

**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 its water treatment and :
distribution system owned and operated by :
the Indian Creek Valley Water Authority, : Docket No. A-2025-3055741, *et al.*
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 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 :

**DIRECT TESTIMONY OF
TRACY J. BAER, P.E. ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

**DIRECT TESTIMONY OF
TRACY J. BAER**

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

2 **A.** My name is Tracy J. Baer, P.E., and my business address is 852 Wesley Drive,
3 Mechanicsburg, 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 the “Company”)
7 as Senior Manager of Business Development.

8

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

11 **A.** I support other Business Development team members with developing and maintaining
12 necessary contacts to stay abreast of new business opportunities. I manage several of the
13 Company’s acquisition processes, including preparation of applications for submission to
14 the Pennsylvania Public Utility Commission (“Commission”), and the workflows required
15 to transactionally close acquisitions. These responsibilities necessitate that I maintain a
16 working knowledge of regulatory and technical developments, recent technologies and
17 current trends as they affect the water and wastewater utility industries, and that I be
18 familiar with legislation, regulations and public policy affecting business opportunities.

1 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EDUCATION AND EXPERIENCE.**

2 **A.** I earned a Bachelor of Science in Environmental Engineering from the Pennsylvania State
3 University in 1989 and a Master of Business Administration in Marketing and Management
4 from the Pennsylvania State University in 2001. Prior to my role as Senior Manager of
5 Business Development for PAWC, I served as Capital Program Manager for 11 years with
6 American Water Works Company, Inc. (“American Water”). In that role, my primary
7 responsibilities included management and reporting of American Water’s approximate
8 \$2 billion annual capital investment across American Water’s regulated Operating
9 Companies, including PAWC. I was responsible for analyzing capital spend variances,
10 risks, and progress on American Water’s large capital projects, and for preparing
11 performance metrics for critical assets, including buried infrastructure and operating
12 facilities. Before joining PAWC and American Water, I served in various consulting
13 positions with Accenture, Groundwater & Environmental Services and Earth Tech (now
14 AECOM). Throughout my 34 years of engineering and consulting experience, I have been
15 involved with or managed multiple water/wastewater treatment and remediation projects
16 for private and government clients throughout the country. I am a Registered Professional
17 Engineer in Pennsylvania and South Carolina.

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

21 **A.** No. I have not previously testified before the Commission.

1 DESCRIPTION OF THE APPLICATION

2 **Q. HAS PAWC FILED AN APPLICATION WITH THE COMMISSION FOR**
3 **REGULATORY APPROVAL TO ACQUIRE THE WATER SYSTEM OWNED**
4 **AND OPERATED BY THE INDIAN CREEK VALLEY WATER AUTHORITY**
5 **(“AUTHORITY”) AND RELATED APPROVALS?**

6 **A.** Yes. PAWC filed its Application on October 31, 2025, for approval of PAWC’s
7 acquisition of the Authority’s water treatment and distribution system (the “System”). I
8 will refer to the acquisition in my testimony as the “Transaction.”

9 The Application was prepared and filed under my direct supervision. As indicated
10 in my Verification attached to the Application, the Application and its numerous
11 appendices are true and correct to the best of my knowledge, information, and belief. We
12 used PAWC records, as well as the Authority’s records, to prepare the Application. For
13 purposes of having a complete evidentiary record in this proceeding upon which the
14 Commission can base its decision, I submit the Application and all of its appendices
15 (Appendices A through K) as **PAWC Exhibit TJB-1**. Certain appendices contain
16 proprietary information and are, 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 Authority (the “Service Area”). The Application contains a *pro forma* tariff

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

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

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

16 Fourth, PAWC is seeking Certificates of Filing or approvals under Section 507 of
17 the Code, 66 Pa. C.S. § 507, for the APA and certain municipal agreements to be assumed
18 by PAWC as a result of the Transaction.

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

22 **A.** Yes. PAWC's Application has been prepared in accordance with the fair market value
23 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.¹ I note, however,
3 that PAWC reserves its right to make alternative ratemaking proposals in future
4 proceedings as may be permitted under the Code and regulations.

5
6 **Q. WHAT DOES SECTION 1329 REQUIRE TO BE INCLUDED IN THE**
7 **APPLICATION?**

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

12
13 **Q. WHAT DOES THE COMMISSION REQUIRE BE INCLUDED IN A SECTION**
14 **1329 APPLICATION?**

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

¹ As further discussed on pages 6-7 *infra*, PAWC would not object to recovering less than its full purchase price based on its Reasonable Review Ratio (“RRR”) analysis pursuant to the Commission’s Final Supplemental Implementation Order entered July 2, 2024 at Docket No. M-2016-2543193, as well as the *Report on the Reasonableness Review Ratio For the Year Ended 12.31.2023* dated August 2, 2024 at Docket No. M-2024-3050303.

1 Appendix A and adopted a new Reasonableness Review Ratio (“RRR”). **Appendix A** to
2 the Application and its sub-appendices directly address each of the Filing Requirements.

3
4 **Q. WHAT IS A REASONABLENESS REVIEW RATIO?**

5 **A.** In the 2024 FSIO, the Commission explains that the RRR is a guidepost for analyzing and
6 making a final determination on the overall prudence of Section 1329 applications. A new
7 RRR will be set annually by the Commission. On March 20, 2025, the Commission issued
8 its second Annual Report on the Reasonableness Review Ratio at Docket No. M-2024-
9 3050303, which established an RRR of 1.63. When considering if a 1329 application is
10 prudent, the Commission will multiply the depreciated original cost (“DOC”) of a system
11 by the RRR at the time the APA was executed (May 30, 2025) and compare it to the
12 purchase price of the system.

13
14 **Q. DID PAWC CONDUCT AN RRR ANALYSIS OF THIS TRANSACTION?**

15 **A.** Yes, PAWC conducted an RRR analysis for this transaction. The RRR established by the
16 Commission in the 2025 Annual Report on the RRR is 1.63. The average of the appraisals’
17 DOC of the Authority water system is \$22,860,688. The RRR multiplied by the DOC is
18 \$37,262,921. This amount is approximately \$4,462,921 higher than the purchase price in
19 the APA of \$32,800,000.

20
21 **DESCRIPTION OF TESTIMONY FILED WITH THE APPLICATION**

22 **Q. IS PAWC FILING TESTIMONY PREPARED BY THE AUTHORITY AS PART**
23 **OF ITS APPLICATION?**

1 **A.** Yes. PAWC's Application includes at **Appendix A-13-a** the written direct testimony of
2 Mr. R. Kerry Witt, Authority General Manager, and at **Appendix A-13-b** the written direct
3 testimony of the Authority's selected UVE, Mr. Harold Walker III, Manager, Financial
4 Studies, for Gannett Fleming Valuation and Rate Consultants, LLC. PAWC is not
5 sponsoring the testimony of Mr. Witt or Mr. Walker but has included their testimony in the
6 Application pursuant to the *2019 FSIO* and in anticipation of the Authority's intervention
7 and participation in the proceeding. PAWC reserves the right to submit rebuttal testimony
8 regarding the Authority's testimony, as appropriate.

9
10 **Q.** **PLEASE IDENTIFY THE OTHER PAWC WITNESSES WHO WILL BE**
11 **PROVIDING WRITTEN DIRECT TESTIMONY AND THEIR SUBJECT**
12 **MATTER AREAS.**

13 **A.** In addition to my direct testimony, PAWC will submit the written direct testimony of
14 Mr. Jed A. Fiscus, P.E., Director, Engineering Project Delivery - Western Pennsylvania for
15 PAWC (PAWC Statement No. 2), and Dr. Christina E. Chard, Senior Director of Rates and
16 Regulatory, American Water Works Service Company, Inc. (PAWC Statement No. 3).
17 PAWC is also sponsoring direct testimony by its selected UVE, Mr. Jerome C. Weinert,
18 Principal and Owner of Weinert Appraisal and Depreciation Services, LLC, d/b/a WADS
19 Consultants (PAWC Statement No. 4).

20 Mr. Fiscus will describe the source of supply, water treatment and productions,
21 water distribution and environmental challenges associated with the System, support
22 PAWC's technical fitness to operate the System, and explain certain commitments and
23 improvements to be made by PAWC. Mr. Fiscus will also address the anticipated day-to-

1 day operation of the System once it is acquired by PAWC, including staffing and the
2 customer service enhancements that PAWC intends to implement for the benefit of the
3 Authority’s customers. Dr. Chard will address the initial rates, rules, and regulations for
4 the Authority’s customers as well as the impact of the Transaction on PAWC's existing
5 customers. Dr. Chard will also discuss the financing of the Transaction, recording the
6 acquisition at the net value of the assets, and PAWC's overall financial fitness. Mr. Weinert
7 will provide supporting testimony for his fair market valuation report.

8
9 **Q. ASIDE FROM AUTHENTICATING THE APPLICATION FOR ITS ADMISSION**
10 **INTO THE EVIDENTIARY RECORD AND IDENTIFYING ITS REQUESTS FOR**
11 **RELIEF, WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
12 **PROCEEDING?**

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

17
18 **DESCRIPTION OF THE TRANSACTION**

19 **Q. TO THE BEST OF YOUR KNOWLEDGE, WHY DID THE AUTHORITY WANT**
20 **TO SELL ITS SYSTEM?**

21 **A.** As further discussed by Mr. Witt, it is my understanding that the Authority, along with
22 both Springfield Township and Saltlick Township (the “APA Townships”) supervisors,
23 wanted to sell the System due to the long-term future needs of an aging System that is

1 failing to maintain compliance with environmental regulations, and the importance of
2 serving many residents who are currently not connected to public water. Mr. Fiscus
3 addresses the Authority's failure to maintain compliance with environmental regulations
4 in his testimony, PAWC Statement No. 2. The need to extend water mains to unserved
5 areas stems from the poor quality and/or inadequate supply from private water wells in the
6 area, much of which has been affected by legacy mining activities. The Authority has
7 received numerous petitions for water service from residents, many of which date back to
8 the 1980's-1990's, that have gone unaddressed.

9 These reasons to sell require a significant amount of capital expense and operational
10 resources. If the Authority were to address the needs and expand the System to additional
11 customers, the necessary implementation costs would result in a significant rate increase
12 for its customers. Therefore, the decision to sell the System to a larger water provider,
13 PAWC, was unanimously approved by the Authority.

14
15 **Q. PLEASE PROVIDE A DESCRIPTION OF THE TRANSACTION NEGOTIATION**
16 **PROCESS.**

17 **A.** The Transaction began as a sole source opportunity for PAWC and a
18 confidentiality/exclusivity agreement was reached with the Authority on July 6, 2022.
19 PAWC conducted due diligence activities, which included review of information provided
20 by the Authority, review of the System compliance information on the DEP's online portal,
21 a file review of documents at the DEP's Southwest Regional Office on September 7, 2022,
22 and two site visits conducted on August 4 and 19, 2022. On November 22, 2022, PAWC
23 submitted an initial offer to the Authority to acquire the Authority's assets. After

1 subsequent arms-length negotiations over a period of two years, on March 27, 2025, the
2 Authority's Board approved the Sale of the Authority's facilities to PAWC. On May 30,
3 2025, the Authority and PAWC entered into the APA for the sale of substantially all of the
4 assets, properties, and rights of the Authority at an agreed-upon price of \$32,800,000.

5
6 **Q. DID THE AUTHORITY CONDUCT PUBLIC HEARINGS REGARDING THE**
7 **ACQUISITION IN ADVANCE OF EXECUTING THE APA AS REQUIRED BY**
8 **THE 2024 FSIO?**

9 **A.** Yes. Prior to executing the APA, the Authority held two public meetings on March 27,
10 2025, to provide an opportunity for public comment, a requirement of the PUC prior to
11 executing the APA. The public meetings were held at venues in Springfield and Saltlick
12 Townships within the municipal boundaries of the Seller. Members of PAWC's
13 operations, water quality, engineering and business development teams were present at the
14 two public meetings to address questions and comments from the public. A list of the
15 public's questions and comments, along with PAWC's responses, are attached as **PAWC**
16 **Exhibit TJB-2.**

17
18 **Q. PLEASE PROVIDE AN OVERVIEW OF THE APA.**

19 **A.** The APA is attached as **Appendix A-24-a** to the Application (**PAWC Exhibit TJB-3**).
20 The APA sets forth the terms and conditions pursuant to which the Authority will sell, and
21 PAWC will purchase, the System, as well as substantially all assets, properties and rights
22 that Authority owns and uses in connection with the System. The APA sets forth the entire
23 understanding of the parties with respect to the Transaction. Under the APA, the Closing

1 of the Transaction will occur after the receipt of all applicable governmental approvals,
2 including approvals from this Commission, and after all applicable conditions have been
3 met (or waived) by the parties. Upon Closing, PAWC will take ownership of the System
4 and begin rendering water services to the Authority's current customers and the Authority
5 will permanently discontinue providing or furnishing water service to the public.

6
7 **Q. PLEASE PROVIDE A SUMMARY OF THE APA'S PROVISIONS GOVERNING**
8 **THE TRANSFER OF ASSETS.**

9 **A.** The specific properties, assets and rights to be transferred to PAWC are defined and
10 described in the APA's Section 1.2, while the excluded assets are defined in Section 1.4 of
11 the APA. Generally, the APA states that every asset, property, business, goodwill and right
12 owned by the Authority and used in the provision of water service, whether real, personal,
13 mixed, tangible or intangible, and including all the physical plant, property, equipment and
14 facilities comprising the System owned by the Authority shall be conveyed to PAWC. The
15 Engineering Assessment (**Appendix A-15-a**) contains a list of the water system inventory
16 used in connection with the System to be conveyed to PAWC. All interests in real estate,
17 including leases, easements and access to public rights-of-way, owned by the Authority
18 and relating to the System are defined and described in Schedule 4.1(1)(i)-(iii), as well as
19 all assigned contracts to be conveyed to PAWC in Schedule 5.1(c). Prior to Closing,
20 PAWC will review all contracts and a final determination will be made on which contracts
21 will be assumed and which will be terminated or revised.

1 **Q. HAS PAWC AGREED TO ASSUME ANY LIABILITIES OF THE AUTHORITY**
2 **AS PART OF THE TRANSACTION?**

3 **A.** Yes. PAWC is accepting certain “Assumed Liabilities” as part of this Transaction on the
4 day of and after Closing on the Transaction. Per Section 1.3(b) of the APA, PAWC will
5 assume all liabilities and obligations associated with the Assigned Contracts on and after
6 Closing. PAWC will not assume or be liable for any liabilities or obligations other than
7 the Assumed Liabilities.

8
9 **Q. PLEASE SUMMARIZE THE APA'S PROVISIONS GOVERNING THE**
10 **NEGOTIATED PURCHASE PRICE OF THE TRANSACTION?**

11 **A.** The consideration for the purchase of the System as set forth in Section 2.1 of the APA is
12 the negotiated purchase price of \$32,800,000. An amount to be determined will be placed
13 in a Missing Easement Escrow for all easements that are missing as of Closing as set forth
14 in Section 4.1(l)(vii) of the APA. In addition, since the Authority plans to dissolve on or
15 shortly after Closing, Section 10.4(b) of the APA provides that the Authority will place
16 \$2,000,000 in escrow to cover any claims or damages of any PAWC Indemnified Party for
17 a period of up to two years after Closing.

18
19 **Q. PLEASE DESCRIBE IN MORE DETAIL HOW MISSING EASEMENTS WILL BE**
20 **HANDLED AFTER CLOSING.**

21 **A.** As of the Closing Date, the Authority will fund an easement escrow fund in the amount of
22 Two Thousand Dollars (\$2,000) for each missing easement as set forth in APA Section
23 10.4(a).

1 **Q. PLEASE EXPLAIN THE RATES THAT WILL APPLY TO THE AUTHORITY'S**
2 **CUSTOMERS FOLLOWING THE CLOSING OF THE TRANSACTION.**

3 **A.** As will be explained more fully in the Direct Testimony of Dr. Christina E. Chard, PAWC
4 Statement No. 3, PAWC will adopt, upon Closing of the Transaction, the Authority's water
5 rates in effect at the time of Closing.

6 Immediately upon Closing, the Authority's customers will be subject to PAWC's
7 prevailing water tariff on file with the Commission with respect to miscellaneous fees and
8 charges and rules and regulations for water service. The Authority's customers will not be
9 charged the DSIC prior to the first revision of PAWC's Long Term Infrastructure
10 Improvement Plan after Closing or the effective date of PAWC's next Commission-
11 approved base rate increase, whichever is sooner. The Authority's customers will continue
12 to be billed on a monthly basis. The monthly rates are shown in PAWC's *pro forma* tariff
13 in **Appendix A-12** to the Application.

14

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

17 **A.** Yes. PAWC has committed to offer employment to eligible Authority employees
18 following the Closing of the Transaction, subject to certain conditions, as set forth in APA
19 Section 7.1 and Schedule 7.1.

20 Mr. Fiscus will discuss capital investment commitments in greater detail in his
21 written direct testimony, PAWC Statement No. 2. Mr. Fiscus also will discuss anticipated
22 day-to-day operation of the System once it is acquired by PAWC, including staffing.

1 **Q. WILL PAWC BE ASSUMING ANY CONTRACTS AS PART OF THE**
2 **TRANSACTION?**

3 **A.** Yes, **Appendix A-25** lists all Authority contracts that PAWC currently intends to assume
4 at Closing. Prior to Closing, PAWC will review all contracts and a final determination will
5 be made on which contracts will be assumed and which will be terminated or revised.

6

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

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

9 **A.** PAWC, a subsidiary of American Water Works Company, Inc. (“American Water”), is the
10 largest regulated public utility corporation duly organized and existing under the laws of
11 the Commonwealth of Pennsylvania, engaged in the business of collecting, treating,
12 storing, supplying, distributing, and selling water to the public, and collecting, treating,
13 transporting and disposing of wastewater for the public. Water and wastewater services
14 are furnished by PAWC to the public in a service territory encompassing more than
15 424 communities in 38 counties. Overall, PAWC serves a combined population of over
16 2.4 million people across the Commonwealth and is American Water’s largest subsidiary.
17 PAWC currently employs approximately 1,200 professionals with expertise in all areas of
18 water and wastewater utility operations, including engineering, regulatory compliance,
19 water and wastewater treatment plant operation and maintenance, distribution and
20 collection system operation and maintenance, materials management, risk management,
21 human resources, legal, accounting, and customer service. PAWC has the expertise, the
22 record of environmental compliance, the commitment to invest in necessary capital

1 improvements and resources, and the experienced managerial and operating personnel
2 necessary to provide safe and reliable water service to the residents of the Service Area.

3
4 **Q. HOW MANY CUSTOMERS DOES THE SYSTEM CURRENTLY SERVE AND**
5 **HOW MANY CUSTOMERS DOES PAWC CURRENTLY SERVE?**

6 **A.** As of June 30, 2025, the System furnished water services to approximately 2,389
7 customers. As of September 30, 2025, PAWC furnished water service to approximately
8 695,001 residential, commercial, industrial, municipal and bulk customers, and provided
9 wastewater services to approximately 116,427 customers in Pennsylvania.

10
11 **THE TRANSACTION IS IN THE PUBLIC INTEREST**

12 **Q. PLEASE EXPLAIN WHY THE PROPOSED TRANSACTION IS IN THE PUBLIC**
13 **INTEREST.**

14 **A.** The Transaction will result in an affirmative public benefit of a substantial nature. First,
15 PAWC, as a large and long-established public utility, has the managerial, technical, and
16 financial fitness to operate the ICVWA System in a safe and efficient manner in
17 compliance with the Code, the Pennsylvania Clean Streams Law, and all other applicable
18 statutory and regulatory requirements. PAWC has extensive experience in the operation of
19 water systems including specific experience with the types of treatment technologies
20 employed in the ICVWA System. As will be explained in more detail by Mr. Fiscus in
21 PAWC Statement No. 2, the ICVWA system has operational and compliance challenges,
22 and PAWC personnel have the required expertise to ensure safe, reliable and efficient
23 operation of the System. PAWC continues to develop expertise for the benefit of the

1 Commonwealth through its current operation of 37 surface water filtration treatment plants
2 providing service to 695,001 customers in 38 Pennsylvania counties.

3 Second, ICVWA's customers will benefit in several ways from becoming PAWC
4 customers. PAWC is a large, financially-sound company that has the capacity to finance
5 necessary capital additions and improvements that will benefit its customers. In addition,
6 given its size, its access to capital, and its recognized strengths in system planning, capital
7 budgeting, and construction management, PAWC is well-positioned to ensure that water is
8 properly treated and meets all applicable state and federal regulatory requirements. There
9 is also a general public benefit of PAWC being subject to the jurisdiction of the
10 Commission, which requires PAWC to provide adequate, efficient, safe and reliable
11 service at just and reasonable rates. Currently, the Authority has no such regulatory
12 oversight.

13 Third, the ICVWA's current customers will benefit from the enhanced and proven
14 customer service that PAWC provides. Mr. Fiscus, discusses these customer service
15 enhancements in more detail in PAWC Statement No. 2. Nevertheless, I would like to note
16 that they include, but are not limited to, extended customer service and call center hours,
17 enhanced customer information and educational programs and access to PAWC's customer
18 assistance programs. Additionally, through community giving, partnerships and
19 volunteering, PAWC demonstrates its commitment to programs that address community-
20 specific needs. One example is PAWC's H2O – Help to Others Program, which for more
21 than twenty-five years has assisted low-income customers. Dr. Chard provides more
22 details about these programs in her testimony, PAWC Statement No. 3.

1 Fourth, residents of the area will benefit from the tax revenues that PAWC will pay
2 to municipal governments in the area. The Authority's facilities are not subject to tax.
3 Utility operational costs are higher, in part, due to these expenses, but there is a public
4 benefit of having more private property on the tax rolls as a result of the Transaction.

5 Fifth, the proceeds of the sale of the assets will aid in stabilizing each Township's
6 respective tax base. As was noted in the testimony of Mr. Witt, the Authority General
7 Manager, the proceeds of the sale would be used to allow for infrastructure and service
8 improvements in the two APA Townships without the need for tax increases to residents.

9 Finally, the Transaction will benefit PAWC's existing customers and ICVWA's
10 current customers in the long-term by expanding PAWC's customer base. There will be
11 no immediate rate impact on PAWC's existing customers, and we expect that the
12 Transaction will help PAWC maintain reasonable rates for all its customers going forward.
13 In the long-term, the Transaction will help PAWC keep rates reasonable for all of its
14 customers. Through its expertise in water operations and management and the leveraging
15 of economies of scale (purchasing power, labor efficiency, system integration and
16 efficiency improvement), PAWC will, over time, be able to lower or slow the increase in
17 the cost of operating the ICVWA System. Moreover, by adding additional connections to
18 the entire PAWC system, there are more customers to share future infrastructure
19 investment costs which promotes stable rates across the entire PAWC system. Customers
20 who benefit from near-term improvements will one day help pay for improvements on
21 behalf of other customers in other parts of the PAWC system. Being able to spread the
22 costs of investing in and maintaining public water systems over a growing customer base,

1 particularly in a time of increased environmental requirements, is essential to the continued
2 success of water systems and maintaining reasonable rates for customers.

3
4 **Q. PLEASE EXPLAIN WHY THE TRANSACTION WOULD FOSTER THE**
5 **COMMISSION'S GOAL OF PROMOTING THE REGIONALIZATION AND**
6 **CONSOLIDATION OF WATER 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. Mr. Fiscus discusses this in detail in his testimony, PAWC Statement No. 2.
10 Current PAWC Western Area operation employees and ICVWA employees will be under
11 the same management and support teams, and employees of both departments will support
12 each other when appropriate and necessary, particularly in emergency situations. The
13 ICVWA System is located northeast of PAWC's Uniontown and Connellsville Districts,
14 and is adjacent to and has an existing interconnection with the PAWC Connellsville
15 system. PAWC can draw upon a much broader range of engineering and operational
16 experience, as well as deeper financial resources, to address operational challenges and
17 support growth and development. Additionally, given PAWC's existing regional area
18 operations, PAWC is better positioned to provide utility services on a long-term, cost-
19 effective basis.

20
21 **Q. DOES THE REGIONALIZATION AND CONSOLIDATION OF WATER**
22 **SYSTEMS BENEFIT THE PUBLIC?**

1 A. Yes, it does. I am advised by counsel that the Commission has a Statement of Policy at
2 52 Pa. Code § 69.721, which states that the Commission believes that further
3 regionalization and consolidation of water and wastewater systems may result in greater
4 environmental and economic benefits to customers. Regionalization and consolidation
5 have economic benefits for customers because they allow the use of better management
6 practices and they allow greater economies of scale. Examples of economies of scale
7 include:

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

21 In addition, regionalization and consolidation have environmental benefits for customers
22 and the public-at-large. Small public utilities and local water and wastewater providers are
23 challenged in keeping up with a changing regulatory landscape and with necessary
24 investment in a system. Consolidation promotes the acquisition of these systems by
25 qualified system operators with the ability to meet established compliance deadlines and
26 increasingly stringent environmental requirements in the future.

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

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

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

7
8 **Q. CAN YOU EXPLAIN WHY PAWC IS FINANCIALLY FIT TO ACQUIRE AND**
9 **OPERATE THE SYSTEM?**

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

12 As part of the Application, PAWC provided the audited internal balance sheet, as
13 of December 31, 2024 for PAWC (**Appendix D**), as well as the audited income statement,
14 as of December 31, 2024, for PAWC (**Appendix F**). Those documents show that PAWC
15 had total assets of approximately \$7.9 billion as of December 31, 2024. Further, they show
16 that PAWC had operating income of approximately \$498 million and net income of
17 approximately \$314 million for the 12 months ending December 31, 2024. These figures
18 further demonstrate that PAWC has the financial stability and wherewithal to acquire the
19 System and operate it in the public interest. Dr. Chard will provide additional details on
20 the financial health of PAWC and its ability to access capital in PAWC Statement No. 3.

21
22 **Q. PLEASE EXPLAIN WHY PAWC IS TECHNICALLY FIT TO OPERATE THE**
23 **SYSTEM.**

1 A. As I discussed earlier, PAWC is engaged in the business of collecting, treating, storing,
2 supplying, distributing, and selling water to the public. PAWC is the largest investor-
3 owned water and wastewater utility in the Commonwealth of Pennsylvania and PAWC
4 already has significant water and wastewater operations throughout Pennsylvania. PAWC
5 is experienced in undertaking and completing water and wastewater system acquisitions
6 with public and private sector owners and successfully integrating those assets into our
7 business operations. In fact, PAWC is often called upon by the Commission to step in and
8 resolve troubled water and wastewater systems (such as the East Dunkard Water Authority,
9 the Delaware Sewer Company, the Winola Water Company, and more recently, the Rock
10 Spring Water Company), resolving compliance issues, and providing the high standard of
11 service that customers expect and deserve. Mr. Fiscus will explain in greater detail in
12 PAWC Statement No. 2 how PAWC intends to operate the System once acquired.

13

14 **DESCRIPTION OF THE SERVICE AREA**

15 **Q. PLEASE EXPLAIN THE SERVICE AREA SOUGHT BY PAWC IN THE**
16 **APPLICATION.**

17 A. As part of its Application, PAWC is seeking the right to provide service to the customers
18 currently served by the Authority in a service territory over 140 square miles, including:
19 portions of the Townships of Bullskin, Connellsville, Saltlick, Springfield and Stewart and
20 all of the Borough of Ohiopyle in Fayette County, and portions of the Townships of
21 Donegal and Mount Pleasant and all of the Borough of Donegal in Westmoreland County,
22 Pennsylvania. The service area is located northeast of and abuts PAWC's existing
23 operations in the Connellsville and Uniontown Districts. A map depicting the Authority's

1 System is provided in in the Application at **Appendix A-16-f** **CONFIDENTIAL**. No
2 municipal authority, corporation, partnership or individual other than the Authority 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 Authority will permanently discontinue all water service to the public.

7
8 **APPROVAL OF CONTRACTS WITH MUNICIPAL**
9 **CORPORATIONS**

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

12 **A.** Yes. In addition to the approvals sought under Sections 1102(a) and 1329 of the Public
13 Utility Code, 66 Pa. C.S. §§ 1102(a), 1329, the Application requests Certificates of Filing
14 or approvals under Section 507 of the Code. 66 Pa. C.S. § 507. According to PAWC's
15 counsel, the APA, the First Amendment to the APA, and any contract with a municipal
16 corporation that will be assumed by PAWC must be filed with the Commission pursuant
17 to Section 507. Aside from the APA and the First Amendment thereto, PAWC has
18 identified eight (8) municipal contracts requiring Certificates of Filing or approvals under
19 Section 507 (see **Appendices A-25.1 through A-25.8 to PAWC Exhibit TJB-1**).

20
21 **Q. PLEASE DESCRIBE THE MUNICIPAL CONTRACTS TO BE ASSUMED BY**
22 **PAWC.**

1 A. PAWC is seeking Commission approval under Section 507 of the following additional
2 municipal contracts: (a) Agreement dated April 13, 1995 between the Township of
3 Donegal and the Indian Creek Valley Water Authority (attached hereto as Appendix A-
4 25.1); (b) Agreement dated April 17, 1995 between the Township of Mount Pleasant,
5 Westmoreland County and the Indian Creek Valley Water Authority (attached hereto as
6 Appendix A-25.2); (c) Agreement dated May 2, 1995 between the Borough of Donegal
7 and the Indian Creek Valley Water Authority (attached hereto as Appendix A-25.3);
8 (d) Interconnect Agreement dated September 28, 1998 between the Pleasant Valley
9 Water Authority and the Indian Creek Valley Water Authority (attached hereto as
10 Appendix A-25.4); (e) Agreement dated August 15, 2002 between the Township of
11 Stewart, Fayette County and the Indian Creek Valley Water Authority (attached hereto
12 as Appendix A-25.5); (f) Sewage System Right of First Refusal Agreement dated
13 June 15, 2012 by and between Ohiopyle Borough and Indian Creek Valley Water
14 Authority (attached hereto as Appendix A-25.6); (g) Services Agreement for ICVWA to
15 act as billing and collection agent and provide water termination service by and between
16 Indian Creek Valley Water Authority and the Borough of Ohiopyle (attached hereto as
17 Appendix A-25.7); and (h) Agreement for lease of land and granting rights and privileges
18 by and between the Municipal Authority of Westmoreland County and Indian Creek
19 Valley Water Authority dated July 16, 2024 (attached hereto as Appendix A-25.8).

20 The Authority is currently taking the steps necessary to assign the contracts to
21 PAWC upon Closing. Commission approval of the continuation of these contracts is
22 necessary in order for PAWC, after Closing, to provide water service as the Authority
23 has previously done. Approval is reasonable and serves an important public purpose

1 because the services provided under the contracts are essential to the provision of water
2 service in neighboring communities. To the extent that PAWC renegotiates contracts
3 with municipalities, PAWC will promptly file such contracts for Commission approval
4 under Section 507.

5

6

CONCLUSION

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

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

Indian Creek Valley Municipal Authority

Public Meetings

2 Meeting Locations - Saltlick Township and Springfield Township

Thursday, March 27, 2025

Item #	Public Question or Comment	PAWC Response	Meeting Location
1	Concerned about changing the source; doesn't want their water coming from the Mon or Yough; are we going to keep the spring water	We intend to keep the same sources of supply but indicated we do review sources from time to time, and that future sources may be necessary.	Saltlick
2	Where is our water going to? Is it going to fracking, industrial customers? DEP just approved a new coal mine to go under the turnpike, will we give them water?	We would evaluate any customer that requests a large usage and determine if we can supply their request without it affecting existing customers. Improvements at the customer's expense may be required to meet their demand.	Saltlick
3	Who supplies ICVWA when they run out of water (referencing PAWC has an emergency interconnect with ICVWA)? Not very happy to hear it comes from MAWC; concerned about "dilluting" spring water with supplemental supply from MAWC	Acknowledged their concern but stated there's no other supplemental source other than MAWC for now.	Saltlick
4	What will happen to offices and people?	We typically retain operational employees and facilities after acquisitions	Saltlick
5	Are we going to hold another meeting where we present information and people can ask questions as a group?	Unsure, possibly closer to close but not at this time	Saltlick
6	Were promised water years ago; Baptist Church Road; 9 houses, approximately 0.5 mile extension	Advised resident that PAWC could look at their situation in detail after any sale is closed, and explained bona fide process in tariff.	Springfield
7	Trying to get water for years; Cavanaugh Road; at least 2 houses less than 0.25 mile from main, told it couldn't be done because they would have to bore under the creek;	Advised resident that PAWC could look at their situation in detail after any sale is closed, and explained bona fide process in tariff.	Springfield

8	"word on the mountain" is PAWC would pay to run water from main to house; what are the tapping fees	PAWC does not charge a tapping fee, only an application fee; service line from curb box to house is the customer's responsibility.	Springfield
9	Who is responsible for the meter and pressure reducing valve; who pays for the meter; are we going to be charged based on the size of the line	PAWC would be responsible for the meter; everything outside of that, including PRV, is customer responsibility; we charge a service fee based on meter size, but consumption rate is the same regardless of line size unless you get into commercial/industrial rates	Springfield
10	Do we do a financial audit of the Authority? Where is all the money going? They suspect fraud; audit is done "internally" but no one gets to see it	We review expenses during due diligence so we can build a similar list of expenses, but we do not audit their books. As a public authority they are required to do an audit annually.	Springfield
11	Ohiopyle Mayor asks where is this at now?	This is a public meeting being held in advance of any sale to answer questions from the public.	Saltlick
12	Request for water on Kessler School Road	Advised resident that PAWC could look at their situation in detail after any sale is closed, and explained bona fide process in tariff.	Saltlick
13	Park managers from Ohiopyle State Park wanted to know about impacts to the Borough.	Advised them of Authority's current plans to look at former Ohiopyle WTP site for a new source. Advised we would possibly do same as part of an overall source of supply study for the area. Explained issues with old Mill Run WTP and need to find additional source. They indicated that the state park has an emergency connection with Authority in the Borough.	Saltlick
14	Request for water on Rich Hill Road	Advised resident that PAWC could look at their situation in detail after any sale is closed, and explained bona fide process in tariff.	Springfield
15	Request for water on Maple Summit Road	Advised resident that PAWC could look at their situation in detail after any sale is closed, and explained bona fide process in tariff.	Springfield
16	Would we shutdown Pritts spring? (The spring was on land that was originally owned by the customer's grandfather)	Advised that PAWC would continue to use Pritts Spring as a source of supply	Saltlick
17	Would we continue to use Mill Run reservoir as a source of supply? (same customer as above question)	Advised that PAWC would continue to use Mill Run reservoir as a source of supply. Since this facility is nearing the end of its useful life, it would eventually be replaced but not for several years	Saltlick
18	Will I ever get public water on my road? Asked by a person who lives on Stewarton Road in Springfield Township and is not a current customer. Customer said that the well water used causes major plumbing issues included rusted toilet bowls and fixtures and water is of poor quality (can not drink)	Advised resident that PAWC could look at their situation in detail after any sale is closed, and explained bona fide process in tariff.	Springfield
19	Was a third party audit every conducted on the Authority? A gentleman from Springfield (and one of the Springfield Supervisors) asked because he felt the financial situation of the Authority didn't make sense.	Yes, but the last public audit made available to PAWC was from 2021	Springfield

20	A customer asked "After acquisition, will PAWC "take" the water from Indian Creek's service area to other areas and leave customers without water"?	PAWC will ensure there is high water quality and availability for the customers of Indian Creek	Springfield
21	While talking to the employees, they asked what would happen to their current vacation and sick time they have accumulated	Within 1-2 months after the APA agreement is signed, PAWC OPS/HR will meet with the Authority employees to answer any questions	Springfield
22	A Springfield Supervisor asked how long the sale process will take? I.e., when would PAWC expect to be the operator of the system	Replied that the sale approval process is conducted through the PA-PUC. The process is expected to take 12-14 months after the application is submitted to the PUC.	Springfield
23	Customer asked about extending water service to customers who aren't connected. Customer also stated how unhappy they were with the new locations of water mains the authority installed because they do not provide water service to the houses nearby.	Replied that PAWC is able to connect new customers to the system, advised customer to visit the engineering and operations tables for more information	Springfield
24	Customer asked about PAWC's locations, are we in other states?	Replied yes, we operate in over a dozen regulated states	Saltlick
25	Customer asked about the customer service phone number and how to reach PAWC	Explained that we we have a customer service center that is open 24/7 for emergencies and 7am to 7pm for nonemergencies. We also have a website where you can register your account to view your account details.	Saltlick
26	Customer asked if operations would remain local and advised me about a time they had a water break inside their home and needed the water shut off quickly by the authority, they asked if we would still have local employees	Yes, there will still be local operations and we would handle an emergency with the same quickness and efficiency .	Saltlick
27	Some customers had questions on the rate impact hand-out.	Explained the hand-out on rate impact structure to several customers.	Saltlick
28	Voluntarily provided information to customers about our community volunteer work and Customer Assistance Program after customers were done asking their questions. Provided one pagers for both.	Explained PAWC is very involved in the communities we serve, we attend community events, volunteer, provide grants	Saltlick
29	Customer asked when we would increase rates	Replied that the Authority's current rates would go in effect from the sale date, and any rate adjustment after that would need to be investigated and approved by the PUC. Advised that usually rate cases take at least 6-9 months before they are approved.	Saltlick
30	Are we going to reopen the Ohiopyle WTP?	It will be looked at as a source of supply option. The Authority is looking into the allocation currently. Provided the other options as a source of supply also. It would all depend on the results of study and modeling.	Saltlick

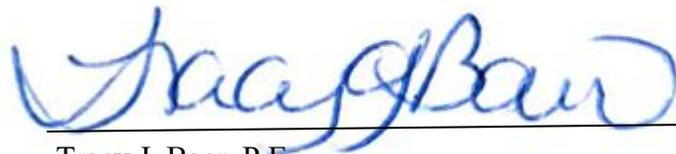
31	If a new Ohiopyle WTP is built would the wastewater from treatment be sent to the existing Ohiopyle WWTP that is currently overloaded? Would water quality be affected in the Yough?	More than likely not, we would have our own NPDES permit to discharge. We would treat our wastewater before discharging.	Saltlick
32	Comments regarding that some residence have dual systems, i.e., wells and public water.	We will need to make sure there is no chance of cross contamination.	Both
33	Comments regarding Ohiopyle is installing a tank at end of Sheridan St beside an existing one. and DCNR is also building one.	Information noted.	A Twp Supervisor
34	Concerned with sourcewater contamination/pollution.	We told them we have a sourcewater protection plan and part of that program is tracking potential sources of contamination.	Saltlick
35	Multiple customers asking what would happen with their rates? Will their rates be increased?	Advised that if the deal would proceed, their existing rates would be adopted until the Company goes through its next rate case with the Public Utility Commission to adjust its own base rates. At that time the Company would propose gradual increases until the acquisition customers are brought up to standard Company rates. Directed the customer to what their existing average residential bill is, what PAWC's current average residential bill is, and what the average residential bill would be if their customers had to support the acquisition at full cost (Commission required notice).	Both
36	Multiple customers asked about bulk water sales and if we would be selling their water elsewhere.	More than likely not. Explained our other nearby systems do not practice selling their water in bulk on a routine basis.	Saltlick
37	Multiple customers commented on current and future drought conditions - concerned we would be selling the water elsewhere, which would worsen drought conditions.	Same answer as above.	Springfield

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 : Docket Nos. A-2025-3055741, *et al.*
Pennsylvania-American Water Company to :
begin to offer or furnish 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 :

VERIFICATION

I, Tracy J. Baer, P.E., 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: November 3, 2025

Tracy J. Baer, P.E.
Senior Manager of Business Development
Pennsylvania-American Water Company