

**Application of Pennsylvania-American Water Company for Acquisition of  
Substantially All of the Assets, Properties and Rights Related to the Wastewater  
System Owned and Operated by the City of Pittston**

**66 Pa. C.S. §1329**

**Application Filing Checklist – Water/Wastewater**

**Docket No. A-2025-3056419**

14. Buyer Testimony

- a. Provide buyer direct testimony supporting the application, if any.
- b. Provide seller UVE direct testimony
- c. Identify in Buyer direct testimony the ways in which the buyer has responded to input received at the public hearings referenced in Checklist Item 26, if any.

**Response:** a. See enclosed the direct testimonies of PAWC witnesses as follows:

- i. Direct Testimony of Michael Salvo, Director of Business Development, Pennsylvania-American Water Company, **PAWC Statement No. 1.**
  - ii. Direct Testimony of Michael J. Guntrum, P.E., Senior Project Engineer, Pennsylvania-American Water Company, **PAWC Statement No. 2.**
  - iii. Direct Testimony of Dr. Christina E. Chard, Senior Director of Rates and Regulatory, Pennsylvania-American Water Company, **PAWC Statement No. 3.**
- b. See enclosed Direct Testimony of Utility Valuation Expert, Jerome C. Weinert, ASA, P.E., CDP, Principal and Owner for Weinert Appraisal and Depreciation Services, LLC on behalf of Pennsylvania-American Water Company, **PAWC Statement No. 4.**
  - c. Not applicable. No members of the public presented testimony about the transaction at the public hearings that occurred prior to execution of the APA.

**Application of Pennsylvania-American Water Company for Acquisition of Substantially  
All of the Assets, Properties and Rights Related to the Wastewater System Owned and  
Operated by the City of Pittston**

**66 Pa. C.S. §1329**

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**Docket No. A-2025-3056419**

**Appendix A-14(a)**

Pennsylvania-American Water Company Statement No. 1 – Michael Salvo

**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 :                   Docket Nos.  
the assets, properties and rights related to the :                   A-2025-3056419 *et al.*  
wastewater system owned and operated by the :  
City of Pittston, Luzerne County, Pennsylvania and :  
(2) the rights of Pennsylvania-American Water :  
Company to begin to offer or furnish wastewater :  
service to the public in the portions of the Borough :  
of Hughestown, Luzerne County, Pennsylvania, the :  
Borough of Duryea, Luzerne County, Pennsylvania, :  
Pittston Township, Luzerne County, Pennsylvania :  
and the City of Pittston, Luzerne County, :  
Pennsylvania :

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**DIRECT TESTIMONY OF  
MICHAEL SALVO ON BEHALF OF  
PENNSYLVANIA-AMERICAN WATER COMPANY**

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**DIRECT TESTIMONY OF  
MICHAEL SALVO**

**INTRODUCTION AND OVERVIEW**

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

**A.** My name is Michael Salvo, and my business address is 852 Wesley Drive, Mechanicsburg, PA 17055.

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

**A.** I am employed by Pennsylvania-American Water Company (“Pennsylvania American” or “PAWC”) as Director, Business Development.

**Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF BUSINESS DEVELOPMENT?**

**A.** I support our organization and teams by developing and maintaining essential contacts to remain informed and identify new business opportunities. In addition, I lead and manage acquisitions from the initial point of contact through completion. This includes performing due diligence on potential opportunities, responding to Requests for Qualifications, Requests for Proposals, and Requests for Bids, and preparing applications for submission to the Pennsylvania Public Utility Commission (“Commission”). I also oversee all activities and workflows required to transfer and integrate work processes and achieve a financial close, including post-closing activities. These responsibilities require close collaboration with sellers to ensure a smooth transition of activities between merging companies and deliver a seamless customer experience. Furthermore, I maintain a working

1 knowledge of regulatory and technical developments, emerging technologies, and industry  
2 trends affecting water and wastewater utilities, while staying informed about legislation,  
3 regulations, and public policy that influence business opportunities.

4  
5 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EDUCATION AND EXPERIENCE.**

6 **A.** A copy of my curriculum vitae is attached as **PAWC Exhibit MS-1**. I received a Bachelor  
7 of Science degree in mechanical engineering technology in 1987 from The Pennsylvania  
8 State University and a Master of Business Administration in 1996 from Lebanon Valley  
9 College. I have over 38 years of experience in the regulated water and wastewater industry  
10 working in various roles and increasing levels of responsibility, including engineering,  
11 water and wastewater operations, administration, labor management, customer service and  
12 business development.

13  
14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

15 **A.** Yes. I have testified as a witness for PAWC during proceedings at Commission Docket  
16 Nos. A-2020-3019634 (Royersford Water), A-2021-3024058 (Brentwood Borough  
17 Wastewater), A-2023-3043194 (Audubon Water Company), and A-2025-3055551 (Nexus  
18 Regulated Utilities LLC, and Community Utilities of Pennsylvania, Inc. Water and  
19 Wastewater).

20  
21 **DESCRIPTION OF THE APPLICATION**

22 **Q. HAS PAWC FILED AN APPLICATION WITH THE COMMISSION FOR**  
23 **REGULATORY APPROVAL TO ACQUIRE THE WASTEWATER**

1           **COLLECTION SYSTEM OWNED AND OPERATED BY THE CITY OF**  
2           **PITTSTON (“PITTSTON”) AND RELATED APPROVALS?**

3   **A.**    Yes. On January 16, 2026, PAWC filed its Application seeking approval of PAWC’s  
4           acquisition of Pittston’s wastewater collection system (the “System”). In my testimony, I  
5           will refer to this acquisition as the “Transaction.” The Application was prepared and filed  
6           under my direct supervision. As stated in my Verification attached to the Application, the  
7           Application and its numerous appendices are true and correct to the best of my knowledge,  
8           information, and belief. To prepare the Application, we relied on Pittston’s records,  
9           PAWC’s records, DEP file review, and online research. For purposes of creating a  
10          complete evidentiary record upon which the Commission can base its decision, I submit  
11          the Application and all of its appendices (**Appendices A through K**) as PAWC **Exhibit**  
12          **MS-2**. Certain appendices contain proprietary information and are therefore labeled as  
13          **CONFIDENTIAL**.

14   **Q.**    **WHAT IS PAWC SEEKING IN ITS APPLICATION?**

15   **A.**    There are four requests. First, PAWC is requesting approval of the acquisition under  
16          Section 1102 of the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. § 1102, similar  
17          to many requests that come before the Commission. Specifically, PAWC seeks approval  
18          to acquire the System and to obtain the right to begin wastewater service in the areas  
19          currently served by Pittston (the “Service Area”). The Application contains a *pro forma*  
20          tariff supplement under which Pittston’s rates at the time of closing on the Transaction  
21          (“Closing”) would be adopted.

22                 Second, pursuant to Act 12 of 2016, 66 Pa. C.S. § 1329 (“Section 1329”), PAWC  
23          is seeking to utilize fair market value for the ratemaking rate base of the System. As

1 explained more-fully below, fair market value under Section 1329 is the lesser of the stated  
2 purchase price in the Asset Purchase Agreement (“APA”), or the average of the appraisal  
3 of Pittston’s Utility Valuation Expert (“UVE”) and the appraisal of PAWC's UVE.

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

11 Fourth, PAWC is seeking the issuance of Certificates of Filing or approvals under  
12 Section 507 of the Code, 66 Pa. C.S. § 507, for the following agreements between PAWC  
13 and a municipal corporation:

- 14 a. Asset Purchase Agreement dated May 30, 2025, by and between the City of  
15 Pittston and Pennsylvania-American Water Company (attached hereto as  
16 **Appendix A-24-a**);
- 17 b. Service Agreement dated September 8, 1965, as amended December 1, 1965,  
18 by and between the City of Pittston and the Wyoming Valley Sanitary Authority  
19 (attached hereto as **Appendix A-25.a**);
- 20 c. *Pro Forma* Wastewater Conveyance Agreement by and between the City of  
21 Pittston and Hughestown Borough (attached hereto as **CONFIDENTIAL**  
22 **Appendix A-25.b**)

1 d. *Pro Forma* Wastewater Conveyance Agreement by and between the City of  
2 Pittston and Duryea Borough (attached hereto as **CONFIDENTIAL**  
3 **Appendix A-25.c**)

4 The aforementioned agreements are referred to collectively as herein as the “Section 507  
5 Agreements”.

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

8 **A.** Yes. PAWC's Application has been prepared in accordance with the fair market value  
9 provisions of Section 1329. Specifically, PAWC is requesting that the ratemaking rate  
10 base related to the System be based on the lesser of the average of the UVE fair market  
11 value appraisals included in the Application or the APA purchase price.

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

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

19  
20 **Q. WHAT DOES THE COMMISSION REQUIRE BE INCLUDED IN A SECTION**  
21 **1329 APPLICATION?**

22 **A.** In its Final Supplemental Implementation Order entered February 28, 2019, at Docket No.  
23 M-2016-2543193 (“2019 FSIO”), the Commission attached as Appendix A an extensive

1 list of specific Section 1329 “Filing Requirements” for items to include with an Application  
2 for it to be processed in a six-month time frame. PAWC's Application is structured around  
3 those Filing Requirements. On July 2, 2024, the Commission issued a new Final  
4 Supplemental Implementation Order (“2024 FSIO”) at the same docket, which modified  
5 Appendix A and adopted a new Reasonableness Review Ratio (“RRR”). **Appendix A** to  
6 the Application and its sub-appendices directly address each of the Filing Requirements.  
7

8 **Q. WHAT IS A REASONABLENESS REVIEW RATIO?**

9 **A.** In the 2024 FSIO, the Commission explained that the RRR is a guidepost for analyzing  
10 and making a final determination on the overall prudence of Section 1329 applications.  
11 The 2024 FSIO further confirmed that the RRR is nonbinding and may be considered in  
12 evaluating a transaction, but it does not replace the comprehensive public interest analysis  
13 of a Section 1329 Application. A new RRR will be set annually by the Commission. On  
14 August 9, 2024, the Commission issued its first Report on the Reasonableness Review  
15 Ratio at Docket No. M-2024-3050303, which established an RRR of 1.68. On April 1,  
16 2025, the Commission updated the RRR to 1.63; therefore, the RRR was 1.63 at the time  
17 the APA was signed. When considering if a 1329 application is prudent, the Commission  
18 will multiply the depreciated original cost (“DOC”) of a system by 1.63 and compare it to  
19 the purchase price of the system.

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

2 **A.** The Company compared the purchase price to the RRR in place at the time PAWC and  
3 Pittston executed the APA and determined that the purchase price is in alignment with the  
4 RRR.

5 **Q. WOULD YOU PLEASE PROVIDE A BRIEF SUMMARY OF THE**  
6 **TRANSACTION?**

7 **A.** The following is a timeline of the competitive bidding process and acceptance:

- 8 • October 5, 2023, PAWC responded to Pittston’s September 18, 2023, Request for  
9 Qualifications (“RFQ”).
- 10 • July 26, 2024, Pittston circulated the Sewer System Transaction - Request for Bids  
11 (“RFB”) for only pre-qualified bidders.
- 12 • February 14, 2025, PAWC submitted its bid/response to Pittston’s RFB.
- 13 • April 16, 2025, Pittston held a City Council meeting at which time it adopted a  
14 resolution to accept and approve PAWC’s bid.
- 15 • May 30, 2025, Pittston and PAWC signed the APA, which was negotiated at arm’s  
16 length, whereby PAWC will acquire all the assets identified in Section 2.01 –  
17 Purchase and Sale of Acquired Assets of the APA.
- 18 • May 21, 2025, from 10:00 a.m. to noon and from 3:00 p.m. to 5:00 p.m. are the  
19 dates and times the public hearings occurred.

20 A copy of the APA is attached hereto as “**Appendix A-24-a**” to the Application in **PAWC**  
21 **Exhibit MS-2.**

1 **Q. WHAT ARE THE REASONS FOR PITTSTON WANTING TO SELL ITS SEWER**  
2 **SYSTEM?**

3 **A.** The Transaction is mutually beneficial to support Pittston and PAWC in their respective  
4 provision of safe and reliable service to customers. For PAWC, the Transaction offers a  
5 way to strengthen its wastewater operations leveraging its scale and size to continue to  
6 cost-effectively deliver safe, clean, reliable and affordable water and wastewater services  
7 to its existing and new customers over the long-term. For Pittston, the Transaction allows  
8 it to focus on several core goals: 1) to sell its wastewater collection System to an  
9 experienced operator having the necessary resources to effectively address increasing  
10 regulatory complexities and manage the System for the benefit of its constituents; 2) to  
11 keep utility rates reasonable while ensuring prudent investment in system infrastructure; 3)  
12 to generate up-front proceeds to be applied to Pittston’s long-term needs; and 4) allow the  
13 City to focus on core government functions.

14

15 **Q. DID PITTSTON OR PAWC ENSURE THAT RESIDENTS WERE INFORMED**  
16 **ABOUT THE SALE AND HAD AN OPPORTUNITY TO ASK QUESTIONS?**

17 **A.** Yes. On May 21, 2025, public hearings were held beginning at 10 a.m. and 3 p.m. at the  
18 Pittson Memorial Library, 47 Broad Street, Pittston, Pennsylvania. The meetings were  
19 advertised in the Citizens Voice twice, on the City of Pittston's Facebook page, on the  
20 City’s website and posted on the City Hall and Library doors.

21

22 **Q. DID PAWC RESPOND TO INPUT RECEIVED AT THE MAY 21, 2025, PUBLIC**  
23 **HEARINGS?**

1 A. PAWC representatives attended both the 10 a.m. and 3 p.m. public hearings in order to be  
2 available to address comments, answer questions, and respond to feedback from the public.  
3 Minimal input was provided at the hearings.

4  
5 **Q. WAS THE ASSET PURCHASE AGREEMENT NEGOTIATED AT ARM'S**  
6 **LENGTH?**

7 A. Yes. PAWC and Pittston are not affiliated entities, and the APA was negotiated at  
8 arm's length.

9  
10 **DESCRIPTION OF TESTIMONY TO BE SUBMITTED**  
11 **IN SUPPORT OF THE APPLICATION**  
12

13 **Q. PLEASE IDENTIFY THE OTHER PAWC WITNESSES WHO WILL BE**  
14 **PROVIDING WRITTEN DIRECT TESTIMONY AND THEIR SUBJECT**  
15 **MATTER AREAS.**

16 A. In addition to my Direct Testimony, PAWC will submit the written Direct Testimony of  
17 Michael J. Guntrum, P.E., a Senior Planning Engineer, (PAWC Statement No. 2) and Dr.  
18 Christina Chard, Senior Director of Rates and Regulatory (PAWC Statement No. 3). Mr.  
19 Guntrum will describe Pittston's System and its current and future challenges.  
20 Mr. Guntrum will also support PAWC's technical fitness to operate the System and explain  
21 needed improvements. Mr. Guntrum will also address the anticipated day-to-day  
22 operations of the System once acquired by PAWC, including staffing, and customer service  
23 enhancements PAWC intends to implement for the benefit of the System's customers.  
24 Dr. Chard will address the initial rates, rules, and regulations for Pittston's customers as  
25 well as the impact of the Transaction on PAWC's existing customers. Dr. Chard will also

1 discuss the financing of the Transaction, recording the acquisition at the net value of the  
2 assets, and PAWC's overall financial fitness.

3 PAWC is also sponsoring direct testimony by its selected UVE, Mr. Jerome C. Weinert,  
4 Principal and Director of Weinert Appraisal & Depreciation Services LLC, d/b/a AUS  
5 Consultants (PAWC Statement No. 4). Mr. Weinert will provide supporting testimony for  
6 his fair market valuation report.

7  
8 **Q. WILL PITTSTON ALSO SUBMIT DIRECT TESTIMONY IN SUPPORT OF THE**  
9 **APPLICATION?**

10 **A.** Yes. PAWC's Application includes (1) at **Appendix A-13-a**, the written direct testimony  
11 of Honorable Michael Lombardo, Mayor of Pittston, and (2) at **Appendix A-13-b**, the  
12 written direct testimony of the City's selected UVE, Mr. Harold Walker III, Manager,  
13 Financial Studies, for Gannett Fleming Valuation and Rate Consultants, LLC. PAWC is  
14 not sponsoring the testimony of Pittston's witnesses but has included their testimony in the  
15 Application pursuant to the 2019 FSIO and in anticipation of Pittston's intervention and  
16 participation in the proceeding. PAWC reserves the right to submit rebuttal testimony  
17 regarding Pittston's testimony, as appropriate.

18  
19 **Q. ASIDE FROM AUTHENTICATING THE APPLICATION FOR ITS ADMISSION**  
20 **INTO THE EVIDENTIARY RECORD AND IDENTIFYING ITS REQUESTS FOR**  
21 **RELIEF, WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**  
22 **PROCEEDING?**

1 A. My Direct Testimony describes the Transaction. I will explain why the Transaction is in  
2 the public interest and provides affirmative benefits of a substantial nature, and why the  
3 Transaction should be promptly approved by the Commission. I will also discuss why  
4 PAWC is legally, financially, and technically fit to acquire and operate the System.  
5

6 **DESCRIPTION OF THE TRANSACTION**

7 **Q. PLEASE PROVIDE AN OVERVIEW OF THE APA.**

8 A. The APA is attached as **Appendix A-24-a** to the Application. The APA sets forth the terms  
9 and conditions pursuant to which Pittston will sell, and PAWC will purchase the System,  
10 as well as substantially all assets, properties and rights Pittston owns and uses in connection  
11 with the System. The APA sets forth the entire understanding of the parties with respect  
12 to the Transaction. Under the APA, the Closing of the Transaction will occur after the  
13 receipt of all applicable governmental approvals, including approvals from this  
14 Commission, and after all applicable conditions have been met (or waived) by the parties.  
15 Upon Closing, PAWC will take ownership of the System and begin rendering wastewater  
16 services to Pittston’s current customers and Pittston will permanently discontinue  
17 providing or furnishing wastewater service to the public.  
18

19 **Q. PLEASE PROVIDE A SUMMARY OF THE APA’S PROVISIONS GOVERNING**  
20 **THE TRANSFER OF ASSETS.**

21 A. The specific properties, assets and rights to be transferred to PAWC are defined and  
22 described in the APA's Section 2.01, while the excluded assets are defined in Section 2.02  
23 of the APA. Generally, the APA states that all assets, facilities, business, goodwill,

1 property and rights owned by Pittston and used in the provision of sanitary wastewater  
2 service, whether real, personal, mixed, tangible or intangible, and including all the  
3 collection system mains, property, equipment and facilities comprising the System owned  
4 by Pittston shall be conveyed to PAWC. The **CONFIDENTIAL** Engineering Assessment  
5 (**Appendix A-15-a**) contains a list of the wastewater system inventory used in connection  
6 with the System to be conveyed to PAWC. All real property and appurtenant interests in  
7 real estate, including leases, easements and access to public rights-of-way necessary for  
8 the operation of the System owned by Pittston and relating to the System, are defined and  
9 described in Schedule 4.09 as well as Authorizations, Licenses and Permits (Schedule 4.12)  
10 and all assigned contracts to be conveyed to PAWC in Schedule 4.13.

11  
12 **Q. ARE AGREEMENTS IN PLACE RELATED TO THE ONGOING TREATMENT**  
13 **OF PITTSTON’S WASTEWATER BY THE EXISTING WYOMING VALLEY**  
14 **SANITARY AUTHORITY?**

15 **A.** Yes. There is a Service Agreement dated September 8, 1965, as amended December 1,  
16 1965, by and between the City of Pittston and the Wyoming Valley Sanitary Authority  
17 (**Appendix A-25.a**).

18  
19 **Q. ARE THERE OTHER AGREEMENTS PENDING BETWEEN PITTSTON AND**  
20 **OTHER MUNICIPALITIES?**

21 **A.** Yes, there are two. There is (1) a *Pro Forma* Wastewater Conveyance Agreement dated  
22 by and between the City of Pittston and Hughestown Borough (**CONFIDENTIAL**  
23 **Appendix A-25.b**) and (2) a *Pro Forma* Wastewater Conveyance Agreement dated by and

1 between the City of Pittston and Duryea Borough (**CONFIDENTIAL Appendix A-25.c**).  
2 These agreements will define Pittston’s legal right to use the conveyance lines of  
3 Hughestown and Duryea to provide service to Pittston customers located in those  
4 municipalities.

5  
6 **BACKGROUND INFORMATION ON PAWC AND PITTSTON’S SYSTEM**

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

8 **A.** PAWC, a subsidiary of American Water Works Company, Inc. (“American Water”), is the  
9 largest regulated public utility corporation duly organized and existing under the laws of  
10 the Commonwealth of Pennsylvania, engaged in the business of collecting, treating,  
11 storing, supplying, distributing, and selling water service to the public, and collecting,  
12 treating, transporting, and disposing of wastewater service for the public. Water and  
13 wastewater services are furnished by PAWC (public utility code numbers 212285 (water)  
14 and 230073 (wastewater)) to the public in a service territory encompassing more than 424  
15 communities in 38 counties. Overall, PAWC serves a combined population of over 2.4  
16 million people across the Commonwealth and is American Water’s largest subsidiary.

17 As of December 31, 2025, PAWC furnished water service to approximately  
18 696,977 customers and furnished wastewater service to approximately 117,046 customers  
19 in Pennsylvania.

20 PAWC currently employs approximately 1,180 professionals with expertise in all  
21 areas of water and wastewater utility operations, including water and wastewater treatment  
22 plant operation and maintenance, distribution and collection system operation and  
23 maintenance, engineering, regulatory compliance, materials management, risk

1 management, business development, legal, human resources, accounting, and customer  
2 service. PAWC has the expertise, the record of environmental compliance, the  
3 commitment to invest in necessary capital improvements and resources, and the  
4 experienced managerial and operating personnel necessary to provide safe and reliable  
5 wastewater services to the residents of the service area.

6 PAWC takes pride in being a good corporate citizen by sponsoring and  
7 participating in local community events, providing environmental and firefighting support  
8 grants, offering the “H2O Help to Others Assistance Program” to help low-income  
9 customers pay their bills, and supporting economic growth through infrastructure  
10 improvements in the communities served by PAWC. In 2024, PAWC donated more than  
11 \$1,400,000 to organizations in the communities it serves through grants, scholarships, and  
12 general charitable contributions to 325 organizations across Pennsylvania. Also in 2024,  
13 PAWC contributed \$754,167 to fund our customer assistance program, with 1,788 low-  
14 income households receiving grants totaling \$714,004. PAWC also provided  
15 approximately \$19 million total in monthly bill discounts and 2,881 conservation kits and  
16 education to customers who qualified. Through collaboration with the American Water  
17 Charitable Foundation, the Company helped provide an additional \$700,000 in funding to  
18 non-profit organizations across Pennsylvania.

19 In addition, through partnerships, programming, and volunteerism, PAWC  
20 demonstrates its commitment to being a good neighbor. That is why PAWC and its  
21 dedicated employees play active roles in supporting environmental and educational  
22 initiatives related to water, from watershed clean-ups to educational programs focused on  
23 drinking water and source water protection, as well as supporting youth education, health

1 and wellness initiatives, community sustainability projects and more to address  
2 community-specific needs. PAWC is eager to partner with Pittston and the neighboring  
3 municipalities in providing a sustainable long-term future for the System. Customers of  
4 the System will benefit from a stable company with a robust business model and reliable  
5 service.

6  
7 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF PITTSTON'S SYSTEM.**

8 **A.** Pittston's collection system serves customers in the City as well as in the adjacent  
9 Boroughs of Hughestown and Duryea and a small number of customers in Pittston  
10 Township. The System is primarily a combined sanitary and stormwater system ("CSS"),  
11 with approximately 70 percent of the network operating as CSS and the remaining 30  
12 percent operating as a separate system. Sewer treatment services are provided by the  
13 WVSA, which bills customers directly for treatment, while Pittston bills the approximately  
14 4,142 customers on the System and approximately 600 customers in Duryea, Hughestown,  
15 and Pittston City for collection and conveyance services. The System is located within  
16 PAWC's existing water operations in the Wilkes-Barre Scranton District, and PAWC  
17 supplies water to all Pittston customers. Pittston's System is entirely gravity-fed and does  
18 not include any pump stations. Seven outfall chambers and associated interceptors, which  
19 receive the combined sewage, are owned by WVSA. Additionally, Pittston accepts  
20 combined sewage from neighboring Duryea Borough and Hughestown Borough, which  
21 flows through Pittston's System before reaching WVSA's treatment plant. At the time of  
22 signing the APA, Pittston had no formal agreements with Duryea or Hughestown Boroughs  
23 and have started negotiating Wastewater Conveyance Agreements with them (Pro Forma

1 Wastewater Conveyance Agreement by and between the City of Pittston and Hughestown  
2 Borough (**CONFIDENTIAL Appendix A-25.b**), and (Pro Forma Wastewater  
3 Conveyance Agreement by and between the City of Pittston and Duryea Borough  
4 (**CONFIDENTIAL Appendix A-25.c**). These agreements will be assigned to PAWC at  
5 closing. Further details about the System and PAWC's estimated five-year capital  
6 improvement plan are provided in Mr. Guntrum's Direct Testimony (PAWC Statement  
7 No. 2).

#### 8 9 DESCRIPTION OF SERVICE AREAS

10 **Q. PLEASE EXPLAIN THE WASTEWATER SERVICE AREAS SOUGHT BY PAWC**  
11 **IN THE APPLICATION.**

12 **A.** As part of its Application, PAWC is seeking the right to provide service to the customers  
13 currently served by Pittston as shown in the maps and descriptions attached as **Appendices**  
14 **A-16-a through e and A-16-f (CONFIDENTIAL)**. No municipal township, corporation,  
15 partnership or individual other than Pittston is now furnishing or has corporate or franchise  
16 rights to furnish service similar to that to be rendered by PAWC in the Service Area covered  
17 by the Application, and no competitive condition will be created. As discussed above,  
18 upon Closing of the Transaction, Pittston will permanently discontinue all wastewater  
19 service to the public.

#### 20 21 PAWC IS LEGALLY, FINANCIALLY, AND TECHNICALLY FIT

22 **Q. DO YOU BELIEVE PAWC IS LEGALLY, FINANCIALLY, AND TECHNICALLY**  
23 **FIT TO ACQUIRE AND OPERATE THE SYSTEM?**

1 A. Yes. I am advised by counsel that, as an existing certificated public utility, PAWC is  
2 rebuttably presumed to be legally, financially, and technically fit. Nevertheless, PAWC  
3 will introduce evidence demonstrating that it is fit.

4  
5 **Q. PLEASE EXPLAIN WHY PAWC IS LEGALLY FIT TO ACQUIRE AND**  
6 **OPERATE THE SYSTEM.**

7 A. PAWC has an excellent history of complying with the Code and other applicable laws,  
8 including environmental laws. There are no pending legal proceedings that would suggest  
9 that PAWC is not legally fit to provide service to customers of the System.

10  
11 **Q. PLEASE EXPLAIN WHY PAWC IS FINANCIALLY FIT TO ACQUIRE AND**  
12 **OPERATE THE SYSTEM.**

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

15 As part of the Application, PAWC provided the audited internal balance sheet, as  
16 of December 31, 2024 for PAWC (**Appendix D**), as well as the audited income statement,  
17 as of December 31, 2024, for PAWC (**Appendix F**). Those documents show that PAWC  
18 had total assets of approximately \$7.9 billion as of December 31, 2024. Further, they show  
19 that PAWC had operating income of approximately \$498 million and net income of  
20 approximately \$314 million for the 12 months ending December 31, 2024. These figures  
21 further demonstrate that PAWC has the financial stability and wherewithal to acquire the  
22 System and operate it in the public interest. My colleague, Dr. Christina Chard, will

1 provide additional details on the financial health of PAWC and its ability to access capital  
2 in PAWC Statement No. 3.

3  
4 **Q. PLEASE EXPLAIN WHY PAWC IS TECHNICALLY FIT TO ACQUIRE AND**  
5 **OPERATE THE SYSTEM.**

6 **A.** As I discussed earlier, PAWC is engaged in the business of treating and storing,  
7 distributing, and providing drinking water to the public and collecting, treating,  
8 transporting and disposing of wastewater for the public. PAWC is the largest investor-  
9 owned water and wastewater utility in the Commonwealth of Pennsylvania, already has  
10 significant water and wastewater operations throughout Pennsylvania, and has been  
11 providing water service to Pittston’s wastewater customers for many years. PAWC is  
12 experienced in undertaking and completing water and wastewater system acquisitions with  
13 public and private sector owners and successfully integrating those assets into our business  
14 operations. In fact, PAWC is often called upon by the Commission to step in and help  
15 troubled water and wastewater systems, resolving compliance issues and providing the  
16 excellent service that customers expect and deserve. In 2024, the Commission granted  
17 approval of, and the Commonwealth Court subsequently appointed PAWC to be receiver  
18 of the East Dunkard Water Authority, taking over a troubled water system that was unable  
19 to maintain compliance and was under a Corrective Action Plan developed by the  
20 Pennsylvania Department of Environmental Protection (“DEP”). Since taking over  
21 operation of the East Dunkard system, first as receiver and now as the owner upon closing  
22 of the acquisition, PAWC has implemented numerous changes resulting in improved water  
23 quality and more efficient operations. Also, as of March 25, 2025, PAWC is serving as the

1 receiver of the Rock Spring Water Company under a separate Commission order, and  
2 PAWC is now operating the system on an interim basis and making improvements, with  
3 the goal of delivering safe and reliable water service to the Rock Spring customers. Other  
4 examples of PAWC providing solutions for troubled systems include the Winola Water  
5 Company, Delaware Sewer Company, Clean Treatment Sewage Company, Nittany Water  
6 Company, Wildcat Park Corporation, and the Sewer Authority of the City of Scranton. In  
7 all these examples, PAWC quickly improved the reliability and safety of those systems by  
8 investing the necessary capital to move the systems toward regulatory compliance. My  
9 colleague, Mr. Guntrum, will explain in greater detail in PAWC Statement No. 2,  
10 specifically how PAWC intends to operate the Pittston wastewater system once acquired.

11  
12 **Q. WILL EMPLOYEES WHO MAINTAIN THE PITTSTON SYSTEM BE OFFERED**  
13 **EMPLOYMENT WITH PAWC?**

14 **A.** The Pittston wastewater system is currently managed by a combination of City road  
15 crews and subcontractors. No City employees will become PAWC employees through  
16 this transaction.

17  
18 **THE TRANSACTION IS IN THE PUBLIC INTEREST**

19 **Q. WILL YOU DISCUSS GENERALLY HOW ACQUISITIONS CAN PROVIDE**  
20 **OVERALL BENEFITS?**

21 **A.** Strategic, high-quality acquisitions can deliver immediate revenue benefits for both the  
22 buyer and the seller, ultimately supporting both existing and newly acquired customers.  
23 Consolidating systems expands the customer base over which fixed costs are distributed,

1 creates opportunities for operating efficiencies, and leverages economies of scale that help  
2 moderate the impact of future rate increases. PAWC is uniquely positioned as part of  
3 American Water, which has strong financial performance and affordable access to the  
4 capital needed for ongoing infrastructure investment. Through its national scale and  
5 recognized expertise in water treatment and distribution, American Water delivers the same  
6 high level of service and technical proficiency across all systems, regardless of their size.

7  
8 **Q. PLEASE EXPLAIN WHY YOU BELIEVE THAT THE TRANSACTION WOULD**  
9 **AFFIRMATIVELY BENEFIT THE PUBLIC IN A SUBSTANTIAL WAY.**

10 **A.** I am advised by counsel that a transaction provides an affirmative public benefit if the  
11 benefits of the transaction outweigh the detriments of the transaction. I am further  
12 advised that, when looking at the benefits and detriments of a transaction, the focus  
13 must be on all affected parties, not just the customers of Pittston or PAWC.  
14 Nevertheless, a transaction does not need to yield net benefits to every affected party  
15 in order to provide an affirmative public benefit. In this particular case, I believe the  
16 total benefits of the Transaction clearly outweigh the total detriments of the  
17 Transaction because the benefits outweigh the detriments for each major  
18 stakeholder group affected by the Transaction.

19  
20 **Q. PLEASE DESCRIBE THE PARTIES THAT WILL BE AFFECTED BY THE**  
21 **TRANSACTION.**

22 **A.** The Transaction is in the public interest, will provide affirmative public benefits of a  
23 substantial nature, and satisfy the applicable standard of Code Section 1103, 66 Pa.

1 C.S. § 1103 because the benefits of the Transaction outweigh the detriments for all  
2 major stakeholder groups: (1) the public-at-large (all citizens of Pennsylvania,  
3 regardless of whether they are customers of Pittston or PAWC), (2) Pittston, (3)  
4 Pittston’s existing customers, (4) PAWC, and (5) PAWC’s existing customers..

5  
6 **Q. PLEASE EXPLAIN THE BENEFITS OF THE TRANSACTION FOR THE**  
7 **PUBLIC-AT-LARGE.**

8 **A.** The acquisition promotes the Commission’s goal of consolidating and regionalizing water  
9 and wastewater systems. I am advised by counsel that the Commission has a Statement of  
10 Policy at 52 Pa. Code § 69.721, which states that the Commission believes that further  
11 regionalization and consolidation of water and wastewater systems may result in greater  
12 environmental and economic benefits to customers. The Statement of Policy states that  
13 “[t]he regionalization of water and wastewater systems through mergers and acquisitions  
14 will allow the water industry to institute better management practices and achieve greater  
15 economies of scale.” Additionally, in PAWC’s recently-approved acquisition of the  
16 Elizabeth Borough Municipal Authority wastewater system, Docket No. A-2025-3052983,  
17 Commissioner Kathryn L. Zerfuss offered comments in support of the goals or  
18 regionalization and consolidation.

19 Regionalization and consolidation provide meaningful economic benefits for customers  
20 by supporting more effective management practices and by achieving greater economies  
21 of scale. Due to its size, PAWC is able to procure materials—such as mainline pipe,  
22 service line components, and manholes—at significantly lower prices through bulk

1 purchasing. Its larger purchasing footprint also allows it to negotiate more favorable rates  
2 than the Pittston could achieve on its own, given the vastly smaller quantities it buys  
3 today. In addition, PAWC maintains the ability to deploy critical equipment—including  
4 emergency generators, portable pumps, excavating machinery, and vacuum-jetter  
5 trucks—across its statewide system as operational needs arise. In doing so, PAWC can  
6 also respond to emergency situations must faster. By contrast, Pittston must purchase,  
7 rent, or subcontract access to this type of equipment. PAWC is also able to spread fixed  
8 costs across a much broader asset. Finally, PAWC employs a fully staffed engineering  
9 department that performs planning, design, and construction management work  
10 internally. These combined efficiencies reflect the economic and operational advantages  
11 that regionalization and consolidation bring to customers.

12 The Transaction also promotes consolidation because one existing wastewater utility will  
13 be merged with and into another, allowing PAWC to achieve greater economies of scale  
14 and to apply its wastewater management practices over a larger geographic footprint. The  
15 Direct Testimony of the Company’s witness Mr. Michael Guntrum (PAWC Statement 2)  
16 discusses the regionalization and consolidation benefits that will result from this  
17 Transaction in greater detail. In addition, PAWC has long been providing water service to  
18 Pittston’s customers and will result in efficiencies through PAWC’s full-time labor, local  
19 management and oversight, engineering, and equipment resources. Additional system  
20 details are explained in the Direct Testimony of my colleague Mr. Guntrum, PAWC  
21 Statement No. 2.

22 Additionally, the public-at-large will benefit from the Transaction because PAWC  
23 is committed to environmental compliance and will promote the rights of all

1 Pennsylvanians to a clean environment, which is protected by the Environmental Rights  
2 Amendment. PA. CONST. Art. I., § 27. My colleague, Mr. Guntrum, will address this  
3 topic in detail in his testimony.

4  
5 **Q. PLEASE EXPLAIN THE DETRIMENTS OF THE TRANSACTION FOR THE**  
6 **PUBLIC-AT-LARGE.**

7 **A.** I do not see any detriment to the Transaction for the public-at-large. Therefore, I believe  
8 the benefits of the Transaction outweigh the detriments for the public-at-large.

9  
10 **Q. PLEASE EXPLAIN THE BENEFITS OF THE TRANSACTION FOR PITTSTON.**

11 **A.** The Transaction will allow Pittston to focus on other core government functions and  
12 services, increase future financial flexibility, and generate proceeds for Pittston's other  
13 important initiatives. The direct testimony of Mayor Michael Lombardo (**Appendix A-13-**  
14 **b)** discusses at length the benefits that will materialize for Pittston as a result of the  
15 Transaction.

16  
17 **Q. PLEASE EXPLAIN THE DETRIMENTS OF THE TRANSACTION FOR**  
18 **PITTSTON.**

19 **A.** I see no detriments of the Transaction for Pittston. Therefore, I believe the benefits of the  
20 Transaction outweigh the detriments for Pittston.

21  
22 **Q. PLEASE EXPLAIN THE BENEFITS OF THE TRANSACTION FOR PITTSTON'S**  
23 **EXISTING CUSTOMERS.**

1 A. The proposed sale offers several key benefits to Pittston residents. First, customers who  
2 are located in the City of Pittston will see simplified billing, receiving two bills instead of  
3 three—one from PAWC for water and collection services and one from WWSA for  
4 treatment—along with an enhanced Customer Assistance Program that automatically  
5 enrolls eligible residents.<sup>1</sup> Second, the System sale enables critical infrastructure  
6 investment and improved system reliability. While Pittston attempted upgrades, escalating  
7 costs—such as an unexpected \$5 million increase for main replacements due to mine  
8 subsidence—made modernization unfeasible. PAWC brings the technical expertise and  
9 scale needed for faster improvements, regulatory compliance, and enhanced service. Third,  
10 proceeds from the sale will fund transformative economic development projects, including  
11 the City’s Market & Main initiative, featuring a new 500–600 seat theater, apartments, and  
12 retail space to revitalize Pittston’s downtown. The Transaction will also allow better  
13 coordination of projects because PAWC will be the owner of both the water and wastewater  
14 systems in the City. Additionally, residents will benefit from immediate tax relief through  
15 an increased homestead exemption, while Pittston reduces debt obligations and refocuses  
16 resources on essential services like public safety and roads. Finally, divesting non-core  
17 assets eliminates long-term maintenance and regulatory risks, while improving outage  
18 response and overall customer service.

19 Additionally, Pittston’s existing wastewater customers are members of the public-at-large  
20 and so will enjoy the same benefits from the Transaction as all other members of the public-  
21 at-large. Pittston’s residents will benefit from the sale proceeds. Pittston’s existing

---

1 For customers located in the Borough of Hughestown, Pittston Township, or the Borough of Duryea, if they are customers of PAWC for water service, the same consolidation of billing will occur for the collection services the System facilitates.

1 wastewater customers will also derive specific benefits from the System improvements that  
2 will materialize from the Transaction. These benefits include but are not limited to  
3 improved service and access to enhanced customer assistance programs.

4 In terms of improved service, PAWC has exclusive access to highly trained professionals  
5 who possess expertise in various specialized areas and are dedicated to providing  
6 necessary, cost-effective, value-added service that supports the provision of safe, reliable  
7 and affordable water and wastewater service in a manner consistent with the long-term best  
8 interest of customers. This centralized expertise drives knowledge sharing,  
9 standardization, process transparency, and operational efficiency among American Water's  
10 subsidiaries, including PAWC. The Transaction will allow Pittston's customer to obtain  
11 access to American Water's centralized expertise.

12 PAWC has established standards for facility security and safety and will complete  
13 upgrades to Pittston's System to align with PAWC's safety and security standards.

14 The transferred wastewater customers will be served by a large, financially sound  
15 company that has the capability to finance necessary capital additions. Given its size,  
16 access to capital and its recognized strengths in system planning, capital budgeting and  
17 construction management, PAWC is well-positioned to provide high quality wastewater  
18 service meeting federal and state requirements to Pittston's current customers and maintain  
19 it for PAWC's existing customers.

20 PAWC will be proactive and substantially improve Pittston's existing wastewater  
21 systems, improve system reliability, and reduce infiltration and inflow (I&I") improving  
22 environmental conditions within the System and surrounding area.

1 My colleague Mr. Guntrum will provide additional details in his Direct Testimony  
2 at PAWC Statement No. 2.

3 The Transaction will allow Pittston’s existing customers to benefit from American  
4 Water’s customer service organization (“CSO”). American Water’s CSO is dedicated to  
5 enhancing and enriching the lives of customers through high-quality service and self-  
6 service options using industry-leading technology. From starting service, to handling  
7 customer questions and concerns, billing and collections-related inquiries, collaborating  
8 with operations teams in every state and even gauging customer feedback on services, the  
9 CSO works diligently to keep customers informed and supported. This includes, among  
10 other things, being available around the clock seven days a week in the event of an  
11 emergency. Additionally, PAWC's call center is available from 7:00 a.m. to 7:00 p.m.  
12 Monday through Friday for routine business whereas Pittston’s call center is available from  
13 8:00 a.m. to 5 p.m. Monday through Friday. My colleague, Mr. Guntrum, provides  
14 additional information about these enhancements in customer service in his Direct  
15 Testimony.

16 In terms of customer assistance programs, Pittston offers no formal customer  
17 assistance program. The Transaction will allow Pittston’s existing customers (i.e.  
18 customers located within the City of Pittston, within Pittston Township, within the Borough  
19 of Hughestown, and within the Borough of Duryea) to benefit from the more robust  
20 customer assistance programs offered by PAWC. PAWC offers grants up to \$500 per year  
21 for qualifying households under its H2O Help to Others Program. PAWC offers its existing  
22 wastewater customers discounts on their total wastewater charges ranging from 37% to  
23 85%. My colleague, Dr. Chard, discusses the customer assistance program, including auto-

1 enrollment efficiencies enabled by PAWC's anticipated dual role as a water and  
2 wastewater service provider, in more detail in her Direct Testimony at PAWC Statement  
3 No. 3.

4  
5 **Q. PLEASE EXPLAIN THE DETRIMENTS OF THE TRANSACTION FOR**  
6 **PITTSTON'S EXISTING CUSTOMERS.**

7 **A.** In terms of the Transaction's rate impacts on Pittston's existing customers, the Transaction  
8 will have no immediate rate impact on Pittston's existing customers because PAWC will  
9 adopt Pittston's rates applicable to Pittston's existing customers upon Closing. Rates will  
10 not change for Pittston's existing customers until the first rate case in which the System is  
11 included in PAWC's rates.

12 When rates are adjusted, Pittston's existing customers will benefit from being part  
13 of a large public utility system. They will now be able to share the costs of operating and  
14 upgrading the System with PAWC's existing 696,977 water customers and its existing  
15 117,046 wastewater customers. By spreading costs over a large customer base, PAWC is  
16 able to keep rates stable for all PAWC water and wastewater customers. Pittston customers  
17 will no longer face the potential large rate spikes that can occur in small systems.

18 In addition, in the first base rate case in which the System is included, the existing  
19 customers of Pittston will benefit from PAWC's size, scale, and experience in managing  
20 and operating wastewater systems, which will result in efficiencies impacting rates in a  
21 beneficial way. As discussed above, the integration of Pittston's System and PAWC's  
22 existing operations creates opportunities for functional and operational consolidation, and  
23 associated efficiencies and cost savings or cost avoidance. Additionally, after Closing,

1 PAWC will begin addressing Pittston's levels of I&I, which will produce long term savings  
2 and environmental improvements.

3  
4 **Q. DO YOU BELIEVE THE BENEFITS OF THE TRANSACTION OUTWEIGH THE**  
5 **DETRIMENTS FOR PITTSTON'S CUSTOMERS?**

6 **A.** Yes. In my opinion, the Transaction will have a number of important benefits for Pittston's  
7 existing customers. In contrast, the only significant detriment is the possibility of higher  
8 rates at a future date. This detriment is uncertain, however; at this time, the future rate  
9 impact of the Transaction for Pittston's existing customers is unknown. When weighing  
10 the benefits/detriments of the Transaction, it is important to consider the certainty of each  
11 benefit/detriment. Taking this factor into consideration, I believe the benefits of the  
12 Transaction outweigh the detriments for Pittston's wastewater customers.

13  
14 **Q. PLEASE EXPLAIN THE BENEFITS OF THE TRANSACTION FOR PAWC.**

15 **A.** The Transaction would result in American Water's subsidiary, PAWC, immediately  
16 gaining approximately 4,700 additional wastewater customers, which would allow PAWC  
17 to become a larger, financially stronger, and more stable public utility, ultimately  
18 benefitting all current and future PAWC customers.

19  
20 **Q. PLEASE EXPLAIN THE DETRIMENTS OF THE TRANSACTION FOR PAWC.**

21 **A.** I do not see that the Transaction has any material detriments for PAWC as the buyer of the  
22 System. Dr. Chard states in her Direct Testimony, PAWC Statement No. 3, that the  
23 Transaction is not expected to have a negative impact on PAWC's cash flow, credit ratings

1 or access to capital, and therefore will not deteriorate in any way PAWC's ability to  
2 continue to provide safe, adequate and reasonable service to its existing customers at just  
3 and reasonable rates.

4 Considering all of the above, I believe it is clear that the Transaction would benefit  
5 PAWC as the Buyer.

6  
7 **Q. PLEASE EXPLAIN THE BENEFITS OF THE TRANSACTION FOR PAWC'S**  
8 **EXISTING CUSTOMERS.**

9 **A.** PAWC's existing customers are members of the public-at-large and so will enjoy the same  
10 benefits from the Transaction as all other members of the public-at-large. In addition, the  
11 Transaction will have a beneficial effect specifically for PAWC's existing customers  
12 because it will expand PAWC's customer base, by adding approximately 4,700 wastewater  
13 customers over which existing and future costs are recovered and thereby stabilizing or  
14 reducing per-customer costs over the long term. The Transaction will have no immediate  
15 rate impact on PAWC's existing customers; any impacts on the rates of PAWC's existing  
16 customers would occur only upon Commission approval as part of a future base rate  
17 proceeding.

18  
19 **Q. PLEASE EXPLAIN THE DETRIMENTS OF THE TRANSACTION FOR PAWC'S**  
20 **EXISTING CUSTOMERS.**

21 **A.** I do not see that the Transaction has any material detriments on PAWC's existing  
22 customers.

1 **Q. DO YOU BELIEVE THE BENEFITS OF THE TRANSACTION OUTWEIGH THE**  
2 **DETRIMENTS FOR PAWC’S EXISTING CUSTOMERS?**

3 **A.** Yes.

4  
5 **Q. CONSIDERING THE BENEFITS AND DETRIMENTS FOR ALL OF THE**  
6 **STAKEHOLDER GROUPS, DO YOU BELIEVE THE TRANSACTION WILL**  
7 **RESULT IN AN AFFIRMATIVE PUBLIC BENEFIT OF A SUBSTANTIAL**  
8 **NATURE?**

9 **A.** Yes. I believe the Transaction has a net benefit for each relevant stakeholder group.  
10 Therefore, I believe the net benefits of the Transaction outweigh the net detriments,  
11 considered as a whole.

12

13 **CONCLUSION**

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

15 **A.** Yes. However, I respectfully reserve the right to supplement my Direct Testimony as  
16 additional issues or facts arise during this proceeding. Thank you.

# EXHIBIT MS-1

Michael.salvo@amwater.com  
(717) 554-2700

## MICHAEL SALVO

**PROFESSIONAL SUMMARY** 38+ years of progressively responsible Water & Wastewater Utility operations, administration, labor management, mergers and acquisition, regulatory, legislative, and environmental compliance experience.

**CORE QUALIFICATIONS**

- Experienced in all areas of the water and wastewater utility industry
- Extensive knowledge of regulated water and wastewater utility operations
- Experienced in identifying, developing, securing business opportunities, managing the regulatory approval, and closing processes

**PA AMERICAN WATER EXPERIENCE** **DIRECTOR, BUSINESS DEVELOPMENT**  
2023 - Present

**SENIOR MANAGER, BUSINESS DEVELOPMENT**  
2016 - Present

**SENIOR DIRECTOR, FIELD OPERATIONS (CENTRAL AND EASTERN PA)**  
2008 - 2016

**MANAGER NETWORK OPERATIONS (EASTERN PA, VIRGINIA, MARYLAND)**  
2004 - 2008

**OPERATIONS MANAGER (NORTH AND CENTRAL OPERATIONS)**  
1997 - 2004

**OPERATIONS SUPERINTENDENT (CENTRAL OPERATIONS)**  
1991 - 1997

**ENGINEER (PITTSBURGH)**  
1987 - 1991

**EDUCATION** LEBANON VALLEY COLLEGE –M., Business Administration –1996

PENN STATE UNIVERSITY – B.S., Mechanical Engineering Technology –1987

**MEMBERSHIPS** AMERICAN WATER WORKS ASSOCIATION  
NATIONAL ASSOCIATION OF WATER COMPANIES  
PAWARN

BOARDS / CIVIC  
AFFILIATIONS

NAITONAL SUSTAINING BOARD MEMBER, RIDE COACH - BREAKTHROUGH T1D  
(FORMERLY JUVENILE DIABETES RESEARCH FOUNDATION (JDRF)) -  
PENNSYLVANIA, NATIONAL (2023 - PRESENT)

PRESIDENT AND EXECUTIVE COUNCIL - JUVENILE DIABETES RESEARCH  
FOUNDATION (JDRF) - PENNSYLVANIA) (2021-2023)

NORTH LONDONDERRY TOWNSHIP SUPERVISOR AND PLANNING COMMISSION,  
LEBNAON COUNTY, PA (2025 - 2031)

BOARD MEMBER - HARRISBURG BIKE CLUB (2026 - 2027)

BOARD MEMBER - AGNUS WALKER FOUNDATION, AMERICAN ASSOCIATION OF  
NEUROSCIENCE NURSING (2018 - 2023)

EXTRAORDINARY/EUCHARISTIC MINISTER (CURRENT)

BOARD MEMBER, WILKES-BARRE CHAMBER OF COMMERCE (2011-2016)

BOARD MEMBER, NATIONAL ASSOCIATION OF WATER COMPANIES (2010-2014)

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**Application of Pennsylvania-American Water Company for Acquisition of Substantially  
All of the Assets, Properties and Rights Related to the Wastewater System Owned and  
Operated by the City of Pittston**

**66 Pa. C.S. §1329**

**Application Filing Checklist – Water/Wastewater**

**Docket No. A-2025-3056419**

**Appendix A-14(a)**

Pennsylvania-American Water Company Statement No. 2 – Michael J. Guntrum, P.E.

**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 :                   Docket Nos.  
the assets, properties and rights related to the :                   A-2025-3056419 *et al.*  
wastewater system owned and operated by the :  
City of Pittston, Luzerne County, Pennsylvania and :  
(2) the rights of Pennsylvania-American Water :  
Company to begin to offer or furnish wastewater :  
service to the public in the portions of the Borough :  
of Hughestown, Luzerne County, Pennsylvania, the :  
Borough of Duryea, Luzerne County, Pennsylvania, :  
Pittston Township, Luzerne County, Pennsylvania :  
and the City of Pittston, Luzerne County, :  
Pennsylvania :

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

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**DIRECT TESTIMONY OF  
MICHAEL J. GUNTRUM**

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

2 **A.** My name is Michael J. Guntrum, 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”) as a Senior  
7 Planning Engineer.

8

9 **Q. WHAT ARE YOUR RESPONSIBILITIES AS A SENIOR PLANNING**  
10 **ENGINEER?**

11 **A.** As a Senior Planning Engineer for PAWC, I am responsible for the performance of due  
12 diligence activities related to potential water and wastewater acquisitions in the  
13 Commonwealth of Pennsylvania.

14

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

16 I received my Bachelor of Science (B.S.) degree in civil engineering in 1994 and a Master  
17 of Engineering degree (M.E.) in Environmental Engineering in 1995 from the University  
18 of Idaho. In 2010, I received my Master’s in Business Administration (MBA) from  
19 Lebanon Valley College. I have worked in various engineering roles and have over 30  
20 years of experience in environmental engineering related to municipal and industrial water  
21 and wastewater treatment. I have worked at PAWC since 2003 in roles related to the

1 acquisition of water and wastewater facilities. I am a registered Professional Engineer in  
2 Pennsylvania.

3  
4 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA  
5 PUBLIC UTILITY COMMISSION (“COMMISSION”)?**

6 **A.** Yes. I have testified before the Commission on several occasions, including both water  
7 and wastewater proceedings. A list of proceedings in which I provided testimony is  
8 included in my Curriculum Vitae attached as **PAWC Exhibit MJG-1**.

9  
10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

11 **A.** My testimony will describe the stormwater and sanitary wastewater collection and  
12 conveyance system (“System”) currently owned and operated by the City of Pittston  
13 (“Pittston” or “City”), that PAWC has agreed to acquire (the “Transaction”). I will also  
14 explain how the acquired System will be integrated into PAWC’s existing operations,  
15 describe PAWC’s technical fitness to run the System, and discuss the public benefits of the  
16 Transaction.

17  
18 **Q. PLEASE DESCRIBE THE SYSTEM.**

19 **A.** Pittston owns and maintains the sanitary sewer collection and conveyance system within  
20 its municipal boundaries as well as a small portion located within the adjacent Borough of  
21 Hughestown (“Hughestown”), Borough of Duryea (“Duryea”), and Pittston Township.  
22 The function of the System is the collection and conveyance of combined storm water and  
23 wastewater for customers in the City of Pittston, Luzerne County, Pennsylvania and the

1 conveyance of combined storm water and wastewater for customers located within portions  
2 of Hughestown, Duryea, and Pittston Township. The System provides service to  
3 approximately 4,142 direct customers within the City, the majority of which are residential  
4 with a few businesses. Wastewater conveyance service through the System is also  
5 furnished to certain residential and commercial customers located within Hughestown,  
6 Duryea, and Pittston Township. The System assets consist of about 22 miles of gravity  
7 mains and combined sanitary/stormwater facilities, 632 sewer manholes and stormwater  
8 inlets, associated infrastructure and appurtenances, and treatment capacity rights. The  
9 System's combined sewage and stormwater flows into an interceptor owned by the  
10 Wyoming Valley Sanitary Authority (WVSA"), which then flows to the WVSA treatment  
11 facility for final treatment and discharge. There are no pump stations or force mains in the  
12 System. The combined sewage and stormwater flows through seven overflow chambers.

13  
14 **Q. IS PAWC ACQUIRING ALL OF THE COMBINED SEWAGE COLLECTION**  
15 **SYSTEM ASSETS OF THE CITY?**

16 **A.** Yes.

17  
18 **Q. PLEASE DESCRIBE THE SYSTEM'S SERVICE AREA.**

19 **A.** The System provides direct service to customers in the City and six Pittston Township  
20 customers due to topography. The System also provides sewer conveyance service for  
21 customers in Hughestown, and a small number of customers in Duryea.

1 **Q. WHAT IS AN “MS4” SYSTEM?**

2 **A.** An MS4 system is a “municipal separate storm sewer system.” Pittston owns and operates  
3 an NPDES permitted MS4 system, permit number PAG 132221.

4

5 **Q. IS PAWC ACQUIRING AN MS4 SYSTEM?**

6 **A.** No. PAWC will not be acquiring the MS4 system of Pittston.

7

8 **Q. DOES PITTSTON HAVE AN INDUSTRIAL PRETREATMENT PROGRAM**  
9 **(“IPP”)?**

10 **A.** No. Pittston does not provide wastewater service to any industrial customers.

11

12 **Q. PLEASE DESCRIBE THE PIPE SIZES AND MATERIALS USED FOR THE**  
13 **CONSTRUCTION OF THE COLLECTION SYSTEM.**

14 **A.** Based on the information that was available and provided by Pittston, the combined  
15 collection system consists of a mix of approximately 9.99 miles of plastic, 0.02 miles of  
16 metal, 10.43 miles of vitrified clay, and 1.3 miles of concrete pipe. Approximately 0.34  
17 miles of pipe are of unknown material.

18

19 **Q. PLEASE STATE WHETHER THE SYSTEM CAN PROVIDE ADEQUATE**  
20 **CONVEYANCE, TREATMENT AND DISPOSAL CAPACITY TO MEET**  
21 **PRESENT AND FUTURE CUSTOMER DEMANDS.**

1 A. Based on the Chapter 94 Wasteload Management Report included in **Appendix A-20-c**,  
2 the conveyance, treatment, and disposal capacity are adequate to meet present and future  
3 customer demands.

4  
5 **Q. PLEASE STATE THE ELEVATIONS OF THE MAJOR FACILITIES AND**  
6 **SERVICE AREA.**

7 A. Please see **Appendix A-16-f (CONFIDENTIAL)** for a map showing the approximate  
8 elevations of the interconnections with WVSA.

9  
10 **Q. DOES THE CITY PROVIDE BULK TREATMENT SERVICE TO ANY**  
11 **SURROUNDING SYSTEMS?**

12 A. No, the City does not provide bulk wastewater treatment services to any surrounding  
13 systems.

14  
15 **Q. DOES THE CITY RECEIVE BULK TREATMENT SERVICE FROM ANY**  
16 **SURROUNDING SYSTEMS?**

17 A. Yes. The City receives bulk wastewater treatment services from the WVSA.

18  
19 **Q. DOES THE CITY RECEIVE HAULED-IN WASTE IN THE COLLECTION**  
20 **SYSTEM?**

21 A. No. There are no facilities for properly accepting and treating hauled-in waste at the  
22 wastewater treatment plant or in the collection system.

1 **Q. DOES PAWC PROVIDE WATER SERVICE IN THE SERVICE AREA?**

2 **A.** Yes. The PAWC Wilkes-Barre Scranton water supply service area overlaps all of the  
3 City's service area.

4

5 **Q. PLEASE DESCRIBE HOW PAWC WILL MANAGE THE DAY-TO-DAY**  
6 **OPERATIONS OF THE SYSTEM ONCE THE TRANSACTION CLOSES**  
7 **(“CLOSING”).**

8 **A.** The System will be incorporated as an operating district into PAWC's Northeast Area  
9 wastewater operations, which include the nearby wastewater system of Scranton.

10

11 **Q. WILL ANY OF THE EXISTING CITY EMPLOYEES BECOME EMPLOYEES OF**  
12 **PAWC AS PART OF THE TRANSACTION?**

13 **A.** No City employees will become employees of PAWC as part of the Transaction.

14

15 **Q. DOES PAWC ANTICIPATE HIRING ANY NEW EMPLOYEES AS A RESULT OF**  
16 **THE TRANSACTION?**

17 **A.** No. As stated previously, no City of Pittston employees will become PAWC  
18 employees through the Transaction. All City employees responsible for System  
19 operations or administration will be retained by the City as further described in  
20 Pittston Statement No. 1, the Direct Testimony of Mayor Michael Lombardo.

21

22 **Q. ARE OTHER PAWC EMPLOYEES AVAILABLE TO ASSIST WITH THE**  
23 **SYSTEM'S WASTEWATER OPERATIONS, AS NEEDED?**

1 A. Yes. Current PAWC employees in the Scranton operations will manage the new  
2 wastewater system and serve customers with the assistance of an experienced support team  
3 that handles common functions such as external affairs, supply chain, environmental  
4 compliance, health and safety, customer service, human resources, and engineering.  
5 Employees from both the water and wastewater departments will collaborate and assist  
6 each other when appropriate and necessary, particularly during emergency situations.  
7 Additionally, all operations and employees within PAWC, as well as across the broader  
8 American Water Works Company, Inc. (“American Water”) footprint, have access to one  
9 another when circumstances require or when specialized skills or experience are needed to  
10 address local issues.

11

12 **Q. WILL THERE BE ANY UNNECESSARY DUPLICATION OF OPERATIONS**  
13 **FACILITIES FOLLOWING CLOSING?**

14 A. No, the System will be operated as a stand-alone system. It will, however, have the support  
15 of PAWC’s surrounding operations, as well as PAWC’s operations throughout the  
16 Commonwealth and American Water’s nationwide resources.

17

18 **Q. DOES PAWC PLAN TO INTERCONNECT THE SYSTEM TO ANOTHER PAWC**  
19 **WASTEWATER SYSTEM?**

20 A. No, not at this time.

1 **Q. WHAT ARE THE ESTIMATED CAPITAL COSTS FOR THE SYSTEM?**

2 **A.** The five-year capital plan for the System is shown on **PAWC Exhibit MJG-2**. The total  
3 estimated five-year capital cost is \$5.17 million.

4

5 **Q. HOW DID PAWC ARRIVE AT THIS FIGURE?**

6 **A.** The capital plan estimate is based on preliminary cost estimates of needed improvement  
7 projects that were identified during PAWC's due diligence efforts. The projects were  
8 identified through a combination of PAWC's independent observations of the System's  
9 conditions and needs, meetings and discussions with Pennsylvania Department of  
10 Environmental Protection ("PADEP") staff, and input from City staff from their knowledge  
11 of the System's needs.

12

13 **Q. PLEASE DESCRIBE PAWC'S SYSTEM PLANNING, CAPITAL BUDGETING,  
14 AND CONSTRUCTION MANAGEMENT PROCESS, WHICH WILL APPLY TO  
15 THE CITY AFTER CLOSING.**

16 **A.** PAWC has an established track record of successfully managing large capital investment  
17 projects in order to provide reliable service to the communities it serves. PAWC has an  
18 ongoing proactive program of capital investment focused on systematically replacing and  
19 adding new pipes, treatment and pumping facilities, and other water and wastewater  
20 infrastructure; thereby minimizing customer disruption caused by infrastructure failure.  
21 PAWC has funded in excess of \$1 billion in capital construction over the past five years  
22 with expenditures expected to total \$470 million to \$600 million per year for the next five  
23 years. Capital planning is performed on a five-year planning horizon by in-house

1 engineering staff and operations to establish capacity needs, regulatory impacts, service  
2 adequacy and reliability for PAWC's wastewater systems. As projects are delivered,  
3 project costs, alternatives and risks are further developed, and competitive bidding for  
4 consulting engineering design/permitting services and construction is utilized to keep costs  
5 as low as possible. Comprehensive periodic oversight of water and wastewater assets  
6 during the annual budgeting process and ongoing governance reviews give PAWC a clear  
7 and objective view of needs and potential capital project solutions. Once approved through  
8 the capital governance process, the individual capital projects will be led and managed by  
9 PAWC engineers working in the local Northeast Operations area, which will allow them  
10 to maintain clear visibility to the projects and react to conditions as they develop.

11  
12 **Q. WOULD PAWC'S PROACTIVE APPROACH BENEFIT THE SYSTEM'S**  
13 **CUSTOMERS POST-CLOSING?**

14 **A.** The City does not have a formal capital improvement program. As an experienced public  
15 utility, PAWC has extensive experience in being proactive with capital investments to  
16 maintain system integrity and reliability, while planning ahead for emerging contaminants  
17 or new regulations. The City's reactive approach will delay important infrastructure  
18 upgrades and create additional, unnecessary costs for customers. PAWC's proactive  
19 approach to managing and investing in wastewater systems focuses on anticipating system  
20 needs, preventing failures, and planning for long-term sustainability rather than reacting to  
21 issues as they arise. This includes implementing a comprehensive asset management  
22 program that inventories system components, evaluates their condition, and prioritizes  
23 investment based on risk and lifecycle costs. A forward-looking capital improvement plan

1 outlines necessary upgrades over a multiyear period, helping stabilize rates and secure  
2 funding. Preventive and predictive maintenance programs reduce emergency repairs and  
3 improve reliability, while staying ahead of regulatory requirements ensures ongoing  
4 compliance and avoids penalties. Proactive financial planning, including rate forecasting  
5 and reserve management, supports long-term system stability. Integrating modern  
6 technologies such as SCADA, GIS, and maintenance management software enables data  
7 driven decisions. Also, addressing inflow and infiltration, engaging stakeholders, planning  
8 for workforce transitions, and maintaining strong emergency preparedness are also key  
9 elements. Altogether, this approach strengthens system performance, enhances customer  
10 service, and reduces overall long-term costs.

11  
12 **Q. DOES THE PENNSYLVANIA CONSTITUTION ADDRESS ENVIRONMENTAL**  
13 **RIGHTS?**

14 **A.** I am advised by counsel that the Pennsylvania Constitution, Article I, Section 27,  
15 guarantees the right to a clean environment, and requires the Commonwealth to conserve  
16 and maintain environmental resources for the benefit of the public.

17  
18 **Q. DOES THE CITY HAVE COPIES OF ALL ENVIRONMENTAL PERMITS**  
19 **REQUIRED TO OPERATE ITS SYSTEM?**

20 **A.** Yes. A copy of a Water Quality Management (WQM) permit is provided in **Appendix A-**  
21 **20-b.** Prior to closing this transaction, PAWC will submit a permit transfer application to  
22 PADEP to transfer this permit into PAWC's name upon Closing.

1 **Q. HOW WILL PAWC ENSURE ENVIRONMENTAL COMPLIANCE AFTER**  
2 **CLOSING?**

3 **A.** Prior to Closing, PAWC will undertake an update to the City’s Act 537 Plan to reflect the  
4 change in ownership.

5  
6 **Q. IN YOUR OPINION, IS PAWC BETTER EQUIPPED THAN THE CITY TO**  
7 **OPERATE AND MAINTAIN THE SYSTEM IN COMPLIANCE WITH**  
8 **APPLICABLE STATUTES AND REGULATIONS?**

9 **A.** Yes. PAWC can draw upon a much broader range of engineering and operational  
10 experience, as well as deeper operational and financial resources, to address the City’s  
11 investment and financial constraints with identifying and upgrading over 100-year-old  
12 System needs. In addition, given PAWC’s experience with the operation of similar  
13 wastewater systems, I believe PAWC is better positioned to provide those services on a  
14 cost-effective basis and provide long-term uninterrupted service to these customers.

15 PAWC is the Commonwealth’s largest investor-owned provider of water and  
16 wastewater services. As a leading wastewater provider in Pennsylvania, PAWC brings  
17 industry-leading expertise and has extensive technical experience in upgrading, operating,  
18 and maintaining sewer facilities. PAWC is a recognized leader in providing communities  
19 in the Commonwealth with well-maintained and reliable water and wastewater services.  
20 With respect to this proposed transaction, PAWC already has extensive knowledge of the  
21 local community due to PAWC’s experience providing water service to the City.

22 PAWC currently employs approximately 1,180 professionals with expertise in all  
23 areas of water and wastewater utility operations including engineering, regulatory

1 compliance, water and wastewater treatment plant operation and maintenance, distribution  
2 and collection system operation and maintenance, material management, risk management,  
3 human resources, legal, accounting, and customer service. As a subsidiary of American  
4 Water, PAWC has available to it additional resources of highly trained professionals who  
5 have expertise in various specialized areas. American Water currently owns or operates  
6 approximately 160 wastewater plants through its subsidiaries in a number of states.  
7 American Water's experience includes the full breadth of treatment processes, from  
8 facultative ponds to membrane biological reactors in every climate zone across the U.S.  
9 More-advanced technologies allow a number of American Water's plants to utilize effluent  
10 for reuse applications, eliminating discharge to receiving streams. These diverse facilities  
11 have provided American Water operators and process experts with deep experience in the  
12 operation and maintenance of every possible type of wastewater treatment technology.  
13 This experience is available to support PAWC's operations staff and facilities.

14 A 50-person team of American Water corporate engineers has handled a wide  
15 variety of system assessments, treatment process evaluations and design reviews for water  
16 and wastewater treatment systems in order to improve operations and prioritize capital  
17 improvements. For example, PAWC successfully leveraged its corporate engineering  
18 expertise following two acquisitions, the Steelton water system, and the Exeter wastewater  
19 system. For both of these systems, subject matter experts from the corporate engineering  
20 team conducted process evaluations of the water and wastewater treatment processes and  
21 identified solutions to remedy on-going operational challenges.

22 PAWC has demonstrated its ability to improve troubled municipal wastewater  
23 systems following acquisition through improving operational efficiencies, fostering a

1 proactive environmental compliance culture in the local workforce, and investing capital  
2 to replace and renew assets. PAWC has successfully addressed PADEP and United States  
3 Environmental Protection Agency (“USEPA”) compliance orders requiring operational  
4 improvements and substantial capital investments in several recent wastewater  
5 acquisitions, including Clarion, Claysville, Dravosburg, Duquesne, Exeter, Kane,  
6 McKeesport, Port Vue, Scranton, and York. Prudent renewal and replacement of System  
7 infrastructure through capital investment is the key to achieving and maintaining long-term  
8 regulatory compliance, and it is clear that PAWC is much more equipped than the City to  
9 make those ongoing capital commitments.

10 Furthermore, as the public water provider in the City’s service area, PAWC can  
11 leverage synergies between the water and sewer infrastructure networks to the benefit of  
12 customers and the general public. For example, PAWC will evaluate needed infrastructure  
13 upgrades holistically from both the water and wastewater perspectives and can plan water  
14 distribution system improvements and sewer system rehabilitation projects together when  
15 feasible, reducing the number of street openings, lessening the inconvenience to the public,  
16 and lowering overall construction and restoration costs.

17 The City has limited resources to proactively and efficiently manage the System  
18 often relying on outside contractors and lacks access to the breadth of broad industry  
19 knowledge and in-house subject matter experts that PAWC can bring to projects.  
20 Additionally, it is my understanding the City has maximized their statutory debt limit  
21 which will prohibit proactive investment.

1 **Q. PLEASE DESCRIBE PAWC'S TECHNICAL FITNESS TO PROVIDE**  
2 **WASTEWATER SERVICE TO THE SYSTEM'S CUSTOMERS.**

3 **A.** In addition to the points that I just mentioned, as of December 31, 2025, PAWC has  
4 approximately 117,046 wastewater customers across the Commonwealth, with customers  
5 in Adams, Allegheny, Beaver, Berks, Butler, Luzerne, Clarion, Cumberland, Lackawanna,  
6 Luzerne, McKean, Monroe, Montgomery, Northumberland, Pike, Washington, and York  
7 Counties. In comparison, the City provides wastewater services to approximately 4,142  
8 direct customers.

9 PAWC has had no material issues in complying with the Code, the Clean Streams  
10 Law, or other regulatory requirements. Moreover, PAWC has the resources, skills, and  
11 expertise to respond to ever-increasing environmental standards for the conveyance of  
12 wastewater and to manage the long-term infrastructure renewal and replacement needs  
13 inherent in wastewater systems.

14

15 **Q. PLEASE DISCUSS PAWC'S SERVICE INTERRUPTION HISTORY.**

16 **A.** PAWC plans its maintenance and capital improvement projects in a manner that avoids  
17 creating service interruptions. Care is taken to provide a continuous free flow of sanitary  
18 waste from customer connections, even during these disruptive events. For main repairs,  
19 crews will use bypass pumping arrangements so that sewage flow is captured and relocated  
20 around the work area while repairs are being made. PAWC also builds redundancy into its  
21 systems to provide continued operational reliability in the event of equipment failures.

1 **Q. PLEASE DESCRIBE PAWC’S RESPONSE TO RECENT MAJOR STORM**  
2 **EVENTS.**

3 **A.** PAWC has effective Emergency Response Plans (“ERPs”) in place at its water and  
4 wastewater systems to prepare for, withstand, and recover from major storm events. The  
5 ERPs are updated annually, and table-top exercises are conducted annually to test the plans.  
6 For wastewater systems, emergency preparedness activities typically include: fueling  
7 vehicles and emergency generators, ensuring staff has adequate personal protective  
8 equipment for the conditions, rescheduling field staff for indoors work if possible to avoid  
9 dangerous conditions, refreshing contact information and account numbers for local  
10 electricity companies, activating flood protection plans for heavy rainfall events, planning  
11 for snow removal/salting of parking lots, roads and sidewalks for winter storms, and  
12 making operational adjustments to put treatment plants in storm mode to handle increased  
13 flows.

14 PAWC is experienced in making strategic capital investments to improve the ability  
15 of its wastewater systems to handle the increased flows from storm events. In the Clarion  
16 wastewater system, acquired in 2008 from the Clarion Area Authority, PAWC has  
17 successfully executed projects under a Consent Order and Agreement (“COA”) with  
18 PADEP to reduce illegal discharges to waters of the Commonwealth. The work included  
19 Act 537 planning, design and construction of new facilities, replacement of inadequate  
20 infrastructure, and modifications to long standing operational procedures. Specifically,  
21 PAWC upgraded the collection system by replacing approximately 10,000 LF of 8” to 36”  
22 interceptor sewers and replacing/upgrading the main lift station (Liberty Street) and  
23 equipping it with a new 1.3 MG equalization tank to capture excess storm flows. PAWC

1 also made major hydraulic improvements to the wastewater treatment plant by increasing  
2 its design capacity from 1.75 to 4.0 MGD and installing a new 3.8 MG equalization tank.  
3 Construction began in July 2013 and was completed by the COA deadline of February  
4 2015. The COA was lifted in January 2016. Under the Clarion Area Authority's  
5 ownership, the system experienced approximately 30 sanitary sewer overflows ("SSOs")  
6 per year and storm flows were routinely bypassed at the wastewater treatment plant with  
7 no treatment. Since the new facilities were placed online by PAWC, the SSOs have been  
8 reduced to an average of one per year, mainly caused by damaged or clogged/blocked  
9 sewer mains, and there have been no bypasses of untreated sewage at the wastewater  
10 treatment plant.

11 In the Scranton wastewater system acquired in late 2016, PAWC has completed 41  
12 of 72 CSO control upgrades required under the system's approved long-term control plan  
13 ("LTCP"). The remainder will be addressed during the remaining 13 years of the 25-year  
14 LTCP. On average per completed combined sewer overflow ("CSO") Outfall, the  
15 improvements have reduced the number of CSOs during a typical year from 25 to four and  
16 the total CSO discharge volume from 121 million gallons ("MG") to 32 MG (a 74%  
17 reduction). These numbers will continue to improve each year as PAWC installs additional  
18 CSO control structures. At the treatment plant, PAWC increased the peak capacity from  
19 39 million gallons per day ("MGD") to 60 MGD in 2020, which has resulted in a reduction  
20 in non-compliance bypass events from a total of nearly 60 in 2019, to only 2 in 2025.

21 With PAWC's previous experience in successfully remedying non-compliance  
22 situations in other large sewer systems, PAWC is well equipped to handle challenges  
23 presented by the current condition of the System.

1 **Q. DOES THE CITY HAVE A PROACTIVE PROGRAM TO ADDRESS THEIR**  
2 **COMBINED SEWER SYSYEM?**

3 **A.** No. The City of Pittston’s wastewater collection system is approximately 70% combined,  
4 and currently, there is no active program in place to separate stormwater from the sanitary  
5 system.

6 **Q. WHY IS THIS IMPORTANT AND WHAT ARE PAWC’S PLANS TO ADDREES**  
7 **THE COMBINED SEWER SYSTEM?**

8 **A.** After the acquisition closes, PAWC plans to televise the collection system, identify and  
9 prioritize sewer main renewal and replacement, and separate stormwater from the sanitary  
10 system when possible. Separating these systems offers several significant advantages.  
11 First, it reduces sewer overflows, which commonly occur in combined systems during  
12 heavy rainfall, discharging untreated sewage into waterways. This separation minimizes  
13 such risks, enhancing public health and environmental protection. Second, it improves  
14 wastewater treatment efficiency by preventing stormwater from overwhelming treatment  
15 plants, ensuring they process only sanitary waste and operate more cost-effectively. Third,  
16 dedicated stormwater infrastructure can be designed to handle large volumes of runoff,  
17 lowering the risk of localized flooding during storms. Additionally, separation supports  
18 regulatory compliance, as many regions mandate reductions in combined sewer overflows  
19 to meet environmental standards, helping avoid penalties. It also enhances water quality by  
20 preventing untreated sewage from mixing with stormwater, thereby reducing pollutants  
21 entering rivers, lakes, and streams.

1 **Q. DOES PAWC MAINTAIN CYBER SECURITY, PHYSICAL SECURITY,**  
2 **BUSINESS CONTINUITY AND EMERGENCY PLANS?**

3 **A.** Yes. Cyber and physical security plans are maintained and monitored by American Water  
4 for each of its subsidiaries. PAWC maintains ERPs and Operations and Maintenance  
5 Manuals, both of which have operational business continuity included within the plans and  
6 are updated each year. These plans are tested each year through emergency response  
7 tabletop exercises. Each plan is overseen and managed by various groups and individuals  
8 to provide overarching support to PAWC. These groups are responsible for testing,  
9 reviewing, and updating their respective plan(s).

10 The departments assigned to Physical Security, Emergency Response, Business  
11 Continuity, and Cyber Security plans are as follows:

- 12 • Physical Security Plan - Operational Risk Management Security (American  
13 Water Works Service Company, Inc. (“AWWSC”));
- 14 • Cyber Security Plan - Operational Risk Management Security (AWWSC);
- 15 • Emergency Response Plan - Operations (PAWC); and
- 16 • Business Continuity Plan - Operational Risk Management (PAWC) and  
17 Operations (PAWC).

18 To constantly protect physical and cyber resources, the designated groups have  
19 developed procedures to ensure that PAWC operates in a safe, secure, and reliable  
20 environment. A major commitment in assuring plans are kept current is performing various  
21 testing on an annual basis. Types of testing performed by AWWSC and PAWC include  
22 vulnerability assessments, system operational testing, full scale exercises, media backups,  
23 and real-life events. The City does not have similar plans in place.

1 **Q. PLEASE DESCRIBE PAWC’S CYBERSECURITY CONTROLS.**

2 **A.** PAWC’s cybersecurity controls are consistent with the National Institute of Standards and  
3 Technology (“NIST”) cyber security framework and the American Water Works  
4 Association (“AWWA”) Process Control System Security Guidance for the Water Sector.

5  
6 **Q. PLEASE EXPLAIN PAWC’S POLICIES AND PROCEDURES REGARDING**  
7 **SERVICE CALLS.**

8 **A.** PAWC’s 24/7/365 customer service call center is available for routine customer  
9 interactions from 7:00 a.m. to 7:00 p.m., Monday through Friday, and at all other times for  
10 customer emergencies. When a customer calls the call center in an emergency situation,  
11 the customer can speak with a representative 24/7/365. PAWC’s online MyWater portal  
12 is also available for customers to resolve a multitude of customer service issues. Field  
13 service crews are on-call and available for emergency fieldwork (main breaks, emergency  
14 shut-offs, and emergency turn-ons) 24/7/365 outside of the normal work hours. In contrast,  
15 the City’s regular business hours for customer interactions are from 7:00 a.m. to 3:30 p.m.  
16 on Monday through Friday. After hour calls and weekends are directed to local 911 service  
17 who in turn contacts the City’s Director to assess and determine response. From my  
18 perspective, PAWC offers better customer service as compared to the City.

19  
20 **Q. PLEASE DESCRIBE PAWC'S RELATIONSHIPS WITH COMMISSION**  
21 **EMERGENCY RESPONSE STAFF, PENNSYLVANIA EMERGENCY**  
22 **MANAGEMENT AGENCY (“PEMA”) STAFF, AND LOCAL FIRST**  
23 **RESPONDERS.**

1    **A.**    PAWC has a strong working relationship with the Commission's Emergency Response  
2           Staff. PAWC provides the Commission with emergency response numbers for all PAWC  
3           operating areas each year. The Commission provides emergency numbers for its staff,  
4           which PAWC distributes to all of PAWC's operating areas for inclusion in the PAWC  
5           Emergency Response Plans. For those emergencies that warrant communication to the  
6           Commission's Emergency Preparedness Liaison Officer (“EPLO”), PAWC has contacted  
7           Commission staff in the past to advise them of situations and actions taken by PAWC.  
8           Each year, PAWC conducts emergency response tabletop exercises to test responses to  
9           emergency situations, including weather emergencies, contamination of supply, damage to  
10          facilities, cyber-attack, and other perils. The Commission's emergency response staff has  
11          participated in those exercises each year since 2006. We also invite local first responders  
12          to participate, such as fire departments, police departments, hazmat responders, local prison  
13          personnel, as well as PADEP and the Governor's Office of Homeland Security personnel.

14                 PAWC has participated in Pennsylvania Water/Wastewater Agency Response  
15                 Network (“PaWARN”) and PEMA-sponsored exercises over the years. PAWC’s current  
16                 relationship with PEMA is through the Commission’s EPLO and PaWARN. PAWC is a  
17                 member in good standing of PaWARN.

18                 In contrast, the City is not a member of PaWARN. In my assessment, I would say  
19                 that PAWC is better than the City in terms of emergency preparedness.

1 **Q. DOES PAWC HAVE AN EMPLOYEE SAFETY PROGRAM?**

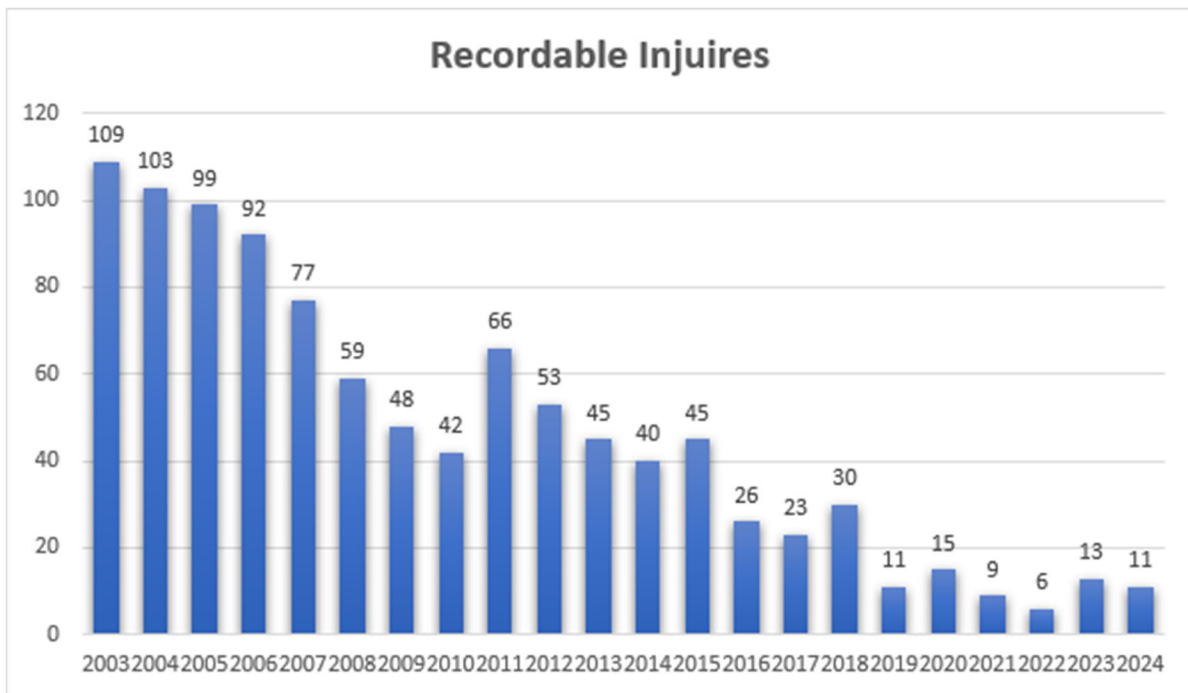
2 **A.** Yes. American Water and PAWC have made safety a value and not just a goal. It is very  
3 important to us that every employee and contractor returns home safely every day. We  
4 make safety a value instead of a goal because goals change, but values do not change.

5 Safety performance is fundamental to the Company's culture and key to its success.  
6 Employees are expected to conduct themselves in a safe manner, in accordance with  
7 PAWC's Health and Safety Policy and with the Health and Safety Procedures and Practices  
8 Manual. PAWC establishes, implements, promotes, and manages safety programs,  
9 activities and training that enable continued safety improvement, injury reduction and  
10 compliance with applicable Federal, State, and local requirements. Safety programs are  
11 developed and implemented in accordance with Company policy and applicable practices  
12 and include:

- 13 • Supporting practices that are developed, reviewed, and updated to provide  
14 guidance on safe performance of activities in the workplace and are reflective  
15 of changes in organizational, operational, and regulatory needs;  
16
- 17 • Strategic and priority development and implementation of safety improvements  
18 based on risk analysis of workplaces, work tasks and related potential injuries  
19 and incidents;  
20
- 21 • Near-miss reporting and corrective action program to identify and remove  
22 safety hazards from the workplace;  
23
- 24 • Development of, and measurement against, specific Company and external  
25 safety performance targets and safety accountabilities for all employees;  
26
- 27 • Ongoing assessment and review of safety processes, activities and supporting  
28 programs (including those related to other Company policies, such as the  
29 Workplace Conduct and Behavior Policy) to gauge effectiveness, identify  
30 program gaps and pinpoint opportunities for continued improvement;  
31
- 32 • Consistency of implementation and compliance with Company and regulatory  
33 requirements across the enterprise; and,  
34

- 1                   • Defined and monitored contractor qualifications and requirements for safety  
2 performance in accordance with approved contract documents, applicable laws,  
3 and regulations.

4                   PAWC has an excellent safety record. Moreover, PAWC has committed to  
5 achieving zero injuries and has made great strides in changing the Company culture to  
6 believe that such a target is achievable. Over the last 20 years, PAWC has consistently  
7 reduced its number of recordable injuries and corresponding OSHA Recordable Incident  
8 Rate, as shown in the figure below:



9



1

2 **Q. WHAT EFFORTS, IF ANY, WILL PAWC UNDERTAKE TO EDUCATE THE**  
 3 **CITY’S CUSTOMERS REGARDING PAWC OWNERSHIP OF THE SYSTEM?**

4 **A.** As the Transaction is nearing Closing, PAWC plans to produce bill inserts or onserts and/or  
 5 letters to customers to explain the transition, billing, payment options and other items  
 6 associated with the change in ownership. PAWC's website will also add content to help  
 7 educate customers and to address frequently asked questions.

8

9 **Q. WHAT, IF ANY, SERVICE ENHANCEMENTS CAN THE CITY’S CUSTOMERS**  
 10 **EXPECT AS A RESULT OF THE TRANSACTION?**

11 **A.** PAWC prides itself on providing superior customer service. As part of its commitment to  
 12 customer service, PAWC offers its customers a number of enhanced services, including  
 13 extended call center hours, additional bill payment options, enhanced customer information  
 14 and education programs, and access to PAWC's customer assistance program.

1 **Q. PLEASE PROVIDE ADDITIONAL DETAIL ON EACH OF THESE CUSTOMER**  
2 **SERVICE ENHANCEMENTS.**

3 **A. *Customer Service.*** As discussed above, PAWC’s call center is available from 7:00 a.m. to  
4 7:00 p.m., Monday through Friday for routine business and 24/7/365 for emergency  
5 situations such as sewer back-ups or overflows. At all times, customers dealing with  
6 emergency situations can make direct contact with a live customer service representative.  
7 Customers can also reach a customer service representative via email at  
8 infopa@amwater.com. In addition, PAWC’s customers have the ability to manage their  
9 account via PAWC’s “My H20” online portal. Finally, PAWC offers local field service  
10 support 24 hours a day, seven days a week for customer emergencies. All of this means  
11 that PAWC is very responsive to its customers and any issues they may have. PAWC will  
12 provide the same responsive approach to the City’s customers once PAWC acquires the  
13 System.

14 ***Bill Payment Options.*** PAWC offers a number of bill payment options. Customers have  
15 the option to receive paper bills through the mail or go paperless and receive their bills  
16 electronically via the “My H20” on-line portal. Either way, customers can pay their bill  
17 by mail, online, or over the phone with a debit or credit card. They can also pay by e-check  
18 or an electronic funds transfer (which can be set up at the “My H20” online portal) or pay  
19 in-person at multiple authorized payment locations across the state. The City offers  
20 payment options by mail, phone, online or drop box.

21 ***Customer Information and Education Programs.*** PAWC provides extensive customer  
22 information and education programs that will be available to the City’s current customers  
23 through brochures, bill inserts, and educational videos posted on PAWC’s website.

1 PAWC's customers always have full access to a wide range of topics, including  
2 information on preventing sewer overflows, preventing frozen pipes, beneficially re-using  
3 residuals from water treatment plants for community gardens, detecting and fixing silent  
4 toilet leaks, properly disposing of unused pharmaceuticals to keep them out of the  
5 wastewater system, conserving water, installing expansion tanks, obtaining Fire  
6 Department Grants, and protecting customers from utility imposters.

7 ***Customer Assistance Programs.*** Finally, as new PAWC customers, the City's customers  
8 will have access to PAWC's customer assistance program called the "H2O Help to Others  
9 Program." For wastewater customers, this program has three components: (1) grants of up  
10 to \$500 per year; (2) a tiered discount on total wastewater charges based on percentage of  
11 Federal Poverty Level ("FPL"); and (3) arrearage forgiveness. Tier 1 (0%-50% of FPL)  
12 receives an 85% discount; Tier 2 (51%-100% of FPL) receives a 73% discount; Tier 3  
13 (101%-150% of FPL) receives a 55% discount; and Tier 4 (151-200% of FPL) receives a  
14 37% discount. Additionally, PAWC offers payment arrangements and budget billing to  
15 residential customers who qualify for the programs.

16 In comparison, the City has no low-income customer service assistance program  
17 nor any income-based repayment options.

18  
19 **Q. DOES PAWC HAVE A PROGRAM TO PROTECT ITS CUSTOMERS AGAINST**  
20 **UTILITY EMPLOYEE IMPOSTERS?**

21 **A.** Yes, PAWC has developed communications tools and programs to regularly educate  
22 customers about the tactics used by utility employee imposters and what homeowners need  
23 to know to protect themselves. The communications vehicles include bill inserts, news

1 releases, social media posts and website information about imposter-related crimes and  
2 precautions that customers can take. In addition, PAWC helped form the Keystone  
3 Alliance to Stop Utility Imposters, a coalition of water, gas, and electric utilities, along  
4 with the Commission, Pennsylvania District Attorneys Association and Pennsylvania  
5 Chiefs of Police Association, to launch a public awareness campaign using public service  
6 announcements, print materials, posters, and community presentations.

7  
8 **Q. PLEASE DESCRIBE PAWC'S CUSTOMER DISPUTE RESOLUTION**  
9 **PROCEDURE.**

10 **A.** I am advised by counsel that PAWC is governed by the Commission's regulations  
11 commonly known as Chapter 56, 52 Pa. Code §§ 56.1 *et seq.* The regulations provide the  
12 procedures for public utilities to follow with regard to customer billing, collections,  
13 payment arrangements, medical certifications, Protection from Abuse Orders, termination  
14 of service, reconnection of service, and customer dispute resolution procedures.

15 PAWC has a customer compliance team located in the Mechanicsburg, PA office  
16 responsible for ensuring that customer disputes and complaints across PAWC's entire  
17 service territory are resolved in compliance with the Commission's regulations.  
18 Additionally, the Company has a customer advocacy team located in the Mechanicsburg  
19 office responsible for addressing any customer disputes and escalated concerns.

20 The City's customer dispute process appears to be more informal. The City  
21 instructs customers to contact their third-party billing agent for bill questions and the City  
22 office to discuss other problems. While the City will be seeking the issuance of a  
23 Certificate of Public Convenience *nunc pro tunc* which, if approved, would require the City

1 to also comply with Chapter 56, 52 Pa. Code §§ 56.1 *et seq*, nevertheless, PAWC, when  
2 compared to the City, will continue to have a more robust customer dispute process due to  
3 its size, experience, and economies of scale.  
4

5 **CONCLUSION**

6 **Q. DO YOU BELIEVE PAWC HAS THE ABILITY TO PROVIDE SAFE,**  
7 **ADEQUATE, AND RELIABLE WASTEWATER SERVICE TO THE CITY'S**  
8 **CUSTOMERS?**

9 **A.** Yes.  
10

11 **Q. DO YOU BELIEVE THAT THE PROPOSED TRANSACTION WOULD RESULT**  
12 **IN AN AFFIRMATIVE PUBLIC BENEFIT OF A SUBSTANTIAL NATURE?**

13 **A.** Yes. For the reasons stated in my testimony, PAWC, as the largest investor-owned water  
14 and wastewater company in the Commonwealth, will be able to provide an enhanced level  
15 of operational expertise and customer service.  
16

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

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

# PAWC Exhibit MJG-1

**Michael J. Guntrum, P.E., MBA**  
Michael.guntrum@amwater.com

## **Management Professional/Project Manager/Environmental Engineer/Veteran**

### **SUMMARY**

Management professional offering 25 years of experience in Business Development, Project Management and Engineering and 32 years of experience in leadership roles. Involved in all aspects of Business Development at Pennsylvania American Water with solid knowledge of the Business Development process to include client contact and management, management of the bid process, formulation of a Bid-to-Win strategy, and development of the financial model and Risk Register. Has worked successfully with all functional groups within Pennsylvania American Water. Background includes capital planning and budgeting for water and wastewater projects, conducting presentations, ensuring projects remain within budget, and the construction and operations of high-quality water and wastewater systems. Earned an undergraduate and graduate degree in Civil/Environmental Engineering and a Masters of Business Administration. Supervised engineers and designers, guided engineering decisions, provided design support, and approved final design work.

### **COMPETANCY**

- Professional – Masters degree in Engineering and Masters of Business Administration. Professional Engineering license in Environmental Engineering. Proficient in MS Word, Excel, Power Point, Project, and Visio. Excellent problem-solving skills. Continuously seeking to improve skills in management, project management, and engineering.
- Social – Leadership and team developmental skills attained through military training and wide-ranging professional experience. Ability to work with key stakeholders within and outside of the organization to accomplish objectives.
- Managerial – Creates opportunities for individual and team development. Communicates a plan for long term professional development. Ability to relate team goals to organization goals and values.
- Entrepreneurial – Continuously looking for ways to leverage diverse skills and experience to take advantage of strategic opportunities in the marketplace. Ability to quickly synthesize information to take decisive action while recognizing risk.
- Transforming – Understands diverse cultures through living and working in Germany for four years and the study of Russian language and culture. Focused on meeting and exceeding customer expectations. Ability to leverage diverse personal and professional experience to recognize opportunities for change.

### **EXPERIENCE**

PENNSYLVANIA AMERICAN WATER, Hershey, PA  
***Senior Engineering Manager in Business Development***

2003 - Present

Responsible for the review, study, and design of municipal water and wastewater treatment systems for the purpose of contract operations, acquisition, and post-acquisition integration. Professional experience includes reviewing operational information of the facility, developing operation and maintenance budgets, analyzing required capital expenditures, and writing engineering evaluations that are read and reviewed by functional groups and management. Works closely with every department within Pennsylvania American to include Management, Finance, Rates, Legal, Engineering, Water Quality, Production, and Loss Control. Attended NARUC Utility Rate School in 2007.

Was involved in the due diligence, acquisition, preparing testimony, regulatory filing, and integration of the following systems:

(\* Denotes Provided Testimony in Proceeding)

- York Wastewater\*
- Royersford Wastewater\*
- Valley Water and Wastewater\*
- Upper Pottsgrove Wastewater\*
- Kane Wastewater\*
- Steelton Water
- Exeter Wastewater
- McKeesport Wastewater
- Scranton Wastewater
- Fairview Wastewater
- New Cumberland wastewater
- McEwensville water
- McEwensville wastewater
- Shipperville wastewater
- Paint-Elk Wastewater
- Paint Township water
- Scott Township water
- Berry Hollow Water
- Franklin Township wastewater
- Hamiltonban wastewater
- Marcel Lakes wastewater
- Pocono Mountain Lake Forest water
- Koppel wastewater
- Indian Rocks water
- Olwen Heights water
- Fernwood water
- All Seasons water
- Lake Spangenberg water
- Wildcat water
- Applewood water
- Birch Acres water
- Sutton Hills water
- Nittany water
- Saxonburg water
- Boggs Water
- Clarion Area Authority wastewater
- Three Lane Utilities water
- Claysville-Donnegal water
- Claysville-Donnegal wastewater
- Mountain Top HOA water
- Lexington Woods water
- Pine Ridge HOA water

- Blue Mountain Lake water
- Blue Mountain Lake wastewater

Brinjac Engineering, Inc., Harrisburg, PA

1999 - 2003

***Project Manager***

Responsible for the study, design, and review of municipal wastewater treatment systems and potable water treatment and storage facilities. Professional experience includes the selection, evaluation, design engineering, and procurement of process equipment, pumping systems, piping, blowers, compressors, dry and liquid feed systems, solids conveying systems, flow and level measurement, and other process instrumentation. Also responsible for integration of process equipment into existing systems to include coordination with electrical, instrumentation, and control systems. Significant assignments have included:

- Design Engineer and Project Manager responsible for permitting and design of a new 1.5 million gallon per day wastewater treatment plant in Pine Grove Township. Total estimated project cost \$5,000,000.
- Project manager responsible for the feasibility study, preliminary design, final design, permitting, and construction administration for the construction of two 6-million gallon water storage tanks for the City of Harrisburg. The Project was awarded a Diamond Award in 2003 by the American Council of Engineering Companies for excellence in Water Resources Engineering. Total project cost \$4,500,000.
- Responsible for design of a new large plate and frame filter press and chemical feed systems at the Antrim Wastewater Treatment Plant. Total project cost \$850,000.
- Responsible for the engineering and project management services for the installation of a new belt filter press and chemical feed systems at the Stroudsburg wastewater treatment plant. Total project cost \$550,000.
- Design Engineer and Project Manager responsible for the design and construction services related to the installation of improvements to the existing aerobic digesters and chemical feed systems at the Stroudsburg wastewater treatment plant. Total project cost \$250,000.
- Project manager and design engineer responsible for the feasibility study, preliminary design, final design, permitting, and construction administration for the construction of improvements to the spillway at DeHart Dam. Total project cost \$250,000.
- Design Engineer and Project Manager responsible for design and installation of various improvements to the Lycoming County Wastewater Treatment Plant. Total project cost \$150,000.
- Lead the effort for the design and construction services related to the replacement of the Kautz Street Pump Station in the Borough of Stroudsburg. Total project cost \$100,000.
- Assisted the City of Harrisburg in modifying the corrosion control program for the potable water distribution system to respond to changes in the raw water supply. As a result of the new corrosion control program, customer water quality complaints have dropped significantly. Analyzed the potable water distribution system with a computerized hydraulic model to determine if water age in older parts of the distribution system could be improved by changing distribution system operations.

BLACK & VEATCH INC., Portland, Oregon

1997 - 1999

***Environmental Engineer***

Served as an Environmental Engineer for the study, design, and review of municipal wastewater treatment systems, water treatment and storage facilities, sewage and storm water collection and conveyance systems. Significant assignments included:

- Conducted Phase 1 of the Pipe Design and Life Study for the Portland Bureau of Water Works.

- Developed a program with the Portland Bureau of Water Works and their industrial customers to evaluate potential water conservation and provide mechanisms to encourage water conservation.
- Design of 2 new 42 million gallons per day slow sand filters and modifications to existing slow sand filter facility for the City of Salem. Total project cost \$4,500,000.
- Design of a new copper sulfate feed system for the City of Salem.
- Preparation of a detailed operations and maintenance manual for a chlorination/dechlorination facility at the Clackamas Filtration Plant.
- Preparation of a Risk Management Plan for the Clackamas Filtration Plant.
- Preparation of Risk Management Plans for the City of Salem.

US ARMY CORPS OF ENGINEERS, Portland, Oregon

1995 - 1997

***Engineer, (2 year term position)***

Design and analysis of hydraulic structures related to fish passage on the lower Columbia River dams. Assisted in the management and review of products from outside engineering firms. Significant assignments included:

- Participated in the evaluation of physical hydraulic model data and the design of modifications to the John Day Dam adult fish bypass system.
- Participated in the design of the Bonneville Dam First Powerhouse Juvenile Fish Bypass System.
- Provided technical support for the Dissolved Gas Abatement program.
- Design and analysis of hydraulic systems related to the juvenile bypass system at the John Day Dam.

US ARMY

1983 - 1990

***Electronic Warfare Signals Intelligence Analyst***

US Army, Field Station Augsburg, Germany, US Army detachment to the National Security Agency, Fort Meade, MD. Gathered, sorted, and scanned foreign intercept messages and signals, to include encrypted communications. Graduate of the Defense Language Institute specializing as a Russian Linguist. Awarded Top Secret Special Intelligence Security Clearance after a thorough background investigation.

## EDUCATION

Lebanon Valley College, Annville, Pennsylvania

2008 - 2010

**Masters Business Administration**

NARUC Utility Rate School

2007

University of Idaho, Moscow, Idaho

1994 - 1995

**Masters, Environmental Engineering**

University of Idaho, Moscow, Idaho

1990 - 1994

**B.S., Environmental Engineering**

Noncommissioned Officer Leadership Development Program, Augsburg Germany

1989

Defense Language Institute, Monterey California

1985 - 1986

**Russian Linguist**

## LICENSES

- Professional Engineer – Pennsylvania, Oregon, Professional Engineer with a license in Environmental Engineering



**Application of Pennsylvania-American Water Company for Acquisition of Substantially  
All of the Assets, Properties and Rights Related to the Wastewater System Owned and  
Operated by the City of Pittston**

**66 Pa. C.S. §1329**

**Application Filing Checklist – Water/Wastewater**

**Docket No. A-2025-3056419**

**Appendix A-14(a)**

Pennsylvania-American Water Company Statement No. 3 – Dr. Christina Chard

**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, :                   Docket Nos.  
properties and rights related to the wastewater :                   A-2025-3056419 *et al.*  
system owned and operated by the :  
City of Pittston, Luzerne County, Pennsylvania :  
and (2) the rights of Pennsylvania-American :  
Water Company to begin to offer or furnish :  
wastewater service to the public in the portions of :  
the Borough of Hughestown, Luzerne County, :  
Pennsylvania, the Borough of Duryea, Luzerne :  
County, Pennsylvania, Pittston Township, :  
Luzerne County, Pennsylvania and the City of :  
Pittston, Luzerne County, Pennsylvania :

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

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**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 (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 Nos. R-  
5 2020-3019369 and R-2020-3019371, PAWC’s pending 2025 base rate case Docket Nos.  
6 R-2025-3057983 and R-2025-3058051, and in PAWC’s pending applications at Docket  
7 Nos. A-2025-3055741 and A-2025-3053487. In addition, I have testified in numerous  
8 acquisition cases, surcharge mechanism cases, the 2018 federal tax change investigation,  
9 and base rate cases before the West Virginia Public Service Commission on behalf of  
10 another American Water subsidiary, West Virginia-American Water. I also testified in an  
11 acquisition rulemaking case before the Tennessee Public Utility Commission.

12  
13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

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

1 and deferral of related depreciation; and, (h) the authentication of certain Application  
2 appendices.

3 **PAWC’S FINANCIAL FITNESS**

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

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

14  
15 **Q. PLEASE DISCUSS PAWC’S OVERALL FINANCIAL FITNESS AND ACCESS TO  
16 CAPITAL TO ACQUIRE THE SYSTEM.**

17 **A.** PAWC has strong operating cash flows and net income and, therefore, a strong balance  
18 sheet. PAWC’s strong operating and financial performance allows it to obtain competitive  
19 interest rates for long-term debt financing and access to equity investments from its parent  
20 company. PAWC is a financially-sound business that can financially support the  
21 acquisition of the System as well as the ongoing operating and investment commitments  
22 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           **Long Term Debt Financing**

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

12          **Equity Investments**

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

15  
16       **Q.     PLEASE EXPLAIN HOW PAWC INTENDS TO FUND THE TRANSACTION.**

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

19  
20       **Q.     WHAT IMPACT, IF ANY, DO YOU ANTICIPATE THAT THE ACQUISITION OF**  
21       **THE SYSTEM WILL HAVE ON PAWC’S CORPORATE CREDIT RATINGS?**

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

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

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

7

8 **FAIR MARKET VALUE RATEMAKING RATE BASE**

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

11 **A.** As discussed in the testimony of my colleague, Michael Salvo, the Company completed a  
12 Reasonableness Review Ratio (“RRR”) analysis as a guide in determining its requested  
13 ratemaking rate base. The RRR calculation multiplies the depreciated original cost  
14 (“DOC”) of a system by the RRR determined by the Commission, which is currently 1.63.  
15 The average DOC of the System based on the appraisals of the buyer’s Utility Valuation  
16 Expert (“UVE”) and the seller’s UVE is \$16,130,305. The negotiated purchase price for  
17 the acquired assets is reasonable at \$26,440,000 and aligns with the RRR. The average of  
18 the appraisals of the buyer’s Utility Valuation Expert (“UVE”) and the seller’s UVE is  
19 \$31,236,144. Accordingly, the negotiated purchase price of \$26,440,000 is the fair market  
20 value for ratemaking purposes under Section 1329 (*i.e.*, the lower of the negotiated  
21 purchase price and the average of the UVEs’ appraisals). The fair market value as  
22 determined by the Section 1329 process, in addition to the transaction and closing costs  
23 described below, becomes part of PAWC’s rate base for ratemaking purposes. Note,

1           however, that PAWC reserves its right in future proceedings to make rate base claims  
2           related to the acquisition as may otherwise be permitted under the Pennsylvania Public  
3           Utility Code (“Code”).

4  
5   **Q.   PLEASE SUMMARIZE HOW THE COMPANY PROPOSES TO RECORD THE**  
6   **TRANSACTION.**

7   **A.**   As shown on **Appendix A-15-f**, the Company seeks approval to record the \$26,440,000  
8           net value of the assets on its books. The Company requests to record the acquisition on a  
9           net basis consistent with the Commission’s decision in *Application of Pennsylvania-*  
10          *American Water Company under Section 1102(a) of the Pennsylvania Public Utility Code,*  
11          *66 Pa. C.S. § 1102(a), for Approval of the Transfer, by Sale, to Pennsylvania-American*  
12          *Water Company, of Substantially All of the Assets, Properties and Rights Related to the*  
13          *Wastewater Collection and Treatment System Owned by the York City Sewer Authority and*  
14          *Operated by the City of York, Docket Nos. A-2021-3024681 et al. (Final Order entered*  
15          *April 14, 2022) ¶ 3(h) and Application of Pennsylvania-American Water Company,*  
16          *pursuant to 66 Pa. C.S. §§ 1102 and 1329 for Approval of the Acquisition of the Butler*  
17          *Area Sewer Authority, Docket No. A-2022-3037047 (Order entered November 16, 2023)*  
18          ¶ 14.

19                 Section 1329(c) provides that the “ratemaking rate base” is to be incorporated into  
20                 PAWC’s rate base. As discussed above, the Company requests the Commission approve  
21                 \$26,440,000 as the ratemaking rate base for the System.<sup>1</sup> Since Section 1329 does not  
22                 address the proper accounting treatment of the rate base or approval of a depreciation

---

<sup>1</sup> “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 reserve in determining the ratemaking rate base, the Company believes that recording  
2 \$26,440,000, on a net basis, is appropriate and consistent with Section 1329.

3  
4 **PITTSTON RATES AND COST OF SERVICE**

5 **Q. PLEASE PROVIDE AN OVERVIEW OF PITTSTON’S EXISTING RATES.**

6 A. Pittston bills a fixed quarterly rate of \$82.50, which includes the first 15,000 gallons of  
7 usage. For usage over 15,000 gallons per quarter, Pittston charges \$4.25 per 1000 gallons.<sup>2</sup>  
8 These rates represent what Pittston customers are charged for collection service. While  
9 Pittston provides wastewater conveyance service to customers located within the Pittston’s  
10 municipal boundaries, withing Pittston Township, within the Borough of Hughestown, and  
11 within the Borough of Duryea, all customers receiving a bill from Pittston for wastewater  
12 service are billed at the same rate.

13  
14 **Q. WHO BILLS PITTSTON’S CUSTOMERS FOR TREATMENT SERVICE?**

15 A. Pittston customers are billed for wastewater treatment service by a third party, the  
16 Wyoming Valley Sanitary Authority (“WVSA”). WVSA provides the wastewater  
17 treatment service and directly bills customers for this service. Accordingly, Pittston’s rates  
18 do not include the cost of treatment.<sup>3</sup>

19  

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<sup>2</sup> PAWC will bill monthly and in 100 gallon units. Pittston bills on a quarterly basis: \$82.50 per quarter inclusive of the first 15,000 gallons, with a rate of \$4.25 per 1,000 gallons for usage over 15,000 gallons per quarter.

<sup>3</sup> Pittston’s rates could include an amount paid by Pittston to WVSA for WVSA’s collected revenue shortfalls related to Pittston customers. The Service Agreement by and between the Wyoming Valley Sanitary Authority and the City of Pittston (Appendix A-25-a), dated September 8, 1965, as amended December 1, 1965 (“Service Agreement”) provides for a mechanism for the City to compensate WVSA for collected revenue shortfalls. Upon assignment of the Service Agreement to PAWC, this provision would apply to PAWC after acquisition.’

1 **Q. UNDER PAWC OWNERSHIP, WHO WILL BILL PITTSTON CUSTOMERS FOR**  
2 **TREATMENT SERVICE?**

3 **A.** The current arrangement is expected to continue. In other words, Pittston customers will  
4 receive a bill from PAWC for collection and conveyance service through the System and  
5 will continue to be billed directly by WWSA for treatment service.

6  
7 **Q. FOR CLARITY, IS THIS ARRANGEMENT DIFFERENT FROM PAWC'S**  
8 **OTHER COLLECTION-ONLY SYSTEMS?**

9 **A.** Yes. PAWC owns several collection systems; however, in those systems, PAWC is a bulk  
10 customer of the treatment provider and the cost of treatment is included in PAWC's base  
11 rates. In PAWC's Fairview Township system, PAWC purchases treatment service from  
12 the Lower Allen Township Authority. In PAWC's Upper Pottsgrove system, PAWC  
13 purchases treatment service from the Borough of Pottstown. In PAWC's Foster system,  
14 PAWC purchases treatment service from the Freeland Municipal Authority.

15 In each of these systems, PAWC is the customer of the treatment provider and the  
16 cost of treatment is included in PAWC's base rates. As such, these systems are included in  
17 PAWC's consolidated sanitary sewer system ("SSS") and the rates are or will be  
18 consolidated with Zone 1 rates.<sup>4</sup>

19 In contrast, PAWC does not anticipate proposing to fully consolidate rates for  
20 Pittston customers with Zone 1 because Pittston customers pay separately for treatment  
21 service. In the immediate term following closing on the Transaction ("Closing"), PAWC

---

<sup>4</sup> Fairview and Upper Pottsgrove customers are part of Rate Zone 1 and Foster has rates equal to Rate Zone 1. Foster is currently in a separate rate zone due to a rate freeze that was in effect until January 2025.

1 expects that it will propose for Pittston to be included in future rate cases in a separate  
2 revenue requirement.

3  
4 **Q. PLEASE DISCUSS THE SEPARATE COST OF SERVICE STUDY (“COSS”)**  
5 **DIRECTIVE FROM THE ORDER APPROVING THE COMPANY’S LAST BASE**  
6 **RATE CASE AT DOCKET NO. R-2023-3043189.**

7 **A.** Page 217 of the Commission Order approving the Company’s last base rate case included  
8 a directive requiring PAWC to prepare separate COSSs for new Section 1329 acquisitions  
9 in the first base rate proceeding where those systems are included in PAWC’s revenue  
10 requirement.

11 In the first base rate case in which the System is included, the Company will  
12 complete a separate COSS for Pittston’s system and reflect a revenue requirement separate  
13 from the existing SSS wastewater customers. In subsequent rate cases, I anticipate PAWC  
14 will continue to propose separate rates for the Pittston customers that do not include  
15 treatment charges, due to WWSA separately billing customers for treatment.

16  
17 **ASSET PURCHASE AGREEMENT RATE PROVISIONS**

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

19 **A.** Section 7.04 of the APA contains provisions related to rates. PAWC has committed to  
20 adopt, upon Closing, the City’s base rates. These rates are shown on Schedule 7.04 to the  
21 APA. While the City currently bills on a quarterly basis, as noted in the APA, the Company  
22 intends to bill on a monthly basis.

23 The initial rates to be applicable to the former Pittston wastewater customers are  
24 set forth in the *pro forma* tariff supplement attached as **Appendix A-12** to the Application.

1 System customers will be governed by rates for new City of Pittston Rate Zone “XX.”  
2 After Closing, System customers will be subject to PAWC’s prevailing wastewater tariff  
3 on file with the Commission with respect to all rates other than base rates, such as capacity  
4 reservation fees, reconnection fees,<sup>5</sup>and the like, as well as non-rate related terms and  
5 conditions of service.  
6

7 **Q. WHAT IMPACT, IF ANY, WILL THERE BE ON THE RATES OF PITTSTON’S**  
8 **CUSTOMERS AS A RESULT OF THE ACQUISITION OF THE SYSTEM?**

9 **A.** There will be no immediate impact on the rates of Pittston’s customers because PAWC has  
10 committed to adopt, upon Closing, the City’s rates in effect at the time of Closing. Subject  
11 to Commission approval, PAWC anticipates allocating a portion of its wastewater revenue  
12 requirement to the combined water and wastewater customer base, as permitted by 66 Pa.  
13 C.S. § 1311(c).  
14

15 **Q. WHAT IMPACT, IF ANY, WILL THERE BE ON THE RATES OF PAWC’S**  
16 **CURRENT WATER AND WASTEWATER CUSTOMERS AS A RESULT OF THE**  
17 **ACQUISITION OF THE SYSTEM?**

18 **A.** There will be no immediate impact on the rates of PAWC’s current water and wastewater  
19 customers. PAWC expects to include the City’s wastewater system in PAWC’s future base  
20 rate filings. Any impacts on the rates of PAWC’s existing water and wastewater customers

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<sup>5</sup> Application of Pennsylvania-American Water Company, pursuant to 66 Pa. C.S. §§ 1102 and 1329 for Approval of the Acquisition of the Butler Area Sewer Authority, Docket No. A-2022-3037047 (Order entered November 16, 2023) ¶ 14, page 20, Section D.20, acknowledges that IPP fees are miscellaneous fees that may be applied to acquired customers, rather than existing rates that must be adopted by the acquiring utility pursuant to Section 1329(d)(v).

1 would occur only after a Commission decision in a base rate proceeding. A non-binding  
2 estimate of possible rate impacts for existing water and wastewater customers is shown in  
3 **Appendix A-18-d** and discussed in the Customer Notice section below. The City's  
4 customers, as part of PAWC's overall customer base, will become part of PAWC's overall  
5 cost allocation. Nothing contained in the APA would bind the Commission or other  
6 interested parties in future ratemaking proceedings.

7  
8 **Q. DOES PAWC SEEK THE AUTHORITY TO CHARGE NON-BASE RATES PRIOR**  
9 **TO THE FIRST PAWC BASE RATE CASE IN WHICH THE SYSTEM IS**  
10 **INCLUDED?**

11 **A.** Yes. PAWC is requesting authority from the Commission to approve collection of a  
12 distribution system improvement charge ("DSIC") related to the System in the future, prior  
13 to the first base rate case in which the System plant-in-service is incorporated into rate  
14 base. PAWC would not begin charging a DSIC until the eligible System plant is approved  
15 by the Commission in an amendment to PAWC's Long Term Infrastructure Improvement  
16 Plan for wastewater.

17  
18 **CUSTOMER NOTICE AND POTENTIAL RATE IMPACT**

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

20 **A.** Yes. PAWC is providing notice of the acquisition to existing PAWC water and wastewater  
21 customers as well as to the City's wastewater customers. The notices to PAWC customers  
22 and City wastewater customers are attached to the application as **Appendix A-18-d**. These  
23 notices contain a non-binding estimate of the potential rate impact of the acquisition.

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

A. These notices were prepared in accordance with the *2024 Final Supplemental Implementation Order (“2024 FSIO”)*.<sup>6</sup> This Order prescribes the form and calculation of the notices for future Section 1329 acquisition proceedings. As required by the Order, the notices included in **Appendix A-18-d** are calculated to show the impact as if the entire revenue requirement deficiency were allocated to System customers, existing PAWC water customers, and existing PAWC wastewater customers. The rate impacts resulting from these calculations are discussed in more detail below.

**Q. PLEASE SUMMARIZE THE CALCULATION OF THE POTENTIAL RATE IMPACT SHOWN IN THE NOTICE TO THE CITY’S CUSTOMERS.**

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

<b>City Wastewater Customers</b>			
Rate Class	Average Usage	Estimated Monthly Increase	Estimated Percentage Increase
Residential	3,201 gal/month	\$19.58	71.2%
Commercial	22,094 gal/month	\$71.31	71.2%

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The 71.2% 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 City’s wastewater rates and the average usage for each customer

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<sup>6</sup> *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 class as reflected in the filing of PAWC’s most recently approved base rate case (Docket  
2 No. R-2023-3043189).<sup>7</sup>

3  
4 **Q. PLEASE SUMMARIZE THE RATE IMPACT CALCULATION IN THE NOTICE**  
5 **TO PAWC WASTEWATER CUSTOMERS.**

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

<b>PAWC Existing Wastewater Customers</b>			
Rate Class	Average Usage	Estimated Monthly Increase	Estimated Percentage Increase
Residential	3,201 gal/month	\$0.77	0.7%
Commercial	22,094 gal/month	\$3.66	0.7%
Industrial	685,947 gal/month	\$105.83	0.7%

8  
9 The 0.7% increase shown in the chart above is calculated by dividing 100% of the  
10 revenue deficiency by PAWC’s applicable wastewater revenues from PAWC’s most  
11 recently determined base rate case.

12  
13 **Q. PLEASE SUMMARIZE THE CALCULATION OF THE POTENTIAL RATE**  
14 **IMPACT SHOWN IN THE NOTICE TO PAWC WATER CUSTOMERS.**

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

17  

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<sup>7</sup> PAWC filed a rate case November 14, 2025 at Docket Nos. R-2025-3057983 and R-2025-3058051. Because this case is still pending before the Commission, the customer notice is calculated using information from current rates (based on Docket No. R-2023-3043189).

1

<b>PAWC Existing Water Customers</b>			
Rate Class	Average Usage	Estimated Monthly Increase	Estimated Percentage Increase
Residential	3,201 gal/month	\$0.08	0.1%
Commercial	22,094 gal/month	\$0.42	0.1%
Industrial	685,947 gal/month	\$8.86	0.1%

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The 0.1% increase shown in the chart above represents the potential impact on PAWC water customers if the revenue deficiency were entirely allocated to water customers. This allocation to water customers is divided by PAWC’s applicable water revenues from PAWC’s most recently determined base rate case.

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**LOW-INCOME PROGRAMS**

16

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

17

**A.** PAWC’s low-income tariff rider provides low-income customers with discounts to fixed and volumetric charges. PAWC’s low-income discount includes four tiers of discount,

18

1 with the discount level dependent on the customer’s percentage of Federal Poverty Level  
2 (“FPL”). The tariff discounts are summarized below.<sup>8</sup>

	Tier 1 (0-50% FPL)	Tier 2 (51-100% FPL)	Tier 3 (101-150% FPL)	Tier 4 (151-200% FPL)
<b>Water</b> Service Charge Discount	90%	75%	60%	30%
<b>Water</b> Usage Charge Discount	80%	65%	40%	20%
<b>Wastewater</b> Total Bill Discount	85%	73%	55%	37%

4  
5 **Q. WILL PITTSTON CUSTOMERS BE ELIGIBLE FOR THESE DISCOUNTS UPON**  
6 **ACQUISITION?**

7 **A.** Yes. Because PAWC is already the water provider for some Pittston customers, any  
8 customers enrolled in the low-income discount for their water service will be automatically  
9 enrolled in the discount for wastewater service at the time of Closing. For those City  
10 customers who are not currently a PAWC water customer, they will have the option of  
11 enrolling into the bill discount program for their wastewater bill if they meet the eligibility  
12 requirements.

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

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<sup>8</sup> Refer to Tariff Water-PA P.U.C. No. 5, page 17 and Tariff Wastewater PA P.U.C. No. 16, page 16.

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

**A.** PAWC’s low-income discount program provides discounts between 30% and 90% of the water and wastewater bill to customers with an FPL of 200% or less. These discounts have a small impact on customer’s bills of approximately \$2.41 per month for residential water customers and approximately \$4.03 per month for residential wastewater customers.<sup>9</sup>

**TRANSACTION AND CLOSING COSTS**

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

**A.** As set forth in the Commission’s *Final Implementation Order* at Docket No. M-2016-2543193, transaction and closing costs include the UVE’s appraisal fee and the buyer’s closing costs, including reasonable attorney fees. In accordance with the *Final Implementation Order* and traditional ratemaking principles, reasonable transaction and closing costs are not to be decided in this Application proceeding; instead, PAWC must justify the costs by a “preponderance of the evidence” in a future base rate proceeding.

As a practical matter, the exact extent of such costs cannot be known at the time of filing the Application and will not be finally known until after Closing. The costs depend on a number of variables, including whether this Application is settled or fully litigated. PAWC will track such costs and incorporate them into rate base in a future base rate proceeding as appropriate. Nevertheless, attached to the Application as **Appendix A-10** is

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<sup>9</sup> 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 PAWC's estimate of the anticipated transaction and closing costs (approximately \$0.95  
2 million).

3  
4 **POST-ACQUISITION IMPROVEMENT COSTS**

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

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

16  
17 **Q. DOES PAWC INTEND TO ACCRUE AFUDC FOR POST-ACQUISITION**  
18 **IMPROVEMENTS?**

19 **A.** Yes. As summarized in the Direct Testimony of PAWC Witness Mr. Michael J. Guntrum,  
20 P.E., PAWC's Engineering Manager, PAWC Statement No. 2, PAWC will be making post-  
21 acquisition improvements to the System. As such, PAWC will likely accrue AFUDC  
22 consistent with what is permitted under Section 1329. PAWC will address any claims for  
23 AFUDC in the first base rate proceeding in which the City's assets are included.

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

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

**AUTHENTICATION OF APPLICATION APPENDICES**

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

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

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

**A.** **Appendix A-10** is the Company’s estimate of the anticipated range of transaction and closing costs. The *pro forma* tariff supplement is attached as **Appendix A-12** to the Application. In addition, based on financial statements provided by the City and on PAWC’s audited financial statements, the following appendices were prepared: **Appendix C** (audited balance sheet of the City as of December 31, 2023), **Appendix D** (audited balance sheet of PAWC as of December 31, 2024), **Appendix E** (audited income statement

1 of the City for the 12 months ended December 31, 2023), **Appendix F** (audited income  
2 statement of PAWC for the 12 months ended December 31, 2024), **Appendix G** (financial  
3 statements for the 12 months ended December 31, 2024 are not available for the City of  
4 Pittston, the combined pro forma does not include balance sheet data of the City of  
5 Pittston), **Appendix H** (financial statements for the 12 months ended December 31, 2024  
6 are not available for the City of Pittston, combined pro forma does not include income  
7 statement of the City of Pittston) and **Appendix K** (estimated annual revenues and  
8 expenses). 2024 Audited financial statements for the City of Pittston are not available.

9  
10 **Q. ARE APPENDICES A-10 AND A-12, APPENDICES C THROUGH H, AND**  
11 **APPENDIX K TRUE AND CORRECT TO THE BEST OF YOUR KNOWLEDGE,**  
12 **INFORMATION, AND BELIEF?**

13 **A.** Yes.

14  
15 **CONCLUSION**

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

17 **A.** Yes. However, I reserve the right to supplement my Direct Testimony as additional issues  
18 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.

### City of Pittston Wastewater Customers

**Wastewater**

Rate Class	Average Usage	Average Monthly Bill at City of Pittston Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,201 gal/month	\$27.50	\$47.08	\$19.58 or 71.2%
Commercial	22,094 gal/month	\$100.15	\$171.46	\$71.31 or 71.2%

### PAWC Current Customers

**Wastewater**

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	\$109.55	\$110.32	\$0.77 or 0.7%
Commercial	22,094 gal/month	\$522.46	\$526.12	\$3.66 or 0.7%
Industrial	685,947 gal/month	\$15,117.93	\$15,223.76	\$105.83 or 0.7%

**Water**

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	\$78.97	\$0.08 or 0.1%
Commercial	22,094 gal/month	\$419.34	\$419.76	\$0.42 or 0.1%
Industrial	685,947 gal/month	\$8,863.12	\$8,871.98	\$8.86 or 0.1%

**Pennsylvania American Water Company**  
**Acquisition of Wastewater Assets of the City of Pittston**  
**Docket No. A-2025-3056419**

City of Pittston Wastewater

PAWC - Wastewater

PAWC - Water

Residential		
	Rate	\$27.50
32.01	0.4250	0.00
		\$27.50

Zone 1 - Residential		
	Service Charge	\$15.00
32.01	2.9539	94.55
		\$109.55

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

Rate Impact  $\frac{71.2\%}{\$19.58}$

Rate Impact  $\frac{0.7\%}{\$0.77}$

Rate Impact  $\frac{0.1\%}{\$0.08}$

Total \$47.08

Total \$110.32

Total \$78.97

Commercial		
	Rate	\$27.50
50.00	0.0000	0.00
170.94	0.4250	72.65
220.94		
		\$100.15

Zone 1 - Commercial		
	Service Charge	\$36.70
220.94	2.1986	485.76
		\$522.46

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  $\frac{71.2\%}{\$71.31}$

Rate Impact  $\frac{0.7\%}{\$3.66}$

Rate Impact  $\frac{0.1\%}{\$0.42}$

Total \$171.46

Total \$526.12

Total \$419.76

Industrial		
	Rate	N/A

Zone 1 - Industrial		
	Service Charge	\$36.70
6,859.47	2.1986	15,081.23
		15,117.93

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  $\frac{N/A}{}$

Rate Impact  $\frac{0.7\%}{\$105.83}$

Rate Impact  $\frac{0.1\%}{\$8.86}$

Total

Total \$15,223.76

Total \$8,871.98

Pennsylvania American Water Company  
 Acquisition of Wastewater Assets of the City of Pittston  
 Docket No. A-2025-3056419

**Estimated Rate Increase**

<b>Increase applied to Acquired System Customers</b>	
Revenue Requirement Increase	\$ 1,291,000
Current City of Pittston Wastewater revenues	1,812,000
<b>Estimated Increase to wastewater customers</b>	<b>71.2%</b>

<b>Amount of increase allocated to wastewater customers and applied to the combined revenues of all PAWC wastewater customers and acquired customers:</b>	
Revenue Requirement Increase	\$ 1,291,000
PAWC Wastewater Revenues (R-2023-3043189 Proof of Revenues excl. Other Operating Revenues & Contract Sales)	174,906,969
<b>Estimated Increase to wastewater customers</b>	<b>0.7%</b>

<b>Amount of increase allocated to water customers:</b>	
Revenue Requirement Increase	\$ 1,291,000
PAWC Water Revenues (R-2023-3043189 Proof of Revenues excl. Other Operating Revenues & Contract Sales)	890,733,518
<b>Estimated Increase to Water Customers</b>	<b>0.1%</b>

**Pennsylvania American Water Company  
 Acquisition of Wastewater Assets of the City of Pittston  
 Docket No. A-2025-3056419**

**Revenue Requirement Increase**

Rate Base	\$	26,440,000	Appendix A-11
Rate of Return %		7.15%	See Calculations
Rate of Return		<u>1,890,000</u>	
O&M		293,000	WW P.7
Taxes Other		15,000	WW P.7
Depreciation		418,000	Appendix K
Taxes		487,000	WW P.5
Revenue Requirement		<span style="border: 1px solid black; padding: 2px;">3,103,000</span>	
City of Pittston Wastewater Year-1 Revenues		1,812,000	WW P.6
Revenue Requirement Increase		1,291,000	

**Pennsylvania American Water Company**  
**Acquisition of Wastewater Assets of the City of Pittston**  
**Docket No. A-2025-3056419**

**Income Tax Calculation**

<b><u>Revenue Requirement</u></b>	
Rate Base	\$ 26,440,000
Pretax ROR %	8.99%
Pretax ROR	<u>2,377,000</u>
Plus: O&M Expense	293,000
Taxes Other	15,000
Depreciation	<u>418,000</u>
Total Revenue Requirement	<u><u>3,103,000</u></u>

<b><u>Income Tax Calculation</u></b>	
Revenues	\$ 3,103,000
Less: O&M Expense	293,000
Taxes Other	15,000
Depreciation	418,000
Interest	<u>568,000</u>
SIT Taxable Income	1,809,000
State Income Tax Rate	7.49%
State Income Tax	<u>135,000</u>
FIT Taxable Income	1,674,000
Federal Income Tax Rate	21.00%
Federal Income Tax	<u>352,000</u>
Total Income Taxes	<u><u>487,000</u></u>

<b><u>Interest</u></b>	
Rate Base	\$ 26,440,000
Weighted Cost of Debt (2.03% + 0.12%)	<u>2.15%</u>
	\$ 568,000

Wastewater	Capital Structure	Cost Rate	Weighted Cost	Revenue Multiplier	Revenue Requirement
Long-Term Debt	42.73%	4.76%	2.03%		2.03%
Wastewater Financing	4.40%	2.67%	0.12%		0.12%
Preferred Stock	0.00%	0.00%	0.00%	1.36831	0.00%
Common Equity	52.87%	9.45%	5.00%	1.36831	6.84%
			<u>7.15%</u>		<u>8.99%</u>

Capital Structure, Cost of Debt, and Cost of Equity are based on PAWC's last wastewater 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

**Pennsylvania American Water Company  
Acquisition of Wastewater Assets of the City of Pittston  
Docket No. A-2025-3056419**

**Operating Revenue Assumptions**

<b>Service Charge</b>	<b>Customers</b>	<b>Units</b>	<b>Rate</b>	<b>Revenue</b>
Residential	4,406	52,872	27.500	1,453,980
Commercial	334	4,008	27.500	110,220
				<b>1,564,200</b>

<b>Usage Charge</b>	<b>Customers</b>	<b>Units</b>	<b>Rate</b>	<b>Revenue</b>
Commercial	334	583,019	0.4250	247,783
				<b>247,783</b>

<b>Total Revenues</b>				<b>1,811,983</b>
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**Pennsylvania American Water Company  
Acquisition of Wastewater Assets of the City of Pittston  
Docket No. A-2025-3056419**

**O&M and General Tax Assumptions**

<u>Operating and Maintenance Expenses</u>	
Labor and Labor Related	\$51,000
Chemicals	15,000
Waste Disposal	13,000
Shared Business Services	60,000
Contracted Services	100,000
Insurance Other Than Group	30,000
Customer Accounting	24,000
<b>Total O&amp;M</b>	<b>\$293,000</b>

<u>General Taxes</u>	
Regulatory Assessment	\$12,000
Payroll Taxes	3,000
<b>Total General Taxes</b>	<b>\$15,000</b>

