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December 19, 2025

**VIA e-Filing**

Rosemary Chiavetta, Secretary  
Commonwealth of Pennsylvania  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

**Re: Pennsylvania-American Water Company (Utility Code: 230073)  
Wastewater Operations DSIC filing effective January 1, 2026  
Docket No. M-2025-3059294**

Dear Secretary Chiavetta:

On December 16, 2025, Pennsylvania-American Water Company (the "Company") filed Supplement No. 63 to Tariff Wastewater PA P.U.C. No. 16 with an issuance date of December 16, 2025, along with supporting schedules. The supporting schedules have been revised to reflect the 2026 tax rate as further described herein. Enclosed are the Company's amended schedules: DSIC Summary Page 1, ADIT, and State Income Tax Flow Through Deduction. The Company adjusted the tax rate in the gross revenue conversion factor to the 2026 state tax rate of 7.49%. The state tax rate used to calculate the accumulated deferred income taxes is also set to the 2026 state tax rate of 7.49%. For the calculation of the tax expense impact for the state flow-through of the book to tax differences on property, the Company used the 2025 state tax rate of 7.99% because these items will be included and paid on the 2025 tax return using the 2025 state tax rate.

These changes do not impact the overall proposed Distribution System Improvement Charge (DSIC) rate of 0.55%, effective January 1, 2026.

If you have any questions, please contact me.

Sincerely,

Teresa K. Harrold

**Attachments**

cc. Office of Consumer Advocate **VIA** E-Mail  
Bureau of Investigation and Enforcement **VIA** E-Mail  
Office of Small Business Advocate **VIA** E-Mail  
Bureau of Audits **VIA** E-Mail  
Bureau of Technical Utility Services **VIA** E-Mail  
Vanessa Johns (Bureau of Technical Utility Services) **VIA** E-Mail

**PENNSYLVANIA AMERICAN WATER  
WASTEWATER DISTRIBUTION SYSTEM IMPROVEMENT CHARGE  
PAGE 1**

DESCRIPTION	SURCHARGE EFFECTIVE January 1, 2026
APPLICABLE NET ADDITIONS	\$8,928,249
LESS:	
ACCUMULATED DEPRECIATION	(71,356)
ACCUMULATED DEFERRED INCOME TAX	(1,850,091)
RETIREMENTS	1,894,440
NET RATE BASE INCLUDED IN DISTRIBUTION SYSTEM IMPROVEMENT CALCULATIONS	(DSI) 8,901,241
ANNUAL REVENUE REQUIREMENT RATE	9.23%
QUARTERLY REVENUE REQUIREMENT RATE	(PTRR) 2.31%
QUARTERLY CAPITAL COST RECOVERY	(DSI X PTRR) 205,619
QUARTERLY DEPRECIATION EXPENSE	(DEP) 56,207
QUARTERLY STATE INCOME TAX FLOW THROUGH DEDUCTION	(STFT) (3,964)
REVENUE REQUIREMENT PRIOR TO ANNUAL RECONCILIATION AND PRIOR YEAR E FACTOR	257,862
ANNUAL RECONCILIATION	(e) 0
RECONCILIATION OF PRIOR YEAR E FACTOR	0
REVENUE REQUIREMENT FOR ANNUAL RECONCILIATION AND PRIOR YEAR E FACTOR	0
TOTAL QUARTERLY DISTRIBUTION SYSTEM IMPROVEMENT CHARGE REVENUE REQUIREMENT	257,862
MONTHLY RECOVERABLE AMOUNT FOR REVENUE REQUIREMENT	85,954
MONTHLY RECOVERABLE AMOUNT FOR ANNUAL RECONCILIATION AND PRIOR YEAR E FACTOR	0
BASE RATE REVENUE TO BE COLLECTED DURING JANUARY THROUGH MARCH	(PQR) 47,246,593
CURRENT YEAR DISTRIBUTION SYSTEM IMPROVEMENT CHARGE	0.55%
ANNUAL RECONCILIATION AND PRIOR YEAR E FACTOR CHARGE	0.00%
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE	(DSIC) 0.55%

TYPE	AMOUNT (\$000)	CAPITAL STRUCTURE	COST RATE	WEIGHTED AVERAGE COST RATE	REVENUE MULTIPLIER	REVENUE REQUIREMENT
DEBT	\$2,853,100	44.35%	4.58%	2.03%		2.03%
PREFERRED	452	0.01%	9.71%	0.00%	1.36831	0.00%
EQUITY	3,578,940	55.64%	9.45%	5.26%	1.36831	7.20%
TOTAL	\$6,432,492	100.00%		7.29%		9.23%

REVENUE MULTIPLIER BASED UPON CURRENTLY EFFECTIVE TAX RATES USED IN COMPANY'S MOST RECENT RATE FILING. EQUITY COST RATE TAKEN FROM COMMISSION'S MOST RECENT QUARTERLY EARNINGS REPORT. DEBT AND PREFERRED COST RATES AND CAPITAL STRUCTURE BASED UPON INFORMATION AS OF: November 30, 2025. PREFERRED STOCK AND DEBT FIGURES DO NOT REFLECT THE REQUIREMENTS OF FAS150.

**ANTICIPATED REVENUES**

JANUARY 2026	\$16,303,956
FEBRUARY	14,969,727
MARCH	15,972,910
TOTAL	<u>\$47,246,593</u>

PENNSYLVANIA AMERICAN WATER - WASTEWATER OPERATIONS  
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE  
ADIT

			Q3 Eff Oct 2025		Q4 Eff Jan 2026		
			JULY	AUG	SEP	OCT	NOV
			2025	2025	2025	2025	2025
Investment - Repair Eligible							
Mains - Force			(163,333)	(62,554)	(68,627)	328,462	1,279,064
Mains - Gravity			724,295	1,299,010	827,604	858,034	1,811,959
Manholes			222,911	487,121	969,795	525,538	407,239
Laterals			281,627	140,915	240,030	453,361	260,238
Total			1,065,500	1,864,492	1,968,802	2,165,395	3,758,500
Repair Eligible Percentage 1st Year	69.35%		69.35%	69.35%	69.35%	69.35%	69.35%
Tax Repair Deduction			738,924	1,293,025	1,365,364	1,501,701	2,606,520
Remaining Basis			326,576	571,467	603,438	663,694	1,151,980
Investment - Non Repair Eligible			-	-	-	-	-
Basis Subject to Tax Depreciation			326,576	571,467	603,438	663,694	1,151,980
1st Year Tax Depreciation Rate	2.00%		2.00%	2.00%	2.00%	2.00%	2.00%
1st Year Tax Depreciation Deduction			6,532	11,429	12,069	13,274	23,040
Tax Repair Deduction	Jul	677,347	431,039	61,577	61,577	61,577	61,577
Tax Repair Deduction	Aug	1,185,273		862,017	107,752	107,752	107,752
Tax Repair Deduction	Sep	1,251,584			1,024,023	113,780	113,780
Tax Repair Deduction	Oct	1,376,560				1,251,418	125,142
Tax Repair Deduction	Nov	2,389,310					2,389,310
Tax Depr	Jul	5,987	3,810	544	544	544	544
Tax Depr	Aug	10,477		7,620	952	952	952
Tax Depr	Sep	11,063			9,052	1,006	1,006
Tax Depr	Oct	12,168				11,062	1,106
Tax Depr	Nov	21,120					21,120
Total Tax Repair Deduction			431,039	923,594	1,193,352	1,534,527	2,797,561
Total Tax Depreciation Deduction - Non Repair Eligible Property			3,810	8,164	10,548	13,564	24,728
Total			434,849	931,758	1,203,900	1,548,091	2,822,289
Total Book Depreciation - Repair Eligible Property			4,023	6,483	8,349	8,282	11,843
Total Book Depreciation - Non Repair Eligible Property			1,778	2,865	3,690	3,660	5,234
Total			5,801	9,348	12,039	11,942	17,077
Difference (tax over book)							
Repair Eligible Deduction			427,016	917,111	1,185,003	1,526,245	2,785,718
Non Repair Eligible Deduction			2,032	5,299	6,858	9,904	19,494
Total			429,048	922,410	1,191,861	1,536,149	2,805,212
<b>Rate Base Deduction - Normalization</b>							
Effective Rate	State Tax Rate	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%
	State Deferred Taxes (Repairs Eligible Property Only)		31,984	68,692	88,757	114,316	208,650
	Cumulative State Deduction		31,984	100,675	189,432	303,748	512,398
	Less: State NOL offset		-	-	-	-	-
	Net State Cumulative ADIT Deduction		31,984	100,675	189,432	303,748	512,398
	Federal Tax Rate of 21% times (1-State Tax Rate)	19.43%	19.43%	19.43%	19.43%	19.43%	19.43%
	Federal Deferred Taxes		83,364	179,224	231,579	298,474	545,053
	Cumulative Fed Deduction		83,364	262,588	494,167	792,641	1,337,693
	Less: Fed NOL offset						
	Net Fed Cumulative ADIT Deduction		83,364	262,588	494,167	792,641	1,337,693
<b>Net Cumulative Fed &amp; State ADIT Reduction to Rate Base</b>			115,348	363,263	683,599	1,096,388	1,850,091

PENNSYLVANIA AMERICAN WATER  
 DISTRIBUTION SYSTEM IMPROVEMENT CHARGE  
 STATE INCOME TAX - FLOW THROUGH DEDUCTION

DSIC EFFECTIVE JULY THROUGH NOVEMBER 2025

	Q3 Eff Oct 2025		Q4 Eff Jan 2026		
	JULY 2025	AUG 2025	SEP 2025	OCT 2025	NOV 2025
Total Tax Depreciation Deduction - Non Repair Eligible Property	3,810	8,164	10,548	13,564	24,728
Total Book Depreciation - Non Repair Eligible Property	1,778	2,865	3,690	3,660	5,234
Tax over Book	2,032	5,299	6,858	9,904	19,494
State Income Tax %	7.99%	7.99%	7.99%	7.99%	7.99%
State Income Tax Flow Through Deduction	162	423	548	791	1,558
Gross Up Monthly State Income Tax Flow Through Deduction	222	579	750	1,083	2,131
Gross Up Quarterly State Income Tax Flow Through Deduction	222	801			3,964