

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :  
Company under Sections 1102(a) and 1329 :  
of the Pennsylvania Public Utility Code, :  
66 Pa C.S. §§ 1102(a) and 1329, for approval of :  
(1) the transfer, by sale, to Pennsylvania-American :  
Water Company, of substantially all of the assets, :  
properties and rights related to the wastewater :  
system owned and operated by the City of Pittston, :  
and (2) the rights of Pennsylvania-American Water :  
Company to begin to offer or furnish wastewater :  
service to the public in 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 :

Docket No. A-2025-3056419

In re: Application of Pennsylvania-American Water :  
Company under Section 1329 of the Pennsylvania :  
Public Utility Code, 66 Pa C.S. § 1329, for :  
approval of the use for ratemaking purposes of the :  
lesser of the fair market value or the negotiated :  
purchase price of the assets related to the wastewater :  
system owned and operated by the City of Pittston, :  
Luzerne County, Pennsylvania :

Docket No. A-2025-\_\_\_\_\_

In re: Petition of Pennsylvania-American Water :  
Company, related to its acquisition of the wastewater :  
system owned and operated by the City of Pittston, :  
for approval under Section 1329 of the Pennsylvania :  
Public Utility Code, 66 Pa. C.S. § 1329, to (i) collect :  
a distribution system improvement charge, (ii) for :  
book and ratemaking purposes, accrue Allowance :  
for Funds Used During Construction for post- :  
acquisition improvements not recovered through the :  
distribution system improvement charge, (iii) for :  
book and ratemaking purposes, defer depreciation :  
related to post-acquisition improvements not :  
recovered through the distribution system :  
improvement charge, and (iv) include, in its next :  
base rate case, a claim for transaction and closing :  
costs :

Docket No. P-2025-\_\_\_\_\_

In re: Filing by Pennsylvania-American Water	:	
Company under Section 507 of the Pennsylvania	:	
Public Utility Code, 66 Pa. C.S. § 507, of (i) the	:	Docket Nos. U-2025-_____,
Asset Purchase Agreement by and between the City	:	<i>et al.</i>
of Pittston and Pennsylvania-American Water	:	
Company, and (ii) three agreements with municipal	:	
corporations to be assumed by Pennsylvania-	:	
American Water Company upon closing of the	:	
acquisition of substantially all of the assets related to	:	
the wastewater collection system owned and operated	:	
by the City of Pittston	:	

**APPLICATION OF PENNSYLVANIA-AMERICAN WATER COMPANY**

**TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION:**

1. Pennsylvania-American Water Company (“PAWC” or “Applicant”) hereby respectfully requests that the Pennsylvania Public Utility Commission (“Commission”) issue such Certificates of Public Convenience as necessary to evidence its approval under Section 1102(a) of the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. § 1102(a), of: (a) the transfer, by sale of substantially all of the assets, properties and rights related to the wastewater system (the “System”) owned and operated by the City of Pittston (“Pittston” or the “City”) to PAWC; (b) PAWC’s right to begin to offer, render, furnish and supply wastewater service in areas currently served by the City of Pittston in Luzerne County, Pennsylvania (hereinafter, the “Service Area”); and (c) PAWC’s right to make effective upon closing the *pro forma* tariff supplement attached hereto as **Appendix A-12**.

2. PAWC also respectfully requests that the Commission approve, pursuant to Code Section 1329, 66 Pa. C.S. § 1329: (a) the use for ratemaking purposes of the lesser of the fair market value or the negotiated purchase price of Pittston’s assets related to the

System;<sup>1</sup> (b) the collection of a distribution system improvement charge (“DSIC”) related to the System prior to the first base rate case in which the System plant-in-service is incorporated into rate base; (c) to record the acquisition at the net value of the assets, (d) the accrual of Allowance for Funds Used During Construction (“AFUDC”) for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; (e) the deferral of depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; and (f) the inclusion, in its next base rate case, of a claim for transaction and closing costs related to the acquisition. Attached hereto as **Appendix A** is the Commission’s current “66 Pa. C.S. § 1329 Application Filing Checklist - Water/Wastewater” (“Application Filing Checklist”), Appendix A to the Commission’s Final Supplemental Implementation Order in *Valuation of Acquired Municipal Water & Wastewater Systems – Act 12 of 2016 Implementation*, Docket No. M-2016-2543193 (Order entered July 2, 2024) (“2024 FSIO”). For ease of reference and review, the sub-appendices to **Appendix A** (such as **Appendix A-1**, **Appendix A-2**, etc.) correspond directly with the filing requirements listed in the Commission’s Application Filing Checklist. Certain appendices contain proprietary information and are, accordingly, labeled as **CONFIDENTIAL** and filed with the Commission’s Secretary under seal.

3. PAWC further requests, pursuant to Code Section 507, 66 Pa. C.S. § 507, the issuance of Certificates of Filing or approvals for the following agreements between PAWC and a municipal corporation:

- a. Asset Purchase Agreement dated May 30, 2025, by and between the City of Pittston and Pennsylvania-American Water Company (attached hereto as **Appendix A-24-a**) (the “APA”);

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<sup>1</sup> PAWC reserves its right in future proceedings to make rate base claims related to the acquisition as may otherwise be permitted under the Code.

- b. Service Agreement dated September 8, 1965, as amended December 1, 1965, by and between the Wyoming Valley Sanitary Authority and the City of Pittston (Attached hereto as **Appendix A-25-a**)
- c. The *Pro Forma* Wastewater Conveyance Agreement by and between Hughestown Borough and City of Pittston (attached hereto as **Appendix A-25-b**); and
- d. The *Pro Forma* Wastewater Conveyance Agreement by and between Duryea Borough and City of Pittston (attached hereto as **Appendix A-25-c**).

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

4. The name and address of the Applicant is:

Pennsylvania-American Water Company  
852 Wesley Drive  
Mechanicsburg, PA 17055

5. The names and addresses of PAWC’s attorneys are:

Erin K. Fure, Esquire  
Pennsylvania-American Water Company  
852 Wesley Drive  
Mechanicsburg, PA 17055  
Telephone: 717-550-1556  
Email: [erin.fure@amwater.com](mailto:erin.fure@amwater.com)

Adeolu A. Bakare, Esquire  
McNees Wallace & Nurick LLC  
100 Pine Street  
Harrisburg, PA 17101  
Telephone: 717-237-5290  
Email: [abakare@mcneeslaw.com](mailto:abakare@mcneeslaw.com)

6. PAWC is a regulated public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania, and is engaged in the business of collecting, treating, storing, supplying, distributing and selling water to the public, and collecting, treating, transporting and disposing of wastewater for the public. Water and

wastewater service are furnished by PAWC to the public in a service territory encompassing more than 418 communities in 37 counties across the Commonwealth, including Luzerne County and the nearby counties of Lackawanna, Wyoming, and Columbia. PAWC serves a combined population of over 2,300,000. A description of PAWC's existing certificated water and wastewater service territory is found in **Appendix B**, along with a detailed corporate history, outlining all the mergers, acquisitions and consolidations, which have created PAWC as it exists on the date of this Application.

7. Pittston is a body corporate and politic, a City of the Third Class under the Constitution and the laws of the Commonwealth of Pennsylvania and the City's Home Rule Charter, with an office located at 35 Broad Street, Pittston, PA 18640. The City's Home Rule Charter was adopted by the voters of the City of Pittston on November 6, 2012 and became effective on January 2, 2013. Pittston owns and operates the System to provide wastewater service to customers in the Service Area.

8. As of September 25, 2025, the System furnished wastewater service to approximately 4,124 direct customer connections and to approximately 600 customers in adjacent municipalities. The System's Service Area is described in **Appendix-A-16**.

9. As of December 31, 2025, PAWC furnished wastewater service to approximately 117,046 residential, commercial, industrial, municipal and bulk customers in Pennsylvania. As of December 31, 2025, PAWC furnished water service to approximately 696,977 customers in Pennsylvania.

10. The completion of the below-defined Transaction will confer benefits upon the long-term financial health of the City, while ensuring that Pittston's existing customers receive safe, adequate, and reliable wastewater service at just and reasonable rates.

**A. TRANSFER, BY SALE, OF ALL OF PITTSTON'S ASSETS, PROPERTIES AND RIGHTS RELATED TO THE SYSTEM TO PAWC (OTHER THAN THE EXCLUDED ASSETS)**

**Summary of the Transaction**

11. On May 30, 2025, Pittston and PAWC entered into the APA, along with detailed schedules, by which Pittston will sell all of its assets, properties and rights relating to the System (other than the Excluded Assets, as defined by the APA) to PAWC (the “Transaction”). The APA includes a purchase price for the System of \$26,440,000.

12. The Transaction will be completed in accordance with the APA.

13. Among other things, the APA: (i) requires PAWC and Pittston to complete the Transaction after receipt of all governmental approvals (including from this Commission) and the satisfaction of all conditions precedent; (ii) requires PAWC to assume certain contracts; (iii) requires PAWC initially to adopt the rates in effect at the time of closing of the Transaction (“Closing”) (see *pro forma* tariff supplement attached hereto as **Appendix A-12**); and (iv) sets forth rates for the Service Area that will be fair to both Pittston’s current customers and PAWC’s current customers.

**Applicable Legal Standards**

14. Under Code Section 1103, the Joint Applicants must demonstrate that PAWC is legally, technically, and financially fit. *Seaboard Tank Lines v. Pa. Pub. Util. Comm’n*, 502 A.2d 762, 764 (Pa. Cmwlth. 1985); *Warminster Township Mun. Auth. v. Pa. Pub. Util. Comm’n*, 138 A.2d 240, 243 (Pa. Super. 1958). As a currently certificated public utility, PAWC’s fitness is rebuttably presumed by law to be continuing. *See, e.g., South Hills Movers, Inc. v. Pa. Pub. Util. Comm’n*, 601 A.2d 1308, 1310 (Pa. Cmwlth. 1992).

15. The Commission may issue a certificate of public convenience upon a finding that “the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public.” 66 Pa. C.S. § 1103(a). Ownership and operation of the System by PAWC will “affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way.” *City of York v. Pa. Pub. Util. Comm’n*, 449 Pa. 136, 151, 295 A.2d 825, 828 (1972). The affirmative public benefit test is satisfied by a simple preponderance of the evidence of benefits. *Popowsky v. Pa. Pub. Util. Comm’n*, 594 Pa. 583, 611, 937 A.2d 1040, 1057 (2007).

16. Code Section 1329 establishes a voluntary process whereby the acquiring public utility and the selling municipality may choose to have the fair market value of the assets established through independent appraisals conducted by Utility Valuation Experts (“UVEs”). For ratemaking purposes, the valuation will be the lesser of the average of the two appraisals or the negotiated purchase price.

17. Code Section 1329 also allows, as a matter of law, the acquiring public utility, *inter alia*, (i) to collect a DSIC for the Service Area prior to the first base rate case in which the Service Area plant-in-service is incorporated into rate base,<sup>2</sup> (ii) to accrue AFUDC for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes, (iii) to defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes, and (iv) to include, in its next base rate case, a claim for transaction and closing costs associated with the acquisition. In order to obtain this ratemaking treatment, the acquiring public utility must produce certain documents and information as required by the Commission in the context of a future base rate

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<sup>2</sup> Before doing so, however, PAWC would need to file and receive Commission approval of, an amended Long Term Infrastructure Improvement Plan and a compliance tariff supplement, which incorporate the Service Area into PAWC’s DSIC tariff.

proceeding. 66 Pa. C.S. §1329; *see Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 (Final Supplemental Implementation Order entered February 28, 2019) (“*2019 FSIO*”).

18. Code Section 507, 66 Pa. C.S. § 507, requires that contracts between a public utility and a municipal corporation, except for contracts to furnish service at a regular tariffed rate, be filed with the Commission at least 30 days before the effective date of the contract. The Commission acknowledges the contract by issuing a certificate of filing unless it decides to institute proceedings to determine whether there are any issues with the reasonableness, legality, or any other matter affecting the validity of the contract. Should the Commission initiate proceedings, the contract or agreement is not effective until the Commission grants its approval. 66 Pa. C.S. § 507.

19. On July 2, 2024, the Commission issued the *2024 FSIO*, which approved several changes to the Commission’s procedures and guidelines for filings made under Section 1329 of the Code. The *2024 FSIO* modified the Application Filing Checklist with respect to the contents of public hearings and rate impact notifications and developed a reasonableness review ratio (“RRR”) that is intended to guide the Commission in its review of the prudence of the Application.

### **Background Financial Information**

20. Attached hereto are Pittston’s audited balance sheet as of December 31, 2023 (**Appendix C**) and PAWC’s audited balance sheet as of December 31, 2024 (**Appendix D**).

21. Attached hereto are Pittston's audited income statement for the 12 months ended December 31, 2023 (**Appendix E**), and PAWC's audited income statement for the 12 months ended December 31, 2024 (**Appendix F**).

22. All the annual reports, tariffs, certificates of public convenience, applications, securities certificates and similar documents filed with this Commission by PAWC, and its predecessors, are made a part hereof by reference.

### **Terms and Impact of the Transaction**

23. As noted above, this Application seeks, among other things, approval of the transfer to PAWC of substantially all of the assets, properties and rights related to the System (other than the Excluded Assets, as defined by the APA) (**Appendix A-24-a**).

24. PAWC and Pittston are not affiliated with each other.

25. The Transaction is, and was negotiated, at arm's length.

26. Consistent with the *2024 FSIO*, PAWC provided Pittston with information regarding the potential rate impact of this Transaction on Pittston's existing customers. Pittston understands that the Commission may shift rate allocations in a manner that differs from any commitments made in the APA or as part of this Application.

27. Attached hereto as **Appendix G** is a *pro forma* balance sheet of PAWC for the 12 months ending December 31, 2024, giving effect to the Transaction.

28. Attached hereto as **Appendix H** is a *pro forma* consolidated income statement of PAWC for the 12 months ending December 31, 2024, giving effect to the Transaction.

29. Attached hereto as **Appendix I** is a Unanimous Consent of Directors of PAWC confirming that PAWC's Board of Directors authorized the execution of the APA and the consummation of the proposed Transaction.

30. Attached hereto as **Appendix J** is a copy of Pittston's Ordinance No. 2 of 2025 ordained and enacted by the City Council of the City of Pittston approving the execution of an asset purchase agreement for the sale of Pittston's wastewater system assets to PAWC.

31. Attached hereto as **Appendix K** is an estimate of PAWC's revenues and expenses in the Service Area during the first year after Closing.

**Transaction's Effect on Service and Rates and Other Affirmative Benefits**

32. The Transaction is in the public interest, will provide affirmative public benefits of a substantial nature, and satisfies the applicable standard of Code Section 1103, 66 Pa. C.S. § 1103, because the benefits of the Transaction outweigh the detriments for all major stakeholder groups including (a) the public-at-large, (b) Pittston, (c) existing and future customers of the System, (d) PAWC, and (e) existing customers of PAWC.

33. The Transaction will benefit the public-at-large, for the following reasons (among others):

- a. The Transaction promotes the Commission's policy favoring regionalization and consolidation of water and wastewater systems. 52 Pa. Code § 69.721(a).
- b. The Transaction promotes the Legislature's policy goals when it enacted Section 1329.
- c. Due to its greater financial resources and greater depth of experience in managing wastewater systems, PAWC is in a better position than Pittston to maintain environmental compliance in the future. PAWC

has a strong record of complying with applicable environmental statutes and regulations. Improved environmental compliance will promote the rights of all Pennsylvanians, which are protected by the Environmental Rights Amendment. PA. CONST. Art. I, § 27.

34. The Transaction will benefit the City of Pittston for the following reasons (among others):

- a. Pittston will receive the proceeds of the sale (\$26,440,000), which will be used to benefit the public. After closing on the Transaction (“Closing”), the City will use the proceeds to stabilize their financial situation (i.e., pay down existing debt), provide funding for City-wide revitalization efforts while also focusing on other core government services.
- b. PAWC will relieve the City of the burdens associated with maintaining and upgrading the infrastructure. The Transaction will ensure that the System is managed by experienced professionals focused on compliance and reliability, allowing the City to allocate resources more effectively and ultimately benefit residents through improved service and reduced costs.

35. The Transaction will benefit the existing and future customers of Pittston for the following reasons (among others):

- a. The existing System customers are members of the public-at-large and so will enjoy the same benefits from the Transaction as all other members of the public-at-large.
- b. System customers will become part of a large PAWC customer base. As a standalone system, System customers have to bear the burden of the System’s capital improvement needs on their own. As part of a larger customer base, System customers will benefit at times but also be required to contribute to benefit other customers at times. The sharing of costs over an extended period of time is a benefit of regionalization and consolidation of wastewater systems in the Commonwealth.
- c. Customers will receive service from a large, financially, legally and technically fit public utility. The System will be able to draw on the statewide resources of PAWC. This includes approximately 1,150

professionals with expertise in all areas of water and wastewater utility operations. In addition, since PAWC is a subsidiary of American Water Works Company, Inc., it has access to additional resources of highly trained professionals who have expertise in various specialized areas. Finally, PAWC has access to equity and other funding sources to which the System does not currently have access (such as a \$400 million line of credit through American Water Capital Corp.).

- d. PAWC has more robust cybersecurity, physical security, and emergency plans than Pittston.
- e. Customers can make service calls to PAWC's customer call centers at extended hours. Specifically, customers will have access to PAWC's field service crews, who are on-call and available for emergency fieldwork (main breaks, emergency shut-offs, and emergency turn-ons) 24/7/365.
- f. PAWC has comprehensive and robust customer assistance programs and customer education programs. Customers will have access to PAWC's customer assistance program, "H2O Help to Others Program," which offers wastewater assistance through grants up to \$500 per year, tiered discounts, and arrearage forgiveness based on the Federal Poverty Level. PAWC also provides payment arrangements and budget billing for eligible customers.
- g. PAWC empowers customers with a variety of convenient bill payment options to suit their preferences: paper bills via mail or electronically via the "My H2O" online portal.
- h. The System's existing customers will enjoy the economies of scale that come from PAWC's greater size and purchasing power, including its ability to obtain goods and services at lower costs because it buys in large quantities.
- i. Many Pittston sewer customers are already PAWC water customers and would receive a single water and wastewater bill (for conveyance through the System) after Closing.
- j. The Transaction will have no immediate rate impact on Pittston's customers because PAWC will adopt Pittston's rates upon Closing and bill on a monthly basis. In the future, "just and reasonable" rates will be set by the Commission, which has many tools at its disposal to keep rates stable.

36. The Transaction will benefit PAWC for the following reasons (among others):

- a. The Pittston wastewater service territory overlaps with PAWC's Wilkes-Barre Scranton water systems. Accordingly, this Transaction creates several regionalization and consolidation benefits, including better coordination of construction projects and more efficient repairs
- b. The Transaction will add approximately 4,700 customers to PAWC's existing wastewater customer base, making PAWC a larger, more financially stable utility.
- c. The purchase price of the System (\$26,440,000) is less than the average of the two UVE appraisals (\$31,236,144). In other words, the Transaction is a good deal because PAWC grows its business while paying less than the appraised value of the System.

37. The Transaction will benefit the existing wastewater customers of PAWC for the following reasons (among others):

- a. PAWC's existing wastewater customers are members of the public-at-large, and so will enjoy the same benefits from the Transaction as all other members of the public-at-large.
- b. The Transaction will have no immediate rate impact on PAWC's existing wastewater customers; any impacts on the rates of PAWC's existing customers would occur only upon Commission approval as part of a base rate proceeding.
- c. The Transaction will add approximately 4,700 customers to PAWC's existing wastewater customer base. In the long term, this will benefit existing wastewater customers by spreading the costs of the System among a larger number of customers, allowing all customers to share future infrastructure and other expenses, which permits rates for all customers to remain just and reasonable over time. It also promotes rate stability because customers in any particular wastewater system are unlikely to experience sharp rate spikes when their individual system requires extensive capital investments.

38. The Transaction will benefit the existing water customers of PAWC for the following reasons (among others):

- a. The existing water customers of PAWC are members of the public-at-large, and so will enjoy the same benefits from the Transaction as all other members of the public-at-large.

- b. The Transaction will have no immediate rate impact on PAWC's existing water customers.
- c. In the long term, the Transaction will have no impact at all on the rates of PAWC's existing water customers unless, in a future rate case, the Commission determines that an allocation of PAWC's wastewater requirement to water customers is in the public interest.

**B. THE RIGHTS OF PAWC TO OFFER OR FURNISH WASTEWATER SERVICE TO THE PUBLIC IN THE AREAS CURRENTLY SERVED BY THE CITY OF PITSTON IN LUZERNE COUNTY, PENNSYLVANIA**

39. The System furnishes wastewater service to approximately 4,700 customers.

40. PAWC's applied-for service territory is shown on the maps in **Appendix A-16-a through A-16-f (Appendix A-16-f is CONFIDENTIAL)** and is further described in that appendix.

41. No corporation, partnership or individual other than Pittston is now furnishing or has corporate or franchise rights to furnish service similar to that to be rendered by PAWC in the territory covered by this Application, and no competitive condition will be created. As part of this Application, PAWC has requested approval to acquire, by purchase, substantially all of the assets, properties and rights related to the wastewater conveyance and collection system (other than the Excluded Assets, as set forth in the APA). Upon Closing, Pittston will permanently discontinue all wastewater service to the public.<sup>3</sup>

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<sup>3</sup> Pittston will file an Application for an Expedited Certificate of Public Convenience, *Nunc Pro Tunc*, with the Commission near in time to the filing of the instant Application. In connection with the proposed sale of its wastewater assets to PAWC, Pittston discovered that its provision of service to certain customers outside of Pittston's geographic boundaries required it to seek a Certificate of Public Convenience, *Nunc Pro Tunc* from the Commission. The maps included in Appendix A-16-a through A-16-f align with the service territory for which Pittston is requesting the Certificate of Public Convenience, *Nunc Pro Tunc*. Closing will not occur until such time that the Commission issues a Certificate of Public Convenience evidencing its approval of Pittston's abandonment of its extraterritorial service.

**C. FAIR MARKET VALUATION UNDER CODE SECTION 1329**

42. **Appendix A** and related Application Filing Checklist appendices satisfy the filing requirements of Code Section 1329, the *2019 FSIO*, the *2024 FSIO*, and the Application Filing Checklist. The Section 1329 appendices correspond directly with the numbered requirements of the Application Filing Checklist (e.g., **Appendix A-1** (Requirement No. 1), **Appendix A-2** (Requirement No. 2), etc.).

43. The fair market valuation reports of the seller's and buyer's UVEs are contained in **Appendix A-5** (with electronic working documents included at **Appendix A-4** as **Appendix A-4.2 (Weinert Appraisal and Depreciation Service, LLC) (CONFIDENTIAL)** and **Appendix A-4.3 (Gannett Fleming Valuation and Rate Consultants, LLC) (CONFIDENTIAL)**. Buyer's UVE's written direct testimony in support of its report is set forth in **Appendix A-14-b**.<sup>4</sup>

44. PAWC's other written direct testimony in support of this Application can be found in **Appendix A-14-a**.

45. As PAWC has followed the requirements of Section 1329, the *2019 FSIO*, the *2024 FSIO*, and the Application Filing Checklist, PAWC should be permitted to: (a) use for ratemaking purposes the lesser of the fair market value or the negotiated purchase price of the assets related to the System; (b) collect a DSIC related to the Service Area prior to the first base rate case in which the Service Area plant-in-service is incorporated into rate base, (c) accrue AFUDC for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; (d) defer depreciation related to post-acquisition improvements not

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<sup>4</sup> PAWC is submitting the Direct Testimony of , Harold Walker, III, Pittston's UVE, and the Honorable Michael Lombardo, Mayor of the City of Pittston. These pieces of Direct Testimony are being submitted as directed by the *2019 FSIO*. PAWC's submission of this testimony should not be considered support for or sponsorship of such testimony. PAWC anticipates that Pittston will intervene in this matter and will sponsor its respective direct testimony and exhibits. PAWC reserves its right to submit rebuttal testimony regarding the testimony of Pittston as appropriate.

recovered through the DSIC for book and ratemaking purposes; and, (e) include, in its next base rate case, a claim for transaction and closing costs related to the acquisition.

46. PAWC requests to record the acquisition on a net basis consistent with generally accepted accounting principles, which advise that property, plant and equipment acquired in a business combination intended to be held and used should be recognized and measured at fair value, and that the accumulated depreciation of the acquiree is not carried forward in a business combination (*i.e.*, net presentation).

**D. FILING OF CONTRACTS PURSUANT TO CODE SECTION 507**

47. The APA, because it is between PAWC and a municipal corporation, is required to be filed with the Commission under 66 Pa. C.S. § 507. The APA is attached hereto as **Appendix A-24-a**. In addition, PAWC requests approval of four municipal contracts attached to the Application as **Appendix A-25-a** through **Appendix A-25-c**.

48. First, PAWC seeks approval, pursuant to 66 Pa. C.S. § 507, of the Service Agreement dated September 8, 1965, as amended December 1, 1965, by and between the Wyoming Valley Sanitary Authority (“WVSA”) and the City of Pittston, which is attached hereto as **Appendix A-25-a**. This agreement establishes the terms and conditions for the City’s conveyance of wastewater flows from its collection system to WVSA’s conveyance and wastewater treatment facilities. The Service Agreement also sets forth the rates to be paid to WVSA by property owners connected to the City’s system as well as a mechanism for the City to compensate WVSA for collected revenue shortfalls. Commission approval of this contract, which would be assumed by PAWC at Closing, is necessary for PAWC to provide wastewater service in the same manner as the City. Approval is reasonable and serves an important public

purpose because the service provided under the contract is essential to the provision of wastewater service in this community.

49. Second, PAWC seeks approval, pursuant to 66 Pa. C.S. § 507, of the *Pro Forma* Wastewater Conveyance Agreement by and between the City of Pittston and the Borough of Hughestown, which is attached hereto as **Appendix A-25-b** (“Hughestown Agreement”). The Hughestown Agreement sets forth the terms and conditions through which wastewater flows from the Borough of Hughestown’s collection system, which adjoins the City’s system, are conveyed through the City’s collection system to the WWSA conveyance and treatment facilities. Commission approval of this contract, which would be assumed by PAWC at Closing, is necessary for PAWC to provide wastewater service in the same manner as the City. Approval is reasonable and serves an important public purpose because the service provided under the contract is essential to the provision of wastewater service in this community.

50. Third, PAWC seeks approval, pursuant to 66 Pa. C.S. § 507, of the *Pro Forma* Wastewater Conveyance Agreement by and between the City of Pittston and the Borough of Duryea, which is attached hereto as **Appendix A-25-c** (“Duryea Agreement”). The Duryea Agreement sets forth the terms and conditions through which wastewater flows from the Borough of Duryea’s collection system, which adjoins the City’s system, are conveyed through the City’s collection system to the WWSA conveyance and treatment facilities. Commission approval of this contract, which would be assumed by PAWC at Closing, is necessary for PAWC to provide wastewater service in the same manner as the City. Approval is reasonable and serves an important public purpose because the service provided under the contract is essential to the provision of wastewater service in this community.

51. Accordingly, the Commission should issue Certificates of Filing or otherwise approve the Section 507 Agreements under 66 Pa. C.S. § 507.

**E. NOTICE**

52. As evidenced by the Certificate of Service accompanying this Application, PAWC is serving copies of this filing electronically by emailing a One Drive link to the Office of Consumer Advocate, the Office of Small Business Advocate, and the Commission’s Bureau of Investigation and Enforcement. Once the Application is reviewed and conditionally accepted by Commission Staff, PAWC will serve copies of the Application upon the municipal entities required to be provided with copies by the Commission’s regulations at 52 Pa. Code § 3.501(f) and by the Application Filing Checklist and upon the Pennsylvania Department of Environmental Protection (“DEP”) Central Office and Northeast Regional Office. Similarly, notice will be published in local newspapers of general circulation.

53. Upon receiving conditional acceptance of this filing by the Commission, PAWC will provide individual notice to its customers by bill insert or bill onsert and to Pittston’s customers by direct mail, in compliance with the *2019 FSIO* and *2024 FSIO*. PAWC will verify to the Commission when individual notice to affected customers has been completed and ask that the filing be finally accepted.

54. Upon final acceptance of this filing, PAWC respectfully requests that the Commission publish notice of this filing in the Pennsylvania Bulletin as soon as possible, with a reasonable deadline for the filing of protests, interventions, etc. in this proceeding.

**F. CONCLUSION AND REQUEST FOR RELIEF**

**WHEREFORE**, Pennsylvania-American Water Company respectfully requests that the Pennsylvania Public Utility Commission approve the Application and order that:

(a) such Certificates of Public Convenience be issued as necessary to evidence its approval under 66 Pa. C.S. § 1102(a) of (i) the transfer, by sale, of substantially all of the assets, properties and rights related to the wastewater system owned and operated by the City of Pittston to Pennsylvania-American Water Company, and (ii) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply wastewater service in the areas currently served by Pittston;

(b) the *pro forma* tariff supplement attached hereto as **Appendix A-12**, including all rates, rules and regulations regarding conditions of Pennsylvania-American Water Company's wastewater service as revised herein, be permitted to become effective immediately upon closing of the Transaction;

(c) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to use for ratemaking purposes the lesser of the fair market value or the negotiated purchase price of the assets of the System;

(d) pursuant to 66 Pa. C.S. § 1702, Pennsylvania-American Water Company be permitted to record the acquisition at the net value of the assets;

(e) pursuant to 66 Pa. C.S. 1329, Pennsylvania-American Water Company be permitted to collect a distribution system improvement charge prior to the first base rate case in which the Service Area plant-in-service is incorporated into rate base;

(f) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to accrue Allowance for Funds Used During Construction for post-acquisition improvements not recovered through the distribution system improvement charge for book and ratemaking purposes;

(g) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes;

(h) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to include, in its next base rate case, a claim for transaction and closing costs associated with the acquisition of the System;

(i) pursuant to 66 Pa. C.S. § 507, a Certificate of Filing or approvals be issued for the following agreements between Pennsylvania-American Water Company and a municipal corporation:

- i. Asset Purchase Agreement dated May 30, 2025 by and between the City of Pittston and Pennsylvania-American Water Company (attached hereto as **Appendix A-24-a**) (the “APA”); and
- ii. Service Agreement dated September 8, 1965, as amended December 1, 1965, by and between the Wyoming Valley Sanitary Authority and the City of Pittston (Attached hereto as **Appendix A-25-a**); and
- iii. The *Pro Forma* Wastewater Conveyance Agreement by and between Hughestown Borough and Pennsylvania-American Water Company (attached hereto as **Appendix A-25-b**); and
- iv. The *Pro Forma* Wastewater Conveyance Agreement by and between Duryea Borough and Pennsylvania-American Water Company (attached hereto as **Appendix A-25-c**).

(j) any other approvals or certificates appropriate, customary, or necessary under the Code (including the Commission's approval of Pittston's abandonment of its extraterritorial service) to carry out the Transaction contemplated in this Application be issued in a lawful manner.

Respectfully submitted,



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