefits for customers
23 and the public-at-large. Small public utilities and local water and wastewater providers are
24 challenged in keeping up with a changing regulatory landscape and with necessary
25 investment in the system. The Township has numerous failing on-lot disposal systems that
26 are resulting in ongoing pollution to waters of the Commonwealth. Implementing the
27 selected Act 537 Special Study as quickly as possible, which PAWC is more capable of
28 doing, will result in long-term environmental improvement. PA DEP recognizes that
29 addressing failing on-lot systems is necessary to ensure that local waterways are protected

1 from the discharge of sewage from these systems. Consolidation promotes the acquisition
2 of the system by qualified system operators with the ability to meet established compliance
3 deadlines and increasingly stringent environmental requirements in the future.

4 **PAWC’S LEGAL, FINANCIAL AND TECHNICAL FITNESS**

5 **Q. PLEASE TELL US WHY PAWC IS LEGALLY FIT TO ACQUIRE AND**
6 **OPERATE THE SYSTEM.**

7 **A.** PAWC is a Commission-regulated public utility with a good compliance history. There
8 are no pending legal proceedings that would suggest that PAWC is not legally fit to provide
9 service to customers on the Township’s System.

10
11 **Q. CAN YOU EXPLAIN WHY PAWC IS FINANCIALLY FIT TO ACQUIRE AND**
12 **OPERATE THE SYSTEM?**

13 **A.** Yes. PAWC is the largest water and wastewater provider in Pennsylvania. It has a long-
14 demonstrated history with the Commission of financial stability.

15 As part of the Application, PAWC provided the audited internal balance sheet, as
16 of December 31, 2024 for PAWC (**Appendix D**), as well as the audited income statement,
17 as of December 31, 2024, for PAWC (**Appendix F**). Those documents show that PAWC
18 had total assets of approximately \$7.9 billion as of December 31, 2024. Further, they show
19 that PAWC had operating income of approximately \$498 million and net income of
20 approximately \$314 million for the 12 months ending December 31, 2024. These figures
21 further demonstrate that PAWC has the financial stability and wherewithal to acquire the
22 System and operate it in the public interest. My colleague, Dr. Christina Chard, will

1 provide additional details on the financial health of PAWC and its ability to access capital
2 in PAWC Statement No. 3.

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

6 **A.** As I discussed earlier, PAWC is engaged in the business of collecting, treating, transporting
7 and discharging wastewater for the public. PAWC is the largest investor-owned water and
8 wastewater utility in the Commonwealth of Pennsylvania and PAWC already has
9 significant water and wastewater operations throughout Pennsylvania. PAWC is
10 experienced in undertaking and completing water and wastewater system acquisitions with
11 public and private sector owners and successfully integrating those assets into our business
12 operations. In fact, PAWC is often called upon by the Commission to step in and resolve
13 troubled water and wastewater systems (such as the East Dunkard Water Authority, the
14 Delaware Sewer Company, the Winola Water Company, and Rock Spring Water
15 Company), resolving compliance issues, and providing the high standard of service that
16 customers expect and deserve. My colleague, Mr. Michael Guntrum, P.E., will explain in
17 greater detail in PAWC Statement No. 2 how PAWC intends to operate the System once
18 acquired.

19 **DESCRIPTION OF THE SERVICE AREA**

20 **Q. PLEASE EXPLAIN THE SERVICE AREA SOUGHT BY PAWC IN THE**
21 **APPLICATION.**

22 **A.** As part of its Application, PAWC is seeking the right to provide service to the customers
23 currently served by the Township as shown in the maps and descriptions attached as

1 **Appendices A-16-a through e and A-16-f (CONFIDENTIAL).** No municipal
2 Township, corporation, partnership or individual other than the Township is now
3 furnishing or has corporate or franchise rights to furnish service similar to that to be
4 rendered by PAWC in the Service Area covered by the Application, and no competitive
5 condition will be created. As discussed above, upon Closing of the Transaction, the
6 Township will permanently discontinue all wastewater service to the public.

7 **APPROVAL OF CONTRACTS WITH MUNICIPAL CORPORATIONS**

8 **Q. HAS PAWC REQUESTED CODE SECTION 507 CERTIFICATES OF FILING OR**
9 **APPROVALS AS PART OF ITS APPLICATION?**

10 **A.** Yes. In addition to the approvals sought under Sections 1102(a) and 1329 of the Public
11 Utility Code, 66 Pa. C.S. §§ 1102(a), 1329, the Application requests Certificates of Filing
12 or approvals under Section 507 of the Code. 66 Pa. C.S. § 507. According to PAWC's
13 counsel, the APA and any contract with a municipal corporation that will be assumed by
14 PAWC must be filed with the Commission pursuant to Section 507. In addition to the APA,
15 PAWC identified one contract requiring a Certificate of Filing or approval under Section
16 507 (see **Appendix A-25**).

17 **Q. PLEASE DESCRIBE THE MUNICIPAL CONTRACT TO BE EXECUTED BY**
18 **PAWC.**

19 **A.** The Application requests Commission approval under Section 507 of the *Pro Forma*
20 Conveyance and Allocation Agreement between East Coventry and PAWC.

21 The *Pro Forma* Conveyance and Allocation Agreement conveys most of the
22 responsibilities from the Township to PAWC as it relates to treatment of the wastewater
23 within the Township. This agreement establishes how payments will be made from

1 PAWC to the Township based on the billing framework between East Coventry and the
2 North Coventry Municipal Authority. Finally, this agreement conveys all of the
3 Township's treatment capacity to PAWC.

4 Commission approval of this contract, which would be executed at Closing, is
5 necessary for PAWC to provide wastewater service as the Township has previously done.
6 Approval is reasonable and serves an important public purpose because the service
7 provided under the contract is essential to the provision of wastewater service in this
8 community. To the extent that PAWC renegotiates any contracts with municipalities,
9 PAWC will promptly file such contracts for Commission approval under Section 507.

10 **CONCLUSION**

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

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

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

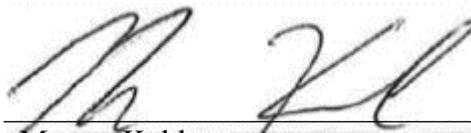
In re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S.§§ 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater system owned and operated by the East Coventry Township, and (2) the rights of Pennsylvania- American Water Company to begin to offer or furnish wastewater service to the public in the Township of East Coventry, Chester County, Pennsylvania

Docket No. A-2025-3053487, *et al.*

VERIFICATION

I, Marcus Kohl, hereby state that the facts set forth in 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 this verification is made subject to the provisions and penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: October 8, 2025



Marcus Kohl
Director of Business Development
Pennsylvania-American Water Company