

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water Company under Section 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 water treatment and distribution system owned and operated by the Indian Creek Valley Water Authority, and (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish water service to the public in all of the Borough of Ohioypyle and portions of the Townships of Saltlick, Springfield, Bullsken, Connellsville and Stewart, Fayette County and all of the Borough of Donegal and portions of the Townships of Donegal and Mount Pleasant, Westmoreland County, Pennsylvania

Docket No. A-2025-3055741

In re: Application of Pennsylvania-American Water Company under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1329, for approval of the use for ratemaking purposes of the lesser of the fair market value or the negotiated purchase price of the assets related to the water treatment and distribution system owned and operated by the Indian Creek Valley Water Authority

Docket No. A-2025-\_\_\_\_\_

In re: Petition of Pennsylvania-American Water Company, related to its acquisition of the water treatment and distribution system owned and operated by the Indian Creek Valley Water Authority, for approval under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1329, to (i) collect a distribution system improvement charge, (ii) for book and ratemaking purposes, accrue Allowance for Funds Used During Construction for post-acquisition improvements not recovered through the distribution system improvement charge, and (iii) for book and ratemaking purposes, defer depreciation related to post-acquisition improvements not recovered through the distribution system improvement charge, and (iv) include, in its next base rate case, a claim for transaction and closing costs

Docket No. P-2025-\_\_\_\_\_

In re: Filing by Pennsylvania-American Water Company under Section 507 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 507, of (i) the Asset Purchase Agreement Between Pennsylvania-American Water Company and the Indian Creek Valley Water Authority and (ii) eight (8) agreements with municipal corporations to be assumed by Pennsylvania-American Water Company upon closing of its acquisition of substantially all of the assets related to the water treatment and distribution system owned and operated by the Indian Creek Valley Water Authority

Docket No. U-2025-\_\_\_\_\_, *et al.*

**APPLICATION OF PENNSYLVANIA-AMERICAN WATER COMPANY**

**TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION:**

1. Pennsylvania-American Water Company ("PAWC" or "Applicant") hereby respectfully requests that the Pennsylvania Public Utility Commission ("Commission") issue such Certificates of Public Convenience as necessary to evidence its approval under Section 1102(a) of the Pennsylvania Public Utility Code ("Code"), 66 Pa. C.S. § 1102(a), of: (a) the transfer, by sale, to PAWC, of substantially all of the assets, properties and rights related to the water treatment and distribution system (the "System") owned and operated by the Indian Creek Valley Water Authority ("ICVWA" or "Authority"); (b) PAWC's right to begin to offer, render, furnish and supply water service in the areas served by the System in all of the Borough of Ohiopyle and portions of the Townships of Saltlick, Springfield, Bullskin, Connellsville and Stewart, Fayette County and all of the Borough of Donegal and portions of the Townships of Donegal and Mount Pleasant, Westmoreland County, Pennsylvania (hereinafter the "Service Area"); and (c) PAWC's right to make effective upon closing the *pro forma* tariff supplement attached hereto as **Appendix A-12**.<sup>1</sup>

2. PAWC also respectfully requests that the Commission approve, pursuant to Code Section 1329, 66 Pa. C.S. § 1329: (a) the use for ratemaking purposes of the lesser of the fair market value or the negotiated purchase price of the assets related to the System;<sup>2</sup> (b) the collection of a distribution system

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<sup>1</sup> Appendix A-12 sets forth the rates that Applicant and the Authority anticipate will be effective at the time of Closing on the Transaction. As of the time of this Application, the Authority's currently effective Schedule of Fees mirrors the rates in Appendix A-12 except that the current Schedule of Fees includes a 2,000 gallon minimum monthly charge for bulk water sales and states that Municipal fire protection charges will be set as per agreement. The Authority anticipates adopting a revised Schedule of Fees prior to Closing that will correct the monthly minimum bulk water charge to 3,600 minimum gallons and codify the municipal fire protection rates. An Authority Resolution adopting the Revised Schedule of Fees will be provided for the record in this proceeding upon approval by the Authority.

<sup>2</sup> PAWC reserves its right in future proceedings to make rate base claims related to the acquisition as may otherwise be permitted under the Code.

improvement charge ("DSIC") related to the System prior to the first base rate case in which the System plant-in-service is incorporated into rate base; (c) the recording of the acquisition at the net value of the assets; (d) the accrual of Allowance for Funds Used During Construction ("AFUDC") for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; (e) the deferral of depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; and (f) the inclusion, in its next base rate case, of a claim for transaction and closing costs related to the acquisition. Attached hereto as **Appendix A** is the Commission's current "66 Pa. C.S. § 1329 Application Filing Checklist -Water/Wastewater (Revised July 2, 2024)" ("Section 1329 Checklist"), Appendix A to the Commission's Final Supplemental Implementation Order in *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 (Order entered July 2, 2024) ("*2024 FSIO*") which revised the Appendix A to the Commission's Final Supplemental Implementation Order entered on February 28, 2019 ("*2019 FSIO*"). For ease of reference and review, the sub-appendices to **Appendix A** (such as **Appendix A-1**, **Appendix A-2**, etc.) correspond directly with the filing requirements listed in the Commission's Section 1329 Checklist. Certain appendices contain proprietary information and are, accordingly, labeled as **CONFIDENTIAL** and filed with the Commission's Secretary under seal.

3. PAWC further requests, pursuant to Code Section 507, 66 Pa. C.S. § 507, the issuance of Certificates of Filing or approval for the following agreements between PAWC (directly or as successor in interest) and a municipal corporation:

- a) Asset Purchase Agreement By and Between Indian Creek Valley Water Authority, as Seller, and Pennsylvania-American Water Company, as Buyer, dated as of May 30, 2025 (attached hereto as **Appendix A-24-a**), and any amendments thereto (the "APA");
- b) Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Donegal, Westmoreland County, Pennsylvania dated April 13, 1995 (attached hereto as **Appendix A-25.1**);

- c) Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Mount Pleasant, Westmoreland County, Pennsylvania dated April 17, 1995 (attached hereto as **Appendix A-25.2**);
- d) Agreement for Water Service by and between Indian Creek Valley Water Authority and Borough of Donegal, Westmoreland County, Pennsylvania dated May 2, 1995 (attached hereto as **Appendix A-25.3**);
- e) Interconnect Agreement between Pleasant Valley Water Authority and Indian Creek Valley Water Authority Re Clinton Road, Saltlick Township and Quail Hill, Saltlick Township/Bullskin Township, Fayette County dated September 28, 1998 (attached hereto as **Appendix A-25.4**);
- f) Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Stewart, Fayette County, Pennsylvania dated August 15, 2002 (attached hereto as **Appendix A-25.5**);
- g) Sewage System Right of First Refusal Agreement by and between Ohiopyle Borough and Indian Creek Valley Water Authority dated June 15, 2012 (attached hereto as **Appendix A-25.6**);
- h) Services Agreement for ICVWA to act as billing and collection agent and provide water termination service by and between Indian Creek Valley Water Authority and the Borough of Ohiopyle dated December 5, 2013 (attached hereto as **Appendix A-25.7**); and
- i) Agreement for lease of land and granting rights and privileges by and between the Municipal Authority of Westmoreland County and Indian Creek Valley Water Authority dated July 16, 2024 (attached hereto as **Appendix A-25.8**).

The aforementioned agreements are referred to collectively herein as the “Section 507 Agreements”.

- 4. The name and address of the Applicant is:

Pennsylvania-American Water Company  
 852 Wesley Drive  
 Mechanicsburg, PA 17055

- 5. The names and addresses of Applicant's attorneys are:

Elizabeth Rose Triscari, Esquire  
 Pennsylvania-American Water Company  
 852 Wesley Drive  
 Mechanicsburg, PA 17055  
 Telephone: 717-550-1574  
 Email: [elizabeth.triscari@amwater.com](mailto:elizabeth.triscari@amwater.com)

Adeolu Bakare, Esquire  
McNees Wallace & Nurick LLC  
100 Pine Street  
Harrisburg, PA 17101  
Telephone: 717-237-5290  
Email: [abakare@mcneeslaw.com](mailto:abakare@mcneeslaw.com)

6. PAWC is a regulated public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania, and is 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. Water and wastewater service are furnished by PAWC to the public in a service territory encompassing more than 424 communities across the Commonwealth with a combined population of over 2,400,000. A description of PAWC's existing certificated water and wastewater service territory is found in **Appendix B**, along with a detailed corporate history, outlining all the mergers, acquisitions and consolidations, which have created PAWC as it exists on the date of this Application.

7. ICVWA is a municipal authority, organized and existing under the laws of the Commonwealth of Pennsylvania, with its office located at 2019 Indian Head Road, Indian Head, Pennsylvania. ICVWA was incorporated on September 20, 1965, under the Municipality Authorities Act of May 2, 1945, P.L. 382, as amended. The incorporating entities are the Townships of Saltlick and Springfield, Fayette County, Pennsylvania. These two townships appoint a 5-member Board of Directors to govern the ICVWA. ICVWA owns and operates the System, providing water service to the public in all of the Borough of Ohiopyle and portions of the Townships of Saltlick, Springfield, Bullskin, Connellsville and Stewart, Fayette County and all of the Borough of Donegal and portions of the Townships of Donegal and Mount Pleasant, Westmoreland County, Pennsylvania (the "Service Area"). The System's Service Area spans approximately 140 square miles.

8. As of June 30, 2025, ICVWA furnished water service to 2,389 customers including 2,150 residential, 203 commercial, 1 industrial, 7 public fire, 3 bulk and 25 other.<sup>3</sup>

9. As of September 30, 2025, PAWC furnished water service to approximately 695,001 residential, commercial, industrial, municipal and bulk customers in Pennsylvania. As of September 30, 2025, PAWC furnished wastewater service to 116,427 customers.

10. The completion of the below-defined Transaction will confer benefits upon the long-term financial health of ICVWA, while ensuring that ICVWA's existing customers receive safe, adequate, and reliable water service at just and reasonable rates.

**A. TRANSFER, BY SALE, OF ALL OF ICVWA'S ASSETS, PROPERTIES AND RIGHTS RELATED TO THE SYSTEM TO PAWC (OTHER THAN THE EXCLUDED ASSETS)**

**Summary of the Transaction**

11. On May 30, 2025, ICVWA entered into the APA, along with detailed schedules, with PAWC to sell all of ICVWA's assets, properties and rights relating to the System (other than the Excluded Assets, as defined by the APA) (the "Transaction"). The APA includes a purchase price for the System of \$32,800,000.

12. The Transaction will be completed in accordance with the APA.

13. Among other things, the APA: (i) requires PAWC and ICVWA to complete the Transaction after receipt of all governmental approvals (including from this Commission) and the satisfaction of all conditions precedent; (ii) requires PAWC to assume certain contracts; and (iii) requires PAWC initially to adopt ICVWA's rates in effect at the time of closing of the Transaction (see *pro forma* tariff supplement attached hereto as **Appendix A-12**).

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<sup>3</sup> For purposes of this Application, "customers" refers to the number of metered accounts.

### Applicable Legal Standards

14. Under Code Section 1103, the Joint Applicants must demonstrate that PAWC is legally, technically, and financially fit. *Seaboard Tank Lines v. Pa. Pub. Util. Comm'n*, 502 A.2d 762, 764 (Pa. Cmwlth. 1985); *Warminster Township Mun. Auth. v. Pa. Pub. Util. Comm'n*, 138 A.2d 240, 243 (Pa. Super. 1958). As a currently certificated public utility, PAWC's fitness is presumed by law to be continuing. *See e.g., South Hills Movers, Inc. v. Pa. Pub. Util. Comm'n*, 601 A.2d 1308, 1310 (Pa. Cmwlth. 1992).

15. 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). Ownership and operation of the System by PAWC 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*, 449 Pa. 136, 151, 295 A.2d 825, 828 (1972). The "substantial public interest" standard is satisfied by a simple preponderance of the evidence of benefits. *Popowsky v. Pa. Pub. Util. Comm'n*, 594 Pa. 583, 611, 937 A.2d 1040, 1057 (2007).

16. Code Section 1329 establishes a voluntary process whereby the acquiring public utility and the selling municipality may choose to have the fair market value of the assets established through independent appraisals conducted by Utility Valuation Experts ("UVEs"). For ratemaking purposes, the valuation will be the lesser of the average of the two appraisals or the negotiated purchase price. 66 Pa. C.S. § 1329.

17. Code Section 1329 also allows, as a matter of law, the acquiring public utility, *inter alia*, (i) to collect a DSIC for the Service Area prior to the first base rate case in which the Service Area plant-

in-service is incorporated into rate base,<sup>4</sup> (ii) to accrue AFUDC for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes, (iii) to defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes, and (iv) to include, in its next base rate case, a claim for transaction and closing costs associated with the acquisition. In order to obtain this ratemaking treatment, the acquiring public utility must produce certain documents and information as required by the Commission in the context of a future base rate proceeding. 66 Pa. C.S. § 1329; *see 2024 FSIO*.

18. Code Section 507, 66 Pa. C.S. § 507, requires that contracts between a public utility and a municipal corporation, except for contracts to furnish service at a regular tariffed rate, be filed with the Commission at least 30 days before the effective date of the contract. The Commission acknowledges the contract by issuing a certificate of filing unless it decides to institute proceedings to determine whether there are any issues with reasonableness, legality, or any other matter affecting the validity of the contract. Should the Commission initiate proceedings, the contract or agreement is not effective until the Commission grants its approval. 66 Pa. C.S. § 507.

19. On July 2, 2024, the Commission issued the *2024 FSIO*, which approved several changes to the Commission’s procedures and guidelines for filings made under Section 1329 of the Code. The *2024 FSIO* modified the Section 1329 Checklist with respect to the contents of public hearings and rate impact notifications and developed a reasonableness review ratio (“RRR”) that is intended to guide the Commission in its review of the prudence of the Application.

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<sup>4</sup> Before doing so, however, PAWC would need to file and receive Commission approval of, an amended Long Term Infrastructure Improvement Plan and a compliance tariff supplement, which incorporate the Service Area into PAWC’s DSIC tariff.

### **Background Financial Information**

20. Attached hereto is the balance sheet of ICVWA as of December 31, 2024 (**Appendix C**), and PAWC's audited balance sheet as of December 31, 2024 (**Appendix D**).

21. Attached hereto is the audited income statement of ICVWA for the 12 months ended December 31, 2024 (**Appendix E**), and PAWC's audited income statement for the 12 months ended December 31, 2024 (**Appendix F**).

22. All the annual reports, tariffs, certificates of public convenience, applications, securities certificates and similar documents filed with this Commission by PAWC and its predecessors are made a part hereof by reference.

### **Terms and Impact of the Transaction**

23. As noted above, this Application seeks, among other things, approval of the transfer to PAWC of all of the assets, properties and rights of the System (other than the Excluded Assets, as defined by the APA) (**Appendix A-24-a**).

24. PAWC and ICVWA are not affiliated with each other.

25. The Transaction is, and was negotiated, at arm's length.

26. Consistent with the 2024 *FSIO*, PAWC provided ICVMA with information regarding the potential rate impact of this Transaction on ICVMA's existing customers. ICVWA held two separate public meetings to provide an opportunity for public comment, at venues in both Saltlick and Springfield Townships, on March 27, 2025. After the public meetings were held, the Authority voted unanimously to approve the Transaction. ICVMA understands that the Commission may shift rate allocations in a manner that differs from any commitments made in the APA or as part of this Application.

27. Attached hereto as **Appendix G** is a *pro forma* balance sheet of PAWC as of December 31, 2024, giving effect to the transfer.

28. Attached hereto as **Appendix H** is a *pro forma* consolidated income statement of PAWC and ICVWA for the 12 months as of December 31, 2024.

29. Attached hereto as **Appendix I** is a certified copy of the resolutions adopted by the Board of Directors of PAWC authorizing the execution of the APA and the consummation of the proposed transfer.

30. Attached hereto as **Appendix J** is a copy of the ICVWA's Resolutions 4386 and 4393 as well as the incorporating entities, the Townships of Saltlick (Resolutions dated April 1 and May 13, 2025) and Springfield (Resolutions dated April 1 and April 29, 2025), approving the execution of an asset purchase agreement for the sale of the water system assets.

31. Attached hereto as **Appendix K** is an estimate of PAWC's revenues and expenses in the new Service Area during the first year after closing.

**Transaction's Effect on Service and Rates and Other Affirmative Benefits**

32. The Transaction is in the public interest, will provide affirmative public benefits of a substantial nature, and satisfies the applicable standard of Code Section 1103, 66 Pa. C.S. § 1103, because the benefits of the Transaction outweigh the detriments for all major stakeholder groups: (a) the public-at-large, (b) the Authority and the Townships of Saltlick and Springfield, (c) the existing customers of the Authority, (d) PAWC, and (e) the existing water customers of PAWC.

33. The Transaction will benefit the public-at-large, for the following reasons (among others):

- a. The Transaction promotes the Commission's policy favoring regionalization and consolidation of water and wastewater systems. 52 Pa. Code § 69.721(a).

- b. The Transaction promotes the Legislature’s policy goals when it enacted Section 1329.
- c. Due to its greater financial resources and greater depth of experience in managing water systems, PAWC is in a better position than the Authority to address the System’s existing environmental challenges and to maintain environmental compliance in the future. PAWC has a good record of complying with applicable environmental statutes and regulations. Improved environmental compliance will promote the rights of all Pennsylvanians, which are protected by the Environmental Rights Amendment. PA. CONST. Art. I, § 27.
- d. The Transaction will result in service to several local residents who are currently not served. These main extensions would require a significant amount of capital expense and operational resources. If the Authority were to address the needs and expand the System to additional customers, the Authority’s associated costs would result in a significant rate increase for its customers. PAWC is in a better position than the Authority to manage such main extension costs and address future expansion needs of the System.

34. The Transaction will benefit the Authority and the Townships of Saltlick and Springfield for the following reasons (among others):

- a. The Transaction will result in the elimination of all ICVWA debt relating to the System (approximately \$2.3 million per Appendix C), which will save thousands of dollars in interest payments. After closing on the Transaction (“Closing”), the Authority will be dissolved and the remaining proceeds will be transferred to the Townships of Springfield and Saltlick. The Townships will use the proceeds for public purposes, such as infrastructure improvements.
- b. PAWC will offer employment to active employees of the System who do not have plans to retire. This was important to the Authority.
- c. The System’s municipalities will receive additional tax revenues because the System will be subject to tax after Closing. In addition, PAWC will improve the System, which will promote economic development in the area, further enhancing tax revenues to the System’s municipalities.
- d. By selling the System, the Authority can be dissolved and local municipal officials and staff can focus their attention on other governmental programs and projects.

35. The Transaction will benefit the existing customers of the Authority for the following reasons (among others):

- a. The existing System customers are members of the public-at-large and so will enjoy the same benefits from the Transaction as all other members of the public-at-large.
- b. PAWC has local knowledge within Fayette County and the region, due to its ownership and operation of other water and wastewater systems in the regional area.
- c. System customers will become part of a large PAWC customer base. As a standalone system, System customers have to bear the burden of the System's capital improvement needs on their own. As part of a larger customer base, System customers will benefit at times but also be required to contribute to benefit other customers at times. The sharing of costs over an extended period of time is a benefit of regionalization and consolidation of water systems in the Commonwealth.
- d. Customers will receive service from a large, financially, legally and technically fit public utility. The System will be able to draw on the statewide resources of PAWC. This includes approximately 1,200 professionals with expertise in all areas of both water and wastewater utility operations. In addition, since PAWC is a subsidiary of American Water Works Company, Inc., it has access to additional resources of highly trained professionals who have expertise in various specialized areas. Finally, PAWC has access to equity and other funding sources to which the System does not currently have access (such as a \$495 million line of credit through American Water Capital Corp.).
- e. Customers will receive service from a public utility, subject to the regulatory oversight of the Commission. Customers will now be able to receive assistance from the Office of Consumer Advocate, the Office of Small Business Advocate, and the Bureau of Investigation and Enforcement with service and rate issues.
- f. PAWC has more robust cybersecurity, physical security, business continuity and emergency plans than ICVWA.
- g. Customers can make service calls to PAWC's customer call centers at hours when ICVWA's office is closed.
- h. PAWC has more robust customer assistance programs and customer education programs.

- i. PAWC must comply with the Commission's regulations at 52 Pa. Code Chapter 56, whereas the Authority is not subject to these regulations.
  - j. The System's existing customers will enjoy the economies of scale that come from PAWC's greater size and purchasing power, including its ability to obtain goods and services at lower costs because it buys in large quantities.
  - k. The Transaction will have no immediate rate impact on ICVWA's customers because PAWC will adopt ICVWA's rates upon Closing.
36. The Transaction will benefit PAWC for the following reasons (among others):
- a. The ICVWA service territory is adjacent to PAWC's Uniontown and Connellsville water systems, and ICVWA currently has an interconnection for bulk water supply with PAWC's Connellsville system.
  - b. PAWC would become better positioned in this region to further drive regionalization and consolidation of water and wastewater systems, which not only offers significant environmental benefits to the public, but allows PAWC to have better coordination of construction projects and more efficient repairs.
37. The Transaction will benefit the existing water customers of PAWC for the following reasons (among others):
- a. PAWC's existing water customers are members of the public-at-large, and so will enjoy the same benefits from the Transaction as all other members of the public-at-large.
  - b. The Transaction will have no immediate rate impact on PAWC's existing water customers; any impacts on the rates of PAWC's existing customers would occur only upon Commission approval as part of a base rate proceeding.
  - c. The Transaction will add approximately 2,389 water customers to PAWC's existing water customer base of approximately 695,001 residential, commercial, industrial, municipal and bulk customers in Pennsylvania. In the long term, this will benefit existing water customers by spreading the costs of the System among a larger number of customers, allowing all customers to share future infrastructure and other expenses, which permits rates for all customers to remain just and reasonable over time. It also promotes rate stability because customers

in any particular water system are unlikely to experience sharp rate spikes when their individual system requires extensive capital investments.

**A. THE RIGHTS OF PAWC TO OFFER OR FURNISH WATER SERVICE TO THE PUBLIC IN ALL OF THE BOROUGH OF OHIOPLYE AND PORTIONS OF THE TOWNSHIPS OF SALTICK, SPRINGFIELD, BULLSKIN, CONNELLSVILLE AND STEWART, FAYETTE COUNTY AND ALL OF THE BOROUGH OF DONEGAL AND PORTIONS OF THE TOWNSHIPS OF DONEGAL AND MOUNT PLEASANT, WESTMORELAND COUNTY, PENNSYLVANIA**

38. The System currently provides water service to approximately 2,389 customers in the Service Area.

39. PAWC's applied-for service territory is shown on the maps in **Appendix A-16-a through A-16-f (Appendix A-16-f is CONFIDENTIAL)** and is further described in that appendix.

40. No corporation, partnership or individual other than ICVWA is now furnishing or has corporate or franchise rights to furnish service similar to that to be rendered by PAWC in the territory covered by this Application, and no competitive condition will be created. As part of this Application, PAWC has requested approval to acquire, by purchase, all of the assets, properties and rights of the System (other than the Excluded Assets, as set forth in the APA). Upon closing of the Transaction, ICVWA will permanently discontinue all water service to the public, and ICVWA will be dissolved.

**B. FAIR MARKET VALUATION UNDER CODE SECTION 1329**

41. **Appendix A** and related Section 1329 Checklist appendices satisfy the filing requirements of Code Section 1329, the *2019 FSIO*, the *2024 FSIO*, and the Section 1329 Checklist. The Section 1329 appendices correspond directly with the numbered requirements of the Section 1329 Checklist (*e.g.*, **Appendix A-1** (Requirement No. 1), **Appendix A-2** (Requirement No. 2), etc.).

42. The fair market valuation reports of the UVEs of ICVWA, as Seller, and PAWC, as Buyer, are contained in **Appendix A-5**; specifically, **Appendix A-5.1**-Weinert Appraisal and Depreciation Services, LLC, for Buyer, and **Appendix A-5.2**-Gannett Fleming Valuation and Rate Consultants, LLC, for Seller) (with electronic working documents included at **Appendix A-4**; specifically, **Appendix A-4.2**-Weinert Appraisal and Depreciation Services, LLC, for Buyer, and **Appendix A-4.3**-Gannett Fleming Valuation and Rate Consultants, LLC, for Seller). Buyer's UVEs' written direct testimony in support of its report is set forth in **Appendix A-14-b**.<sup>5</sup>

43. PAWC's other written direct testimony in support of this Application can be found in **Appendix A-14-a**.

44. As PAWC has followed the requirements of Section 1329, the *2019 FSIO*, the *2024 FSIO*, and the Section 1329 Checklist, PAWC should be permitted to: (a) use for ratemaking purposes the lesser of the fair market value or the negotiated purchase price of the assets related to the System; (b) collect a DSIC related to the Service Area prior to the first base rate case in which the Service Area plant-in-service is incorporated into rate base; (c) accrue AFUDC for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; (d) defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; and, (e) include, in its next rate case, a claim for transaction and closing costs related to the acquisition.

45. The *2024 FSIO* established an RRR as a guidepost for analyzing and evaluating the overall prudence of Section 1329 applications. On August 9, 2024, the Commission published an initial RRR, with an updated RRR to be established annually. On March 20, 2025, the Commission set the RRR

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<sup>5</sup> PAWC is submitting direct testimony of ICVWA's UVE and a piece of testimony by R. Kerry Witt, General Manager of the ICVWA. These two pieces of Direct Testimony, contained in **Appendix A-13-b** and **Appendix A-13-a**, respectively, are being submitted as directed by the *2019 FSIO*. PAWC's submission of this testimony should not be considered support for or sponsorship of such testimony. PAWC anticipates that ICVWA will intervene in this matter and will sponsor its respective direct testimony and exhibits. PAWC reserves its right to submit rebuttal testimony regarding the testimony of ICVWA as appropriate.

applicable to this Transaction at 1.63 in its second Annual Report on the RRR. The depreciated original cost of the system multiplied by the RRR of 1.63 in effect at the time the APA was executed (May 30, 2025) is approximately \$37,262,921. PAWC's ratemaking rate base is based on its \$32,800,000 purchase price, which is approximately \$4.5 million lower than the RRR value.

46. PAWC requests to record the acquisition on a net basis consistent with generally accepted accounting principles, which advise that property, plant and equipment acquired in a business combination intended to be held and used should be recognized and measured at fair value, and that the accumulated depreciation of the acquiree is not carried forward in a business combination (i.e., net presentation).

#### **C. FILING OF CONTRACTS PURSUANT TO CODE SECTION 507**

47. The APA, because it is between PAWC and a municipal corporation, is required to be filed with the Commission under 66 Pa. C.S. § 507. The APA is attached hereto as **Appendix A-24-a**. In addition, contracts between ICVWA and certain municipal corporations will be assumed by PAWC upon Closing. Those agreements are listed on **Appendix A-25** and attached hereto as **Appendices A-25.1 through A-25.8**. The municipal agreements are reasonable and otherwise lawful. Assumption of the agreements by PAWC is necessary for PAWC to abide by the existing contractual arrangements of ICVWA and in order for PAWC to provide safe, adequate, and reasonable service to the Service Area customers at just and reasonable rates. Assumption of the agreements will also allow PAWC to provide the same treatment services to surrounding municipalities that ICVWA historically provided. The surrounding municipalities are dependent upon such water treatment service for the convenience of their consumers. Accordingly, the Commission should issue Certificate of Filing or otherwise approve the Section 507 Agreements under 66 Pa. C.S. § 507.

**D. NOTICE**

48. As evidenced by the Certificate of Service accompanying this Application, PAWC is serving copies of this filing electronically by emailing a OneDrive link to the Office of Consumer Advocate, the Office of Small Business Advocate, and the Commission's Bureau of Investigation and Enforcement. Once the Application is reviewed and accepted by Commission Staff, PAWC will serve copies of the Application upon the municipal entities required to be provided with copies by the Commission's regulations at 52 Pa. Code § 3.501(f) and by the Section 1329 Checklist and upon the Pennsylvania Department of Environmental Protection ("DEP") Central Office and Southwest Regional Office. Similarly, notice will be published in local newspapers of general circulation.

49. Upon receiving conditional acceptance of this filing by the Commission, PAWC will provide individual notice to its customers by bill insert or bill onsert and to ICVWA's customers by direct mail consistent with the 2024 FSIO.<sup>6</sup> PAWC will verify to the Commission when individual notice to affected customers has been completed and ask that the filing be finally accepted. PAWC will verify to the Commission when individual notice to affected customers has been completed and ask that the filing be finally accepted.

50. Upon final acceptance of this filing, PAWC respectfully requests that the Commission publish notice of this filing in the Pennsylvania Bulletin as soon as possible, with a reasonable deadline for filing protests, interventions, etc. in this proceeding.

**E. CONCLUSION AND REQUEST FOR RELIEF**

WHEREFORE, Pennsylvania-American Water Company respectfully requests that the Pennsylvania Public Utility Commission approve the Application and order that:

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<sup>6</sup> See, Direct Testimony of Christina E. Chard, marked as Appendix A-14-a, PAWC Statement No. 3 at p. 10.

(a) such Certificates of Public Convenience be issued as necessary to evidence its approval under 66 Pa. C.S. § 1102(a) of (i) the transfer, by sale, of substantially all of the assets, properties and rights related to its water treatment and distribution system owned and operated by Indian Creek Valley Water Authority to Pennsylvania-American Water Company, and (ii) the right of Pennsylvania-American Water Company's to begin to offer, render, furnish and supply water service in all of the Borough of Ohiopyle and portions of the Townships of Saltlick, Springfield, Bullskin, Connellsville and Stewart, Fayette County and all of the Borough of Donegal and portions of the Townships of Donegal and Mount Pleasant, Westmoreland County, Pennsylvania;

(b) the *pro forma* tariff supplement attached hereto as **Appendix A-12**, including all rates, rules and regulations regarding conditions of Pennsylvania-American Water Company's water service as revised herein, be permitted to become effective immediately upon closing of the Transaction;

(c) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to use for ratemaking purposes the lesser of the fair market value or the negotiated purchase price of the assets purchased pursuant to the Transaction;

(d) pursuant to 66 Pa. C.S. § 1702, Pennsylvania-American Water Company be permitted to record the acquisition at the net value of the assets;

(e) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to collect a distribution system improvement charge prior to the first base rate case in which the Service Area plant-in-service is incorporated into rate base;

(f) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to accrue Allowance for Funds Used During Construction for post-acquisition improvements not recovered through the distribution system improvement charge for book and ratemaking purposes;

(g) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes;

(h) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to include, in its next base rate case, a claim for transaction and closing costs associated with the acquisition of the System;

(i) pursuant to 66 Pa. C.S. § 507, Certificates of Filing or approval be issued for the following agreements between Pennsylvania-American Water Company and a municipal corporation:

- i. Asset Purchase Agreement By and Between Indian Creek Valley Water Authority, as Seller, and Pennsylvania-American Water Company, as Buyer, dated as of May 30, 2025 (attached hereto as **Appendix A-24-a**), including any amendments thereto;
- ii. Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Donegal, Westmoreland County, Pennsylvania dated April 13, 1995 (attached hereto as **Appendix A-25.1**);
- iii. Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Mount Pleasant, Westmoreland County, Pennsylvania dated April 17, 1995 (attached hereto as **Appendix A-25.2**);
- iv. Agreement for Water Service by and between Indian Creek Valley Water Authority and Borough of Donegal, Westmoreland County, Pennsylvania dated May 2, 1995 (attached hereto as **Appendix A-25.3**);

- v. Interconnect Agreement between Pleasant Valley Water Authority and Indian Creek Valley Water Authority Re Clinton Road, Saltlick Township and Quail Hill, Saltlick Township/Bullskin Township, Fayette County dated September 28, 1998 (attached hereto as **Appendix A-25.4**);
- vi. Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Stewart, Fayette County, Pennsylvania dated August 15, 2002 (attached hereto as **Appendix A-25.5**);
- vii. Sewage System Right of First Refusal Agreement by and between Ohiopyle Borough and Indian Creek Valley Water Authority dated June 15, 2012 (attached hereto as **Appendix A-25.6**); and
- viii. Services Agreement for ICVWA to act as billing and collection agent and provide water termination service by and between Indian Creek Valley Water Authority and the Borough of Ohiopyle dated December 5, 2013 (attached hereto as **Appendix A-25.7**)
- ix. Agreement for lease of land and granting rights and privileges by and between the Municipal Authority of Westmoreland County and Indian Creek Valley Water Authority dated July 16, 2024 (attached hereto as **Appendix A-25.8**).

(j) the issuance of any other approvals or certificates appropriate, customary, or necessary under the Code to carry out the Transaction contemplated in this Application in a lawful manner.

Respectfully submitted,




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Date: November 3, 2025

Attorneys for *Pennsylvania-American Water Company*