

**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
DR. CHRISTINA E. CHARD ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

**DIRECT TESTIMONY OF
DR. CHRISTINA E. CHARD**

INTRODUCTION

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Q. WHAT IS YOUR NAME AND ADDRESS?

A. My name is Christina Chard; my address is 1600 Pennsylvania Ave, Charleston WV 25302.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by American Water Works Service Company, Inc. (the “Service Company”) as the Senior Director of Rates and Regulatory for Pennsylvania-American Water Company (“PAWC” or “the Company”). The Service Company is a wholly owned subsidiary of American Water Works Company, Inc. (“American Water”) that provides services to PAWC and its affiliates.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I hold a doctorate degree in Executive Leadership, a Master’s degree in Forensic Accounting, and a Bachelor of Science Degree in Mathematics from the University of Charleston. I have also completed the National Association of Regulatory Utility Commissioners' utility ratemaking course and as of 2025 am serving as a coach/instructor for the course. I have served in progressively responsible state rates and regulatory support roles with American Water since 2018. Please see Appendix A to this testimony for additional details of my professional experience.

1 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
2 **PENNSYLVANIA PUBLIC UTILITY COMMISSION (THE “COMMISSION” OR**
3 **“PUC”)?**

4 **A.** Yes. I prepared and provided testimony in PAWC’s 2020 base rate case at Docket No. R-
5 2020-3019369. In addition, I have testified in numerous acquisition cases, surcharge
6 mechanism cases, the 2018 federal tax change investigation, and base rate cases before the
7 West Virginia Public Service Commission on behalf of another American Water
8 subsidiary, West Virginia-American Water. I also testified in an acquisition rulemaking
9 case before the Tennessee Public Utility Commission.

10
11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

12 **A.** My testimony first addresses the financial fitness of PAWC to acquire and operate the
13 water system (“System”) currently owned by Indian Creek Valley Water Authority (the
14 “Authority”), which PAWC has agreed to purchase (the “Transaction”). Second, my
15 testimony addresses: (a) the identification of ratemaking rate base as required in 66 Pa.
16 C.S § 1329 for PAWC’s acquisition of the System; (b) an overview of the rate provisions
17 contained in the Asset Purchase Agreement (“APA”) for PAWC’s acquisition of the
18 System; (c) the customer notices associated with the Transaction; (d) a description of
19 PAWC’s low-income programs; (e) an estimate of the range of transaction and closing
20 costs incurred by PAWC; (f) a statement regarding PAWC’s intentions with respect to
21 accrual of certain post-acquisition improvement costs and deferral of related depreciation;
22 (g) cost of service study in future rate cases; and, (h) the authentication of certain
23 Application appendices.

1 PAWC’S FINANCIAL FITNESS

2 **Q. PLEASE DISCUSS PAWC’S FINANCIAL FITNESS.**

3 **A.** PAWC is the Commonwealth’s largest water and wastewater provider, with total assets of
4 \$7.9 billion and annual revenues of \$1.04 billion for 2024. For 2024, PAWC had operating
5 income of approximately \$498 million and net income of approximately \$314 million.
6 These operating results produced cash flows from operations of approximately
7 \$615 million. Given its size, access to capital and its recognized strengths in system
8 planning, capital budgeting and construction management, PAWC is well-positioned from
9 a financial, managerial and technical perspective to ensure that high quality water and
10 wastewater service meeting all federal and state requirements is provided to the System’s
11 customers and maintained for PAWC’s existing customers.

12
13 **Q. PLEASE DISCUSS PAWC’S OVERALL FINANCIAL FITNESS AND ACCESS TO
14 CAPITAL TO ACQUIRE THE AUTHORITY’S SYSTEM.**

15 **A.** PAWC has strong operating cash flows and net income and, therefore, a strong balance
16 sheet. PAWC’s strong operating and financial performance allows it to obtain competitive
17 interest rates for long-term debt financing and access to equity investments from its parent
18 company. PAWC is a financially-sound business that can financially support the
19 acquisition of the Systems as well as the ongoing operating and investment commitments
20 that will be required to operate, maintain and improve those assets in serving the public.

1 **Line of Credit**

2 PAWC presently has liquidity through a \$495 million line of credit through American
3 Water Capital Corp. (“AWCC”), a wholly owned subsidiary of American Water. PAWC’s
4 strong credit ratings allow PAWC to obtain additional capacity on this line of credit.

5
6 **Long Term Debt Financing**

7 PAWC carries a corporate credit rating of “A3” from Moody’s Investors Services and an
8 “A” rating from Standard and Poor’s Rating Services. PAWC obtains long-term debt
9 financing through AWCC at favorable interest rates and payment terms. When applicable,
10 PAWC also uses low-cost financing through the Pennsylvania Infrastructure Investment
11 Authority (“PENNVEST”) and the Pennsylvania Economic Development Financing
12 Authority (“PEDFA”).

13
14 **Equity Investments**

15 PAWC may obtain additional equity investments through American Water based on its
16 strong operating performance.

17
18 **Q. PLEASE EXPLAIN HOW PAWC INTENDS TO FUND THE TRANSACTION.**

19 **A.** PAWC will initially fund the Transaction with short-term debt and will later replace it with
20 a combination of long-term debt and equity capital.

21
22 **Q. WHAT IMPACT, IF ANY, DO YOU ANTICIPATE THAT THE ACQUISITION OF**
23 **THE SYSTEM WILL HAVE ON PAWC’S CORPORATE CREDIT RATINGS?**

1 A. As stated above, PAWC does not anticipate that the acquisition of the System will have a
2 significant impact on its credit ratings.

3

4 **Q. DO YOU ANTICIPATE THE TRANSACTION HARMING PAWC’S FINANCIAL**
5 **STATUS IN ANY MANNER?**

6 A. No. PAWC does not anticipate that the acquisition of the System will have a negative
7 impact on PAWC’s cash flows, credit ratings or access to capital and, therefore, will not
8 deteriorate in any manner PAWC’s ability to continue to provide safe, adequate, and
9 reasonable service to its existing customers at just and reasonable rates.

10 **FAIR MARKET VALUE RATEMAKING RATE BASE**

11 **Q. PLEASE STATE THE RATE BASE REQUESTED IN THE APPLICATION**
12 **PURSUANT TO 66 PA. C.S § 1329.**

13 A. The negotiated purchase price for the acquired assets is \$32,800,000 and the average of the
14 appraisals of the buyer’s Utility Valuation Expert (“UVE”) and the seller’s UVE is
15 \$39,737,303. Accordingly, the negotiated purchase price of \$32,800,000 is the fair market
16 value for ratemaking purposes under Section 1329 (*i.e.* the lower of the negotiated purchase
17 price and the average of the UVEs’ appraisals). The fair market value as determined by
18 the Section 1329 process, in addition to the transaction and closing costs described below,
19 becomes part of PAWC’s rate base for ratemaking purposes. Note, however, that PAWC
20 reserves its right in future proceedings to make rate base claims related to the acquisition
21 as may otherwise be permitted under the Pennsylvania Public Utility Code (“Code”).

1 **Q. PLEASE SUMMARIZE HOW THE COMPANY PROPOSES TO RECORD THE**
2 **TRANSACTION.**

3 **A.** As shown on **Appendix A-15-f**, the Company seeks approval to record the \$32,800,000
4 net value of the assets on its books. The Company requests to record the acquisition on a
5 net basis consistent with generally accepted accounting principles, which advise that
6 property, plant and equipment acquired in a business combination intended to be held and
7 used should be recognized and measured at fair value, and that the accumulated
8 depreciation of the acquiree is not carried forward in a business combination (*i.e.*, net
9 presentation).¹ Permitting PAWC to use this accounting treatment for the assets would be
10 consistent with the Commission’s decision in *Application of Pennsylvania-American*
11 *Water Company under Section 1102(a) of the Pennsylvania Public Utility Code, 66 Pa.*
12 *C.S. § 1102(a), for Approval of the Transfer, by Sale, to Pennsylvania-American Water*
13 *Company, of Substantially All of the Assets, Properties and Rights Related to the*
14 *Wastewater Collection and Treatment System Owned by the York City Sewer Authority and*
15 *Operated by the City of York, Docket Nos. A-2021-3024681 et al. (Final Order entered*
16 *April 14, 2022) ¶ 3(h) and Application of Pennsylvania-American Water Company,*
17 *pursuant to 66 Pa. C.S. §§ 1102 and 1329 for Approval of the Acquisition of the Butler*
18 *Area Sewer Authority, Docket No. A-2022-3037047 (Order entered November 16, 2023)*
19 *¶ 14.*

20 Section 1329(c) provides that the “ratemaking rate base” is to be incorporated into
21 PAWC’s rate base. As discussed above, the Company requests the Commission approve

¹ ASC 805-20 *Business Combinations – Identifiable Assets and Liabilities, and any Noncontrolling Interest* and ASC 820-10-30 *Fair Value Measurement – Initial Measurement.*

1 \$32,800,000 as the ratemaking rate base for the System.² Since Section 1329 does not
2 address the proper accounting treatment of the rate base or approval of a depreciation
3 reserve in determining the ratemaking rate base, the Company believes that recording
4 \$32,800,000, on a net basis, is appropriate and consistent with Section 1329.

5 **ASSET PURCHASE AGREEMENT RATE PROVISIONS**

6 **Q. PLEASE PROVIDE AN OVERVIEW OF THE RATE PROVISIONS OF THE APA.**

7 **A.** Section 6.7 of the APA contains provisions related to rates. PAWC has committed to
8 adopt, upon closing of the Transaction (“Closing”), the Authority’s monthly base rates.
9 These rates are shown on Schedule 6.7 to the APA.

10 The initial rates to be applicable to the former Authority water customers are set
11 forth in the *pro forma* tariff supplement attached as **Appendix A-12** to the Application.
12 System customers will be governed by rates for new Indian Creek Rate water “XX.” After
13 Closing, System customers will be subject to PAWC’s prevailing water tariff on file with
14 the Commission with respect to all fees, including reconnection fees, late payment fees
15 (penalties) and the like, as well as non-rate related terms and conditions of service.

16
17 **Q. WHAT IMPACT, IF ANY, WILL THERE BE ON THE RATES OF THE**
18 **AUTHORITY’S CUSTOMERS AS A RESULT OF THE ACQUISITION OF THE**
19 **SYSTEM?**

20 **A.** There will be no immediate impact on the rates of the Authority’s customers because
21 PAWC has committed to adopt, upon Closing, the Authority’s rates in effect at the time of

² “The ratemaking rate base of the selling utility shall be the lesser of the purchase price negotiated by the acquiring public utility or entity and selling utility or the fair market value of the selling utility.” 66 Pa. C.S. § 1329(c).

1 Closing. PAWC expects to propose to move the Authority's rates toward consolidated
2 rates in future base rate cases.³

3
4 **Q. WHAT IMPACT, IF ANY, WILL THERE BE ON THE RATES OF PAWC'S**
5 **CURRENT CUSTOMERS AS A RESULT OF THE ACQUISITION OF THE**
6 **SYSTEM?**

7 **A.** There will be no immediate impact on the rates of PAWC's current customers. PAWC
8 expects to include the Authority's water system in PAWC's future base rate filings. Any
9 impacts on the rates of PAWC's existing customers would occur only after a Commission
10 decision in a base rate proceeding. A non-binding estimate of possible rate impacts for
11 existing customers is shown in **Appendix A-18-d** and discussed in the Customer Notice
12 section below. The Authority's customers, as part of PAWC's overall customer base, will
13 become part of PAWC's overall cost allocation. Nothing contained in the APA would bind
14 the Commission or other interested parties in future ratemaking proceedings.

15
16 **Q. DOES PAWC SEEK THE AUTHORITY TO CHARGE NON-BASE RATES PRIOR**
17 **TO THE FIRST PAWC BASE RATE CASE IN WHICH THE SYSTEM IS**
18 **INCLUDED?**

19 **A.** Yes. PAWC is requesting authority from the Commission to approve collection of a
20 distribution system improvement charge ("DSIC") related to the System in the future, prior
21 to the first base rate case in which the System plant-in-service is incorporated into rate

³ Section 6.7 of the APA provides that the base rates effective at the time of acquisition "shall remain in place until the effective date of new rates approved by the PUC as the result of a base rate case proceeding before the PUC ('New Rates')" and that "New Rates shall be just and reasonable and consistent with PUC ratemaking principles."

1 base. PAWC would not begin charging a DSIC until the eligible System plant is approved
2 by the Commission in an amendment to PAWC’s Long Term Infrastructure Improvement
3 Plan for water.

4 **CUSTOMER NOTICE AND POTENTIAL RATE IMPACT**

5 **Q. IS PAWC PROVIDING NOTICE TO CUSTOMERS OF THE ACQUISITION?**

6 **A.** Yes. PAWC is providing notice of the acquisition to existing PAWC water customers as
7 well as to the Authority’s water customers. The notices to PAWC water customers and
8 Authority water customers are attached to the Application as **Appendix A-18-d**. These
9 notices contain a non-binding estimate of the potential rate impact of the acquisition.

10
11 **Q. HOW WERE THE ESTIMATES OF POTENTIAL RATE IMPACTS**
12 **CALCULATED FOR THE NOTICES PROVIDED IN APPENDIX A-18-D?**

13 **A.** These notices were prepared in accordance with the *2024 Final Supplemental*
14 *Implementation Order (“2024 FSIO”).*⁴ This Order prescribes the form and calculation
15 of the notices for future Section 1329 acquisition proceedings. As required by the Order,
16 the notices included in **Appendix A-18-d** are calculated to show the impact as if the entire
17 revenue requirement deficiency were allocated to System customers and to existing PAWC
18 water customers. The rate impacts resulting from these calculations are discussed in more
19 detail below.

20
21 **Q. PLEASE SUMMARIZE THE CALCULATION OF THE POTENTIAL RATE**
22 **IMPACT SHOWN IN THE NOTICE TO THE AUTHORITY’S CUSTOMERS.**

⁴ *Valuation of Acquired Municipal Water and Wastewater Systems – Act 12 of 2016 Implementation*, Docket No. M-2016-2543193 (Opinion and Order entered July 2, 2024) (“2024 FSIO”).

1 A. As shown in **Appendix A-18-d**, the notice to Authority customers shows the following
 2 information regarding the potential rate impacts of the acquisition:

Authority Water Customers			
Rate Class	Average Usage	Estimated Monthly Increase	Estimated Percentage Increase
Residential	3,201 gal/month	\$69.90	100.4%
Commercial	22,094 gal/month	\$429.40	100.4%
Industrial	685,947 gal/month	\$12,492.82	100.4%

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The 100.4% increase shown in the chart above is calculated as 100% of the revenue deficiency, divided by the Year One revenues of the System. The current average monthly bill is calculated using the Authority’s water rates and the average usage for each customer class as reflected in the filing of PAWC’s most recently approved base rate case (Docket No. R-2023-3043189).

Q. PLEASE SUMMARIZE THE CALCULATION OF THE POTENTIAL RATE IMPACT SHOWN IN THE NOTICE TO PAWC WATER CUSTOMERS.

A. As shown in **Appendix A-18-d**, the notice to PAWC’s existing water customers shows the following information regarding the potential rate impacts of the acquisition:

PAWC Existing Water Customers			
Rate Class	Average Usage	Estimated Monthly Increase	Estimated Percentage Increase
Residential	3,201 gal/month	\$0.24	0.3%
Commercial	22,094 gal/month	\$1.26	0.3%
Industrial	685,947 gal/month	\$26.59	0.3%

17

1 The 0.3% increase shown in the chart above represents the potential impact on
2 PAWC water customers if the revenue deficiency were entirely allocated to water
3 customers. This allocation to water customers is divided by PAWC’s applicable water
4 revenues from PAWC’s most recent base rate case.

5 The current average monthly bill is shown at PAWC’s Zone 1 rates effective
6 August 7, 2024 and the average usage for each customer class as reflected in the filing of
7 PAWC’s most recent base rate case (Docket No. R-2023-3043189). The average monthly
8 bill for PAWC Zone 1 customers after acquisition is calculated by increasing the average
9 monthly bill amounts by the 0.3% increase, which was calculated as explained above.
10 Please refer to **PAWC Exhibit CEC-1** for the calculation of the customer notice bill
11 impacts.

12 **LOW-INCOME PROGRAMS**

13 **Q. PLEASE SUMMARIZE PAWC’S TARIFFED LOW INCOME DISCOUNTS.**

14 **A.** PAWC’s low-income tariff rider provides low-income customers with discounts to fixed
15 and volumetric charges. PAWC’s low-income discount includes four tiers of discounts,
16 with the discount level dependent on the customer’s percentage of Federal Poverty Level
17 (“FPL”). The tariff discounts are summarized below.⁵

	Tier 1 (0-50% FPL)	Tier 2 (51-100% FPL)	Tier 3 (101-150% FPL)	Tier 4 (151-200% FPL)
Water Service Charge Discount	90%	75%	60%	30%
Water Usage Charge Discount	80%	65%	40%	20%

⁵ Refer to Tariff Water-PA P.U.C. No. 5, page 17.

1 **Q. WILL AUTHORITY CUSTOMERS BE ELIGIBLE FOR THESE DISCOUNTS**
2 **UPON ACQUISITION?**

3 **A.** Yes. Authority customers will have the option of enrolling into the bill discount program
4 for their water bill if they meet the eligibility requirements.

5 In addition, the Company recently launched its Arrearage Management Program
6 (“AMP”), which provides monthly forgiveness credits applied to customers’ account
7 arrearages when customers make full and timely payments under the bill discount program.
8 Finally, customers with a household income of 250% of the FPL and below are eligible for
9 annual water grants of up to \$500 under PAWC’s H2O Help to Others program.

10

11 **Q. PLEASE SUMMARIZE THE CURRENT COST OF PAWC’S LOW-INCOME**
12 **DISCOUNT PROGRAMS TO ITS LEGACY CUSTOMER BASE.**

13 **A.** PAWC’s low-income discount program provides discounts between 30% and 90% of the
14 water and wastewater bill to customers with an FPL of 200% or less. These discounts have
15 a small impact on customers’ bills of approximately \$2.41 per month for residential water
16 customers.⁶

17

TRANSACTION AND CLOSING COSTS

18 **Q. PLEASE DESCRIBE THE ESTIMATED TRANSACTION AND CLOSING COSTS**
19 **FOR THE TRANSACTION.**

20 **A.** As set forth in the Commission’s *Final Implementation Order* at Docket No. M-2016-
21 2543193, transaction and closing costs include the UVE’s appraisal fee and the buyer’s
22 closing costs, including reasonable attorney fees. In accordance with the *Final*

⁶ The amounts shown in this paragraph are calculated as the discounted revenue divided by the number of residential customers at Docket No. R-2023-3043189.

1 *Implementation Order* and traditional ratemaking principles, reasonable transaction and
2 closing costs are not to be decided in this Application proceeding; instead, PAWC must
3 justify the costs by a “preponderance of the evidence” in a future base rate proceeding.

4 As a practical matter, the exact extent of such costs cannot be known at the time of
5 filing the Application and will not be finally known until after Closing. The costs depend
6 on a number of variables, including whether this Application is settled or fully litigated.
7 PAWC will track such costs and incorporate them into rate base in a future base rate
8 proceeding as appropriate. Nevertheless, attached to the Application as **Appendix A-10** is
9 PAWC’s estimate of the anticipated transaction and closing costs (approximately \$932
10 thousand).

11 **POST-ACQUISITION IMPROVEMENT COSTS**

12 **Q. PLEASE STATE YOUR UNDERSTANDING OF SECTION 1329 WITH RESPECT**
13 **TO POST-ACQUISITION IMPROVEMENT COSTS.**

14 **A.** I am advised by counsel that Section 1329(f) allows “an acquiring public utility’s post-
15 acquisition improvements that are not included in a distribution system improvement
16 charge [to] accrue allowance for funds used during construction [“AFUDC”] after the date
17 the cost was incurred until the asset has been in service for a period of four years or until
18 the asset is included in the acquiring public utility’s next base rate case, whichever is
19 earlier.” Section 1329(f) also provides that “[d]epreciation on an acquiring public utility’s
20 post-acquisition improvements that have not been included in the calculation of a
21 distribution system improvement charge shall be deferred for book and ratemaking
22 purposes.”

1 **Q. DOES PAWC INTEND TO ACCRUE AFUDC FOR POST-ACQUISITION**
2 **IMPROVEMENTS?**

3 **A.** Yes. As summarized in the Direct Testimony of PAWC Witness Mr. Jed A. Fiscus, P.E.,
4 PAWC's Director, Engineering Project Delivery for Western Pennsylvania, PAWC
5 Statement No. 2, PAWC will be making post-acquisition improvements to the System. As
6 such, PAWC will likely accrue AFUDC consistent with what is permitted under Section
7 1329. PAWC will address any claims for AFUDC in the first base rate proceeding in which
8 the Authority's assets are included.

9
10 **Q. DOES PAWC INTEND TO DEFER DEPRECIATION ON NON-DSIC-ELIGIBLE**
11 **POST-ACQUISITION IMPROVEMENTS FOR BOOK AND RATEMAKING**
12 **PURPOSES?**

13 **A.** Yes. Section 1329(f) permits such deferral of depreciation. The statute appears to allow
14 deferral without specific Commission approval; however, out of an abundance of caution,
15 PAWC is specifically petitioning the Commission, as part of this Application proceeding,
16 for permission to defer the depreciation for book and ratemaking purposes.

17 **COST OF SERVICE STUDY IN FUTURE BASE RATE CASES**

18 **Q. PLEASE DISCUSS THE SEPARATE COST OF SERVICE STUDY ("COSS")**
19 **DIRECTIVE FROM THE ORDER APPROVING THE COMPANY'S LAST BASE**
20 **RATE CASE AT DOCKET NO. R-2023-3043189.**

21 **A.** Page 217 of the Commission Order approving the Company's last base rate case included
22 a directive requiring PAWC to prepare separate COSSs for new Section 1329 acquisitions

1 in the first base rate proceeding where those systems are included in PAWC's revenue
2 requirement.

3 In the first base rate case in which the Authority is included, the Company will
4 complete a COSS for the Authority's system separate from the general water revenue
5 requirement.

6
7 **AUTHENTICATION OF APPLICATION APPENDICES**

8 **Q. ARE YOU FAMILIAR WITH THE APPLICATION FILED BY PAWC IN THIS**
9 **PROCEEDING?**

10 **A.** Yes, I helped to prepare several of the appendices in support of the Application and I have
11 reviewed the final version of the Application and the appendices.

12
13 **Q. PLEASE IDENTIFY WHICH APPLICATION APPENDICES WERE PREPARED**
14 **BY YOU OR UNDER YOUR SUPERVISION AND CONTROL?**

15 **A.** **Appendix A-10** is the Company's estimate of the anticipated range of transaction and
16 closing costs. The *pro forma* tariff supplement is attached as **Appendix A-12** to the
17 Application. In addition, based on financial statements provided by the Authority and on
18 PAWC's audited financial statements, the following appendices were prepared: **Appendix**
19 **C** (audited balance sheet of the Authority as of December 31, 2024), **Appendix D** (audited
20 balance sheet of PAWC as of December 31, 2024), **Appendix E** (audited income statement
21 of the Authority for the 12 months ended December 31, 2024), **Appendix F** (audited
22 income statement of PAWC for the 12 months ended December 31, 2024), **Appendix G**
23 (*pro forma* balance sheet of PAWC and the Authority for 12 months ended December 31,

1 2024, giving effect to the transfer), **Appendix H** (*pro forma* consolidated income statement
2 of PAWC and the Authority for 12 months ended December 31, 2024) and **Appendix K**
3 (estimated annual revenues and expenses).

4 **Q. ARE APPENDICES A-10 AND A-12, APPENDICES C THROUGH H, AND**
5 **APPENDIX K TRUE AND CORRECT TO THE BEST OF YOUR KNOWLEDGE,**
6 **INFORMATION, AND BELIEF?**

7 **A.** Yes.

8 **CONCLUSION**

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

10 **A.** Yes. However, I reserve the right to supplement my direct testimony as additional issues
11 and facts arise during the course of the proceeding. Thank you.

APPENDIX A

From 2015 to 2017, I served as Assistant Professor and Director of the University of Charleston's Master of Forensic Accounting ("MFAcc") Program. I provided administrative oversight of the program to include curriculum development, faculty development and coordination, program assessment, recruiting, retention, marketing, and fiscal planning and management. I also served as faculty in the MFAcc program, teaching MFACC 624 - Data as Evidence which included data mining, probability concepts and calculations, link analysis, timelines and relationship charts, and applications of statistics in the courtroom. In addition I taught the following undergraduate courses: BUSI 215 – Business Software, ACCT 460 – Accounting Information Systems, and ACCT 281 - Introduction to Forensic Accounting.

From 2010 to 2015, I served as Manager of Information Technology Services Expense Management for American Water ("AW"), responsible for managing operating and capital expenditures for the ITS department. I proposed and received approval for establishment of AW's first IT Finance team overseeing the management of IT related operating and capital funding projects across AW's subsidiaries. I was responsible for business planning and reporting, contracts processing, capital asset management, procurement of ITS goods/services, and budget management of \$70M+ annually. During this time, I also served as the ITS functional lead member of AW's Procure to Pay Service Delivery Council. I established the Centrally Sponsored Financial Model for use by the company in SAP and related system asset management post-system implementation. I established an annual CIO communication to state presidents, finance, rates, and capital

leads within the operating companies for the purpose of communication business planning needs for information systems projects at enterprise and state levels.

From 2003 to 2010, I served as Team Lead for the ITS Service Delivery department overseeing up to 9 states and service company locations with 22 support specialists for the delivery of information technology services such as local network, computer, and software support.

I also serve as a contract instructor and presenter for the National Association of Valuators and Analysts (NACVA), presenting topics such as computer forensics and the digital age.

Indian Creek Valley Water Authority Customers

Water

Rate Class	Average Usage	Average Monthly Bill at Indian Creek Valley Water Authority Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,201 gal/month	\$69.62	\$139.52	\$69.90 or 100.4%
Commercial	22,094 gal/month	\$427.69	\$857.09	\$429.40 or 100.4%
Industrial	685,947 gal/month	\$12,443.05	\$24,935.87	\$12,492.82 or 100.4%

PAWC Current Water Customers

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Rates	Average Monthly Bill at PAWC Zone 1 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,201 gal/month	\$78.89	\$79.13	\$0.24 or 0.3%
Commercial	22,094 gal/month	\$419.34	\$420.60	\$1.26 or 0.3%
Industrial	685,947 gal/month	\$8,863.12	\$8,889.71	\$26.59 or 0.3%

Pennsylvania American Water Company
Acquisition of Water Assets of the Indian Creek Valley Water Authority
Docket No. A-2025-3055741

Indian Creek Valley Water Authority

PAWC - Water

Residential		
5/8"	Rate	\$12.00
32.01	1.8000	57.62
		\$69.62

Zone 1 - Residential		
5/8"	Service Charge	\$18.80
32.01	1.8772	60.09
		\$78.89

Rate Impact 100.4%
 \$69.90
 Total \$139.52

Rate Impact 0.3%
 \$0.24
 Total \$79.13

Commercial		
1"	Rate	\$30.00
220.94	1.8000	397.69
		\$427.69

Zone 1 - Commercial		
1"	Service Charge	\$48.40
160.00	1.8033	288.53
60.94	1.3523	82.41
220.94		
		\$419.34

Rate Impact 100.4%
 \$429.40
 Total \$857.09

Rate Impact 0.3%
 \$1.26
 Total \$420.60

Industrial		
2"	Rate	\$96.00
6,859.47	1.8000	12,347.05
		12,443.05

Zone 1 - Industrial		
2"	Service Charge	\$224.00
160.00	1.6720	267.52
5,840.00	1.2860	7,510.24
859.47	1.0022	861.36
6,000.00		
		8,863.12

Rate Impact 100.4%
 \$12,492.82
 Total \$24,935.87

Rate Impact 0.3%
 \$26.59
 Total \$8,889.71

Pennsylvania American Water Company
Acquisition of Water Assets of the Indian Creek Valley Water Authority
Docket No. A-2025-3055741

Estimated Rate Increase

Increase applied to Acquired System Customers	
Revenue Requirement Increase	\$ 2,587,000
Current Indian Creek Valley Water Authority revenues	2,576,000
Estimated Increase to water customers	100.4%

Amount of increase allocated to water customers:	
Revenue Requirement Increase	\$ 2,587,000
PAWC Water Revenues (R-2023-3043189 Proof of Revenues excl. Other Operating Revenues & Contract Sales)	890,733,518
Estimated Increase to Water Customers	0.3%

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Revenue Requirement Increase

Rate Base	\$	32,800,000	Appendix A-11
Rate of Return %		7.38%	See Calculations
Rate of Return		<u>2,421,000</u>	
O&M		1,362,000	Appendix K
Taxes Other		85,000	Appendix K
Depreciation		656,000	Appendix K
Taxes		639,000	See Calculations
Revenue Requirement		<u>5,163,000</u>	
Indian Creek Valley Water Authority Year-1 Revenues		2,576,000	Appendix K
Revenue Requirement Increase		2,587,000	

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Income Tax Calculation

<u>Revenue Requirement</u>	
Rate Base	\$ 32,800,000
Pretax ROR %	9.33%
Pretax ROR	<u>3,060,000</u>
Plus: O&M Expense	1,362,000
Taxes Other	85,000
Depreciation	<u>656,000</u>
Total Revenue Requirement	<u><u>5,163,000</u></u>

<u>Income Tax Calculation</u>	
Revenues	\$ 5,163,000
Less: O&M Expense	1,362,000
Taxes Other	85,000
Depreciation	656,000
Interest	<u>686,000</u>
SIT Taxable Income	2,374,000
State Income Tax Rate	7.49%
State Income Tax	<u>178,000</u>
FIT Taxable Income	2,196,000
Federal Income Tax Rate	21.00%
Federal Income Tax	<u>461,000</u>
Total Income Taxes	<u><u>639,000</u></u>

<u>Interest</u>	
Rate Base	\$ 32,800,000
Weighted Cost of Debt (2.03% + 0.12%)	<u>2.09%</u>
	\$ 686,000

Water	Capital Structure	Cost Rate	Weighted Cost	Revenue Multiplier	Revenue Requirement
Long Term Debt	44.01%	4.76%	2.09%		2.09%
Short Term Debt	0.00%	0.00%	0.00%		0.00%
Preferred Stock	0.00%	0.00%	0.00%	1.36831	0.00%
Common Equity	55.99%	9.45%	<u>5.29%</u>	<u>1.36831</u>	<u>7.24%</u>
			7.38%		9.33%

Capital Structure, Cost of Debt, and Cost of Equity are based on PAWC's last base rate case.
Docket No. R-2023-3043189, Order Entered July 22, 2024, page 200.
State Income Tax Rate of 7.49% in effect 1/1/2026

Revenue Multiplier

Statutory State Tax Rate	0.0749
Statutory Federal Tax Rate	0.21
1- State Tax Rate	0.9251
Fed Rate Times (1-State Tax Rate)	0.194271
Effective Tax Rate	0.269171
1-Eff Tax Rate	0.730829
Reciprocal	1.36831

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Operating Revenue Assumptions

Service Charge	Customers	Units	Rate	Revenue
Residential Customers	2150	25,800	12.000	310,000
Commercial 1"	203	2,436	30.000	73,000
Industrial 2"	1	12	96.000	1,000
OPA 1"	25	300	30.000	9,000
Public Fire - Rate 1	2	369	60.000	22,000
Public Fire - Rate 2	5	102	100.000	10,000
				425,000

Usage Charge	Customers	Units	Rate	Revenue
Residential Customers	2150	705,035	1.8000	1,269,000
Commercial	203	236,273	1.8000	425,000
Industrial	1	6,955	1.8000	13,000
OPA	25	222,428	1.8000	400,000
Bulk Resale	3	23,251	1.9000	44,000
				2,151,000

Total Revenues

2,576,000

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O&M and General Tax Assumptions

Operating and Maintenance Expenses

Labor and Labor Related	\$501,000
Purchased Water	39,000
Fuel & Power	64,000
Chemicals	35,000
Waste Disposal	19,000
Management Fees	156,000
Contracted Services	44,000
Insurance Other Than Group	85,000
Maintenance	300,000
Customer Accounting	79,000
General Office Expense	7,000
Miscellaneous	33,000
Total O&M	\$1,362,000

General Taxes

Property Tax	\$35,000
Regulatory Assessment	20,000
Payroll Taxes	30,000
Total General Taxes	\$85,000

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 Ohiopyle 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 Nos. A-2025-3055741, *et al.*

VERIFICATION

I, Dr. Christina E. Chard, hereby state that the facts set forth in PAWC Statement No. 3 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



Dr. Christina E. Chard
Senior Director of Rates and Regulatory
Pennsylvania-American Water Company