



Teresa K. Harrold
Director, Corporate Counsel
852 Wesley Drive | Mechanicsburg, PA 17055
Phone: 717-550-1562 | Fax: 717-550-1255
teresa.harrold@amwater.com

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: 212285)
Water Operations DSIC filing effective January 1, 2026
Docket No. M-2025-3059289**

Dear Secretary Chiavetta:

On December 16, 2025, Pennsylvania-American Water Company (the "Company") filed Supplement No. 62 to Tariff Water PA P.U.C. No. 5 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 1.65%, 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
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
PAGE 1

DESCRIPTION	SURCHARGE EFFECTIVE January 1, 2026
APPLICABLE NET ADDITIONS	\$134,202,163
LESS:	
ACCUMULATED DEPRECIATION	(954,620)
ACCUMULATED DEFERRED INCOME TAX	(23,543,708)
RETIREMENTS	15,751,526
NET RATE BASE INCLUDED IN DISTRIBUTION SYSTEM IMPROVEMENT CALCULATIONS	(DSI) 125,455,361
ANNUAL REVENUE REQUIREMENT RATE	9.23%
QUARTERLY REVENUE REQUIREMENT RATE	(PTRR) 2.31%
QUARTERLY CAPITAL COST RECOVERY	(DSI X PTRR) 2,898,019
QUARTERLY DEPRECIATION EXPENSE	(DEP) 745,002
QUARTERLY STATE INCOME TAX FLOW THROUGH DEDUCTION	(STFT) (58,206)
REVENUE REQUIREMENT PRIOR TO ANNUAL RECONCILIATION AND PRIOR YEAR E FACTOR	3,584,815
ANNUAL RECONCILIATION	(e) -
RECONCILIATION OF PRIOR YEAR E FACTOR	-
REVENUE REQUIREMENT FOR ANNUAL RECONCILIATION AND PRIOR YEAR E FACTOR	-
TOTAL QUARTERLY DISTRIBUTION SYSTEM IMPROVEMENT CHARGE REVENUE REQUIREMENT	3,584,815
MONTHLY RECOVERABLE AMOUNT FOR REVENUE REQUIREMENT	1,194,938
MONTHLY RECOVERABLE AMOUNT FOR ANNUAL RECONCILIATION AND PRIOR YEAR E FACTOR	-
BASE RATE REVENUE TO BE COLLECTED DURING JANUARY THROUGH MARCH	(PQR) 217,441,384
CURRENT YEAR DISTRIBUTION SYSTEM IMPROVEMENT CHARGE	1.65%
ANNUAL RECONCILIATION AND PRIOR YEAR E FACTOR CHARGE	0.00%
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE	(DSIC) 1.65%

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	\$6,432,491	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	\$74,912,246
FEBRUARY	69,351,992
MARCH	73,177,146
TOTAL	\$217,441,384

PENNSYLVANIA AMERICAN WATER - WATER OPERATIONS
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
ADIT

		Q3 Eff Oct 2025		Q4 Eff Jan 2026			
		DSIC Eligible					
		JULY 2025	AUG 2025	SEP 2025	OCT 2025	NOV 2025	
Investment - Repair Eligible							
Mains		9,358,783	21,149,397	16,463,153	15,150,304	44,338,710	
Services		3,997,154	4,145,825	4,600,987	5,823,344	5,186,354	
Hydrants		1,161,933	1,523,796	1,418,095	1,196,695	1,940,136	
Total		14,517,870	26,819,018	22,482,235	22,170,343	51,465,200	
Repair Eligible Percentage 1st Year	69.35%	69.35%	69.35%	69.35%	69.35%	69.35%	
Tax Repair Deduction		10,068,143	18,598,989	15,591,430	15,375,133	35,691,116	
Remaining Basis		4,449,727	8,220,029	6,890,805	6,795,210	15,774,084	
Investment - Non Repair Eligible Meters		1,790,760	875,447	1,417,637	2,882,333	5,532,846	
Basis Subject to Tax Depreciation		6,240,487	9,095,476	8,308,442	9,677,543	21,306,930	
1st Year Tax Depreciation Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
1st Year Tax Depreciation Deduction		124,810	181,910	166,169	193,551	426,139	
Tax Repair Deduction		Jul	9,229,131	5,873,083	839,012	839,012	839,012
Tax Repair Deduction		Aug	17,049,073		12,399,326	1,549,916	1,549,916
Tax Repair Deduction		Sep	14,292,144		11,693,572	1,299,286	1,299,286
Tax Repair Deduction		Oct	14,093,872			12,812,611	1,281,261
Tax Repair Deduction		Nov	32,716,857				32,716,857
Tax Depr		Jul	114,409	72,806	10,401	10,401	10,401
Tax Depr		Aug	166,750		121,273	15,159	15,159
Tax Depr		Sep	152,321		124,627	13,847	13,847
Tax Depr		Oct	177,422			161,292	16,129
Tax Depr		Nov	390,627				390,627
Total Tax Repair Deduction			5,873,083	13,238,338	14,082,500	16,500,824	37,686,331
Total Tax Depreciation Deduction - Non Repair Eligible Property			72,806	131,674	150,187	200,700	446,164
Total			5,945,889	13,370,012	14,232,687	16,701,524	38,132,495
Total Book Depreciation - Repair Eligible Property			42,361	75,736	64,270	63,818	142,620
Total Book Depreciation - Non Repair Eligible Property			45,136	46,385	49,315	70,719	144,642
Total			87,497	122,121	113,585	134,537	287,262
Difference (tax over book)							
Repair Eligible Deduction			5,830,722	13,162,602	14,018,230	16,437,006	37,543,711
Non Repair Eligible Deduction			27,670	85,289	100,872	129,981	301,522
Total			5,858,392	13,247,891	14,119,102	16,566,987	37,845,233
Rate Base Deduction - Normalization							
Effective Rate	State Tax Rate	7.49%	7.49%	7.49%	7.49%	7.49%	
	State Deferred Taxes (Repairs Eligible Property Only)		436,721	985,879	1,049,965	1,231,132	2,812,024
	Cumulative State Deduction		436,721	1,422,600	2,472,565	3,703,697	6,515,721
	Less: State NOL offset		-	-	-	-	-
	Net State Cumulative ADIT Deduction		436,721	1,422,600	2,472,565	3,703,697	6,515,721
	Federal Tax Rate of 21% times (1-State Tax Rate)	19.43%	19.43%	19.43%	19.43%	19.43%	
	Federal Deferred Taxes		1,138,286	2,574,065	2,743,341	3,218,966	7,353,329
	Cumulative Fed Deduction		1,138,286	3,712,351	6,455,692	9,674,658	17,027,986
	Less: Fed NOL offset						
	Net Fed Cumulative ADIT Deduction		1,138,286	3,712,351	6,455,692	9,674,658	17,027,986
Net Cumulative Fed & State ADIT Reduction to Rate Base			1,575,007	5,134,951	8,928,258	13,378,355	23,543,708

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		
	DSIC Eligible				
	JULY 2025	AUG 2025	SEP 2025	OCT 2025	NOV 2025
Total Tax Depreciation Deduction - Non Repair Eligible Property	72,806	131,674	150,187	200,700	446,164
Total Book Depreciation - Non Repair Eligible Property	45,136	46,385	49,315	70,719	144,642
Tax over Book	27,670	85,289	100,872	129,981	301,522
State Income Tax %	7.99%	7.99%	7.99%	7.99%	7.99%
State Income Tax Flow Through Deduction	2,211	6,815	8,060	10,385	24,092
Gross Up Monthly State Income Tax Flow Through Deduction	3,025	9,325	11,029	14,211	32,966
Gross Up Quarterly State Income Tax Flow Through Deduction	3,025	12,350			58,206