

**Application of Pennsylvania-American Water Company for the  
Acquisition of the Water System Owned and Operated by  
Indian Creek Valley Water Authority (“ICVWA”)**

**Docket No. A-2025-3055741**

**66 Pa. C.S. § 1329**

**Application Filing Checklist – Water/Wastewater**

4. Provide responses to Section 1329 Application Standard Data Requests, including electronic working documents (i.e., Excel spreadsheets) for all the filing’s schedules, studies, and working papers to the extent practicable.

**RESPONSE:** See enclosed responses to the Section 1329 Application Standard Data Requests labeled **Appendix A-4.1**, the electronic working documents (i.e., Excel spreadsheets) for all the appraisal filing’s schedules, studies, and working papers labeled **Appendix A-4.2 (Weinert Appraisal and Depreciation Services, LLC, on behalf of PAWC) CONFIDENTIAL**, and **Appendix A-4.3 (Harold Walker, III, Manager, Financial Studies of Gannett Fleming Valuation and Rate Consultants, LLC, on behalf of EBMA) CONFIDENTIAL**.

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**Rates/Ratemaking**

1. Estimate the potential monthly incremental cost impact on existing and acquired customers following the actual results of the Buyer’s most recently adjudicated base rate proceeding, whether litigated or settled, allocating the fair market value of the acquired system according to the Buyer’s previously approved single-tariff pricing model.
  - a. In the case of a wastewater acquisition, a Buyer that employs a combined revenue requirement pursuant to 66 Pa. C.S. § 1311 will provide information assuming a combined water and wastewater revenue requirement consistent with its most recent adjudicated base rate proceeding.
  - b. If a Buyer has filed the thirty-day notice of 52 Pa. Code § 53.45(a), or has filed a rate case, it should calculate the above using data as proposed in its upcoming or filed rate case.

**Response:** a-b. Please see **SDR 1 Attachment\_****CONFIDENTIAL**.

**Provided by:** **Dr. Christina Chard, American Water Works Service Company  
Senior Director, Rates and Regulatory  
Pennsylvania-American Water Company**

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**Rates/Ratemaking**

2. If the Buyer has a present intention to increase the acquired system’s rates to a certain level, please state the basis for the targeted rate.

**Response:** Pennsylvania-American Water Company (“PAWC”) will adopt the System’s existing rates at closing. PAWC anticipates consolidating and/or moving the acquired system’s rates towards PAWC’s Zone 1 rates in a future rate proceeding.

**Provided by: Dr. Christina Chard, American Water Works Service Company  
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**Rates/Ratemaking**

3. Provide the annual depreciation expense using the purchase price/proposed rate base. If the exact depreciation expense is not available, provide the best estimate of the annual depreciation expense. Show how the depreciation expense is calculated.

**Response:** The estimated annual depreciation expense associated with the purchase price is \$656,228. As explained in the Direct Testimony of Dr. Chard at **Appendix A-14-a**, PAWC Statement No. 3, pp. 6-7, PAWC proposes to record the acquired Utility Plant in Service (UPIS) at the net value. Please refer also to the tentative journal entry in **Appendix A-15-f**.

The depreciation expense is calculated as shown below:

UPIS at Acquisition: \$32,800,000  
Annual depreciation expense: \$656,000  
Composition depreciation rate: 2.00%

Note – The composite depreciation rate is calculated for the acquired plant using the depreciation rates approved in PAWC’s most recently-approved base rate case for Water General Operations at Docket No. R-2023-3043189. PAWC will utilize depreciation rates that are approved and in effect at the time of closing of the acquisition.

**Provided by:** **Dr. Christina Chard, American Water Works Service Company  
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**Rates/Ratemaking**

4. Provide an estimate of the annual revenue requirement of the municipal system under the Buyer’s ownership. Provide the assumptions for the annual revenue requirement, including expected rate of return, expected depreciation expense, O&M expenses, etc.

**Response:** The estimated annual revenue requirement of the System under PAWC ownership is \$5,163,000. Please refer to the Direct Testimony of Dr. Chard at **Appendix A-14-a**, PAWC Statement No. 3, PAWC Exhibit CEC-1, for the assumptions for the annual revenue requirement shown above.

**Provided by:** **Dr. Christina Chard, American Water Works Service Company  
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**Rates/Ratemaking**

5. Provide an estimate of the annual revenues of the municipal system under the Buyer’s ownership. Provide the assumptions for the annual revenues, including both operating revenues and non-operating revenues.

**Response:** Please refer to **Appendix A-14-a**, PAWC Statement No. 3, PAWC Exhibit CEC-1, page 6, for annual revenue assumptions, including operating revenues. The Buyer is not aware of any non-operating revenue assumptions.

**Provided by:** **Dr. Christina Chard, American Water Works Service Company  
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**Rates/Ratemaking**

6. Provide an estimate of the overall dollar and percentage rate impacts implicated from stand-alone rates that recover the Buyer’s estimated annual gross revenue requirement for the acquired system from the Seller’s customers.

**Response:** Please refer to **Appendix A-18-d**, page 1, of the Application for estimated monthly rate impacts. Refer to Exhibit CEC-1, page 6, for the annual revenue assumptions.

**Provided by:** **Dr. Christina Chard, American Water Works Service Company  
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**Rates/Ratemaking**

7. Provide an estimate of the overall dollar and percentage rate impacts implicated from the following rates:
- a. For water applications, rates that recover the Buyer’s estimated annual net revenue requirement for the acquired system from the Buyer’s existing water customers.
  - b. For wastewater applications, both water and wastewater rates that recover the Buyer’s estimated annual net revenue requirement for the acquired system from the Buyer’s existing water and wastewater customers, respectively.

- Response:**
- a. Please refer to **Appendix A-18-d**, page 1, of the Application for the annual rate impacts.
  - b. Not applicable.

**Provided by:**            **Dr. Christina Chard, American Water Works Service Company  
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**Rates/Ratemaking**

8. Other than the STAS, does Buyer’s current water/wastewater tariff include any provisions that would fall under “pass-through costs or charges imposed by the Commonwealth of Pennsylvania”?

**Response:** No, other than the STAS, PAWC does not have any provisions in its tariff that would fall under pass-through costs or changes imposed by the Commonwealth of Pennsylvania.

PAWC’s current water tariff also includes the Distribution System Improvement Charge (“DSIC”). PAWC’s Application requests that this charge be applied to System customers, subject to inclusion in PAWC’s water LTIP.

**Provided by:** **Dr. Christina Chard, American Water Works Service Company  
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**Rates/Ratemaking**

9. Provide a listing of any entities that currently receive free service from the Seller.

**Response:** It is PAWC’s understanding, based on discussions with the ICVWA, there is one residential customer (the caretaker of the Mill Run WTP property) currently receiving free service from the Authority, however this customer is to begin receiving bills from ICVWA prior to close.

**Provided by: Tracy J. Baer, P.E., Senior Manager – Business Development  
Pennsylvania-American Water Company**

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**Rates/Ratemaking**

10. In the next rate case, does buyer anticipate including the acquired system in a combined revenue requirement?

**Response:** The Buyer anticipates including Seller's water system in a combined revenue requirement in the next rate case.

**Provided by: Dr. Christina Chard, American Water Works Service Company  
Senior Director, Rates and Regulatory  
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**Rates/Ratemaking**

11. If Seller has increased rates in the last year, please state the date of the increase and provide a copy of the new rate schedule and the total annual revenues produced under the new rates.

**Response:** It is PAWC’s understanding, based on discussions with the ICVWA, rates have not been increased within the last year.

**Provided by: Tracy J. Baer, P.E., Senior Manager – Business Development  
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**Rates/Ratemaking**

12. Are there any leases, easements, and access to public rights-of-way that Buyer will need in order to provide service which will not be conveyed at closing? If yes, identify when the conveyance will take place and whether there will be additional costs involved.

**Response:** It is anticipated that any leases, easements and access to public-rights-of-way the Buyer will need in order to provide water service will be conveyed at time of Closing. See also Sections 4.1(1)(ii) & (vii) and 10.4(a) of the APA attached to the Application at **Appendix A-24-a**, for further details in identifying all easements and obtaining any missing easements.

**Provided by:** Tracy J. Baer, P.E., Senior Manager – Business Development  
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**Costs/Benefits**

13. Provide a breakdown of the estimated transaction and closing costs. Provide invoices to support any transaction and closing costs that have already been incurred.

**Response:** PAWC estimates transaction and closing costs of approximately \$0.93 million. Please see the chart below for a breakdown of these estimated costs:

Area	Estimated Amount
Legal	\$700,000
PUC/Copying/Publication	\$9,000
Transfer Taxes	\$75,350
Title Insurance	\$13,000
Permits	\$15,000
Engineering Assessment Study	\$17,500
Customer Notice	\$21,000
Act 12 FMV Valuation	\$50,000
Act 537 Plan Update	\$0
Easement Investigation	\$25,000
Customer Welcoming Packets	\$6,150
<b>Total</b>	<b>\$932,000</b>

Refer to **Appendices A-7.1 and A-7.2** to the Application for a copy of the non-privileged invoices to support the transaction costs that have been incurred to date.

**Provided by:** **Dr. Christina Chard, American Water Works Service Company  
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**Costs/Benefits**

14. Please describe known and anticipated general expense savings and efficiencies under Buyer’s ownership. State the basis for all assumptions used in developing these costs and provide all supporting documentation for the assumptions, if available.

**Response:** PAWC’s national purchasing power will produce savings for expenses after ownership. Estimated cost savings include the following:

- a. PAWC’s contract pricing for pipe: 37% below the market index
- b. PAWC’s light duty vehicle purchasing: 13% below dealer invoice
- c. PAWC’s chemical expense: 20% below the market index
- d. PAWC’s power expense: at least \$0.01 per kwh less than utility price to compare
- e. PAWC’s natural gas: 10% savings over \$2.50/DTh price

Other supply chain benefits include, but are not limited to, reliable and secure supply channels, improved warranties, price stability, strategic payment terms, discounting, and supplier responsiveness and support.

Additionally, as PAWC completes main replacements, it is expected that the reduction of leaks will lower non-revenue water.

**Provided by:** Tracy J. Baer, P.E., Senior Manager – Business Development  
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**Costs/Benefits**

15. Please provide a copy of the Seller’s request for proposals (if there was one) and any accompanying exhibits with respect to the proposed sale of the system.

**Response:** Not applicable, as the ICVWA did not issue a request for proposals with respect to the proposed sale of the system.

**Provided by:** Tracy J. Baer, P.E., Senior Manager – Business Development  
Pennsylvania-American Water Company

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**Costs/Benefits**

16. Please provide a copy of the proposal and exhibits of the Buyer for the purchase of Seller’s system.

**Response:** Not applicable, as the ICVWA did not issue a request for proposals with respect to the proposed sale of the system.

**Provided by: Tracy J. Baer, P.E., Senior Manager – Business Development  
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**Costs/Benefits**

17. Provide a copy of the Buyer’s offer to purchase the Seller’s system and the Seller’s response to that offer.

**Response:** Please see SDR 17 Attachment\_ **CONFIDENTIAL**.

**Provided by:** Tracy J. Baer, P.E., Senior Manager – Business Development  
Pennsylvania-American Water Company

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**Appraisals**

18. For each UVE in this case, please provide the following, if not already provided:
- a. A list of valuations of utility property performed by the UVE;
  - b. A list of appraisals of utility property performed by the UVE
  - c. A list of all dockets in which the UVE submitted testimony to a public utility commission related to the appraisal of utility property; and
  - d. An electronic copy of or electronic link to testimony in which the UVE testified on public utility fair value acquisitions in the past two years.

**Response:** **Jerome C. Weinert, Principal & Director – Weinert Appraisal & Depreciation Services LLC.**

- a. Please see Mr. Weinert’s Curriculum Vitae attached as PAWC Exhibit JCW-1 to Mr. Weinert’s Direct Testimony, included as **Appendix A-14-b** to the Application (PAWC Statement No. 4).
- b. Please see Mr. Weinert’s response to a. above.
- c. Please see a list of dockets (all of which are PA PUC dockets) in which Mr. Weinert submitted testimony to a public utility commission related to the appraisal of utility property:

- A-2016-2580061 – New Garden
- A-2017-2606103 – McKeesport
- A-2018-3001582 – East Bradford
- A-2018-3002437 – Sadsbury
- A-2018-3004933 – Exeter
- A-2019-3006880 – Steelton
- A-2019-3008491 – Cheltenham
- A-2019-3009052 – East Norriton
- A-2019-3014248 – Borough of Kane
- A-2020-3019634 – Borough of Royersford
- A-2020-3019859 - Valley Township
- A-2020-3020178 - Valley Township

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A-2020-3021460 – Upper Pottsgrove Township  
A-2021-3024267 – Lower Makefield Township  
A-2021-3024681 – York City Sewer Authority  
A-2021-3026132 - East Whiteland Township  
A-2021-3024058 – Borough of Brentwood  
A-2021-3027268 – Willistown Township  
A-2023-3041695 – Greenville Sewage Authority  
A-2022-3037047 – Butler Area Sewer Authority

- d. In the past two years, Mr. Weinert submitted testimony in the below dockets. Links to the dockets where Mr. Weinert testified are below:
- i. Upper Pottsgrove Township - A-2020-3021460  
<https://www.puc.pa.gov/docket/A-2020-3021460>
  - ii. York City Sewer Authority - A-2021-3024681  
<https://www.puc.pa.gov/docket/A-2021-3024681>
  - iii. East Whiteland Township - A-2021-3026132  
<https://www.puc.pa.gov/docket/A-2021-3026132>
  - iv. Borough of Brentwood - A-2021-3024058  
<https://www.puc.pa.gov/docket/A-2021-3024058>
  - v. Willistown Township - A-2021-3027268  
<https://www.puc.pa.gov/docket/A-2021-3027268>
  - vi. Butler Township Municipal Authority - A-2022-3037047  
<https://www.puc.pa.gov/docket/A-2022-3037047>
  - vii. Elizabeth Borough Municipal Authority - A-2023-3038717  
<https://www.puc.pa.gov/docket/A-2023-3038717>

**Response:** **Harold Walker III, Manager, Financial Studies - Gannett Fleming Valuation and Rate Consultants, Inc.**

- a. Please see Mr. Walker’s Curriculum Vitae attached as Appendix HW-1 to Mr. Walker’s direct testimony, included as **Appendix A-13-b** to the Application (ICVWA Statement No. 2). Starred items represent dockets where Mr. Walker presented testimony related to the appraisal of utility property.
- b. Please see Mr. Walker’s response to a. above.

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- c. Please see Mr. Walker’s response to a. above.
- d. In the past two years, Mr. Walker submitted testimony in the below dockets (all of which are PA PUC dockets). Links to the dockets where Mr. Walker testified are below:
  - i. Shenandoah Borough – A-2022-3034143  
<https://www.puc.pa.gov/docket/A-2022-3034143>
  - ii. City of Beaver Falls – A-2022-3033138  
<https://www.puc.pa.gov/docket/A-2022-3033138>
  - iii. Butler Area Sewer Authority – A-2022-3037047  
<https://www.puc.pa.gov/docket/A-2022-3037047>
  - iv. Borough of Brentwood – A-2021-3024058  
<https://www.puc.pa.gov/docket/A-2021-3024058>
  - v. Greenville Sanitary Authority – A-2023-3041695  
<https://www.puc.pa.gov/docket/A-2023-3041695>
  - vi. Elizabeth Borough Municipal Authority – A-2025-3052983  
<https://www.puc.pa.gov/docket/A-2025-3052983>
  - vii. Municipal Authority of the Borough of Greenville – A-2024-3049045  
<https://www.puc.pa.gov/docket/A-2024-3049045>

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**Appraisals**

19. Please explain each discount rate used in the appraisals, including explanations of the capital structure, cost of equity and cost of debt. State the basis for each input. Provide all sources, documentation, calculations and/or workpapers used in determining the inputs.

**Response: Jerome C. Weinert, Principal & Director – Weinert Appraisal & Depreciation Services LLC.**

Please see the Direct Testimony of Jerome C. Weinert, included as **Appendix A-14-b** to the Application (PAWC Statement No. 4) at pp. 20-22. Information on the discount rate can also be found in Application **Appendix A-5.1** (WADS Appraisal), the section entitled “Cost of Capital/Required Return” and at **Appendix A-4.2** **CONFIDENTIAL** to the Application (WADS electronic workpapers).

**Response: Harold Walker III, Manager, Financial Studies - Gannett Fleming Valuation and Rate Consultants, Inc.**

Please see the Direct Testimony of Harold Walker, III, included as **Appendix A-13-b** to the Application (ICVWA Statement No. 2) at pp. 19-23, **Appendix A-5.2** to the Application (Gannett Appraisal), and **CONFIDENTIAL Appendix A-4.3** to the Application (Gannett electronic workpapers).

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**Appraisals**

20. Please explain whether the UVE used replacement cost or reproduction cost and why that methodology was chosen.

**Response: Jerome C. Weinert, Principal & Director – Weinert Appraisal & Depreciation Services LLC. (“WADS Consultants”)**

WADS Consultants used replacement cost. Please see the Direct Testimony of Jerome C. Weinert, included as **Appendix A-14-b** to the Application (PAWC Statement No. 4) at pp. 5-13 for an explanation of why the replacement cost was chosen.

**Response: Harold Walker III, Manager, Financial Studies - Gannett Fleming Valuation and Rate Consultants, Inc.**

Gannett Fleming used the original cost new (OCN) to calculate the trended original cost (TOC) measures, or the reproduction cost of the depreciable assets by multiplying the OCN by specific cost indices. We converted reproduction cost new to replacement cost new (RCN) after factoring in obsolescence. We used the TOC method because the mandated use of the Engineering Assessment’s original cost essentially dictates the use of TOC over the reproduction cost or the replacement cost methods. Please see the Direct Testimony of Harold Walker, III, included as **Appendix A-13-b** to the Application (ICVWA Statement No. 2) at pp. 15-17 for an explanation of why this method was chosen.

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**Appraisals**

21. Please provide a copy of the source for the purchase price and number of customers for each comparable acquisition used in the appraisals.

**Response: Jerome C. Weinert, Principal & Director – Weinert Appraisal & Depreciation Services LLC.**

The source of the purchase prices used in the comparable sales approach to the Market Approach was the Asset Purchase Agreements in those transactions. Please see response to Section 1329 Application Standard Data Requests Question 18 for a list of prior transactions. Mr. Weinert did not consider the number of customers in his comparable sales approach to the Market Approach. Mr. Weinert compared purchase price to original cost less depreciation, and to replacement cost new less depreciation in the comparable sales approach.

**Harold Walker III, Manager, Financial Studies - Gannett Fleming Valuation and Rate Consultants, Inc.**

Please see pages 101 to 169 of Exhibit 23 from **Appendix A-5.2** to the Application (Gannett Appraisal) for the source for the purchase price and number of customers for each comparable acquisition used in the Gannett Appraisal.

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**Appraisals**

22. Have Buyer’s and Seller’s UVE corresponded with regard to their respective fair market value appraisals of the assets at issue in this case? If yes, provide the following information:
- a. Identify the nature and date(s) of correspondence;
  - b. Identify the type(s) of correspondence (i.e. written, verbal, etc); and,
  - c. Provide copies of any written correspondence exchanged between the UVEs.

**Response: Jerome C. Weinert, Principal & Director – Weinert Appraisal & Depreciation Services LLC.**

No.

**Harold Walker III, Manager, Financial Studies - Gannett Fleming Valuation and Rate Consultants, Inc.**

No. The Buyer’s and Seller’s UVE did not correspond with regard to their respective fair market value appraisals of the assets at issue in this case.

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**Miscellaneous**

23. Are there any outstanding compliance issues that the Seller’s system has pending with the PA Department of Environmental Protection. If yes, provide the following information:
- a. Identify the compliance issue(s);
  - b. Provide an estimated date of compliance;
  - c. Explain Buyer’s anticipated or actual plan for remediation;
  - d. Provide Buyer’s estimated costs for remediation; and,
  - e. Indicate whether the cost of remediation was or is anticipated to be factored into either or both fair market valuation appraisals offered in this proceeding.

- Response:**
- a. See the Direct Testimony of Jed A. Fiscus, Application **Appendix A-14-a** (PAWC Statement No. 2) at pp. 8-12 and PAWC Exhibits JAF-3 through JAF-6.
  - b. PAWC anticipates completion of capital projects to achieve compliance within 24 months of closing.
  - c. See the Direct Testimony of Jed A. Fiscus, Application **Appendix A-14-a** (PAWC Statement No. 2) at pp. 15-18.
  - d. Estimated costs of implementation of the compliance projects are included in the 5-Year Capital Improvements Plan included as PAWC Exhibit JAF-3.
  - e. **WADS Consultants:** The WADS Consultants’ appraisal considered any system remediation in its depreciation deduction in the cost approach and the capital expenditures deducted from future cash flows prior to arriving at the net cash flows to discount. The market approach used the cost approach conclusion as a basis of comparison to market sales and as such the depreciation deduction taken in the cost approach also recognizes any remediation cost in the market approach.

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**Gannett Fleming**: Gannett Fleming’s appraisal did not factor in specific projected remediation cost. However, the income approach does factor in (deduct) estimated capital expenditures when calculating future net cash flows. Historical remediation cost is reflected in the cost approach to the extent they are included in the Engineers Assessment’s inventory.

**Provided by: Jed A. Fiscus, P.E., Director  
Engineering Project Delivery, Western Pennsylvania  
Pennsylvania-American Water Company**

**Jerome C. Weinert, Principal & Director – Weinert Appraisal &  
Depreciation Services LLC.**

**Harold Walker III, Manager, Financial Studies  
Gannett Fleming Valuation and Rate Consultants, Inc**

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**Section 1329 Application Standard Data Requests**

**Miscellaneous**

24. Are there any outstanding compliance issues that the Seller’s system has pending with the US Environmental Protection Agency? If yes, provide the following information:
- a. Identify the compliance issue(s);
  - b. Provide an estimated date of compliance;
  - c. Explain Buyer’s anticipated or actual plan for remediation;
  - d. Provide Buyer’s estimated costs for remediation; and
  - e. Indicate whether the cost of remediation was or is anticipated to be factored into either or both fair market valuation appraisals offered in this proceeding.

**Response:** No.

**Provided by: Jed A. Fiscus, P.E., Director  
Engineering Project Delivery, Western Pennsylvania  
Pennsylvania-American Water Company**

**SDR 1\_ATTACHMENT**

**Response**

**CONFIDENTIAL DOCUMENT**

## **Appendix A-4.2**

### **WADS Consultants Work Papers**

**CONFIDENTIAL DOCUMENT**

**Appendix A-4.3**  
**Gannett Fleming Work Papers**

**CONFIDENTIAL DOCUMENT**

**SDR 17\_ATTACHMENT**

**Buyer's Offer and Seller's Response**

**CONFIDENTIAL DOCUMENT**