



Elizabeth Rose Triscari
Senior Counsel
852 Wesley Drive | Mechanicsburg, PA 17055
Phone: 717-550-1574
elizabeth.triscari@amwater.com

March 10, 2026

VIA ELECTRONIC FILING

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

**In re: I&E Petition to Request the Commission Open a Section 529
Investigation Into the Acquisition of Rock Spring Water
Company - Docket No. P-2024-3051313**

Dear Secretary Homsher:

On behalf of Pennsylvania-American Water Company, please find its Exceptions to the Recommended Decision of Administrative Law Judge John M. Coogan.

Should you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Elizabeth Rose Triscari".

Elizabeth Rose Triscari

cc: The Honorable Administrative Law Judge John M. Coogan (*via electronic mail*)
All Parties on the Attached Certificate of Service (*via electronic mail*)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 Bureau of Investigation and Enforcement :
 Petition to Request the Commission Open : Docket No. P-2024-3051313
 A Section 529 Investigation into the :
 Acquisition of Rock Spring Water Company :

CERTIFICATE OF SERVICE

I hereby certify that on this day I am serving the above-referenced **Exceptions** upon people and in the manner indicated below, which service satisfies the requirements of 52 Pa. Code §1.54 (relating to service by a party).

SERVED VIA ELECTRONIC MAIL ON MARCH 10, 2026

Robert A. Mix, Esquire Robert Mix Law 211 Kimport Avenue Boalsburg, PA 16827 E-mail: Bmix470@gmail.com Counsel for State College Borough Water Authority	Melanie Joy El Atieh, Esquire Jacob D. Guthrie, Esquire Office of Consumer Advocate 555 Walnut Street 5th Floor, Forum Place Harrisburg, PA 17101-1923 Email: OCARockSpring@paoca.org Counsel for the Office of Consumer Advocate
Amanda Chaplin, Esquire Glenn Masser, Esquire Pennsylvania Department of Environmental Protection Northcentral Regional Office 208 West Third Street, Suite 101 Williamsport, PA 17701 E-mail: achaplin@pa.gov E-mail: gmasser@pa.gov Counsel for the Pennsylvania Department of Environmental Protection	Elizabeth A. Dupuis, Esquire Morgan M. Madden, Esquire Babst, Calland, Clements & Zomnir, P.C. 330 Innovation Blvd., Suite 302 State College, PA 16803 Email: bdupuis@babstcalland.com E-mail: mmaden@babstcalland.com Counsel for Ferguson Township
Carrie B. Wright, Esquire Pennsylvania Public Utility Commission Bureau of Investigation and Enforcement Commonwealth Keystone Building 400 North Street Harrisburg, PA 17120 E-mail: carwright@pa.gov Counsel for the Bureau of Investigation and Enforcement	Rebecca Lyttle, Esquire Steven Gray, Esquire Office of Small Business Advocate 555 Walnut Street 1 st Floor, Forum Place Harrisburg, PA 17101 E-mail: relyttle@pa.gov E-mail: sgray@pa.gov Counsel for Office of Small Business Advocate

<p>Alexander R. Stahl, Esquire Aqua Pennsylvania, Inc. 762 W. Lancaster Avenue Bryn Mawr, PA 19010 E-mail: astahl@aquaamerica.com Counsel for Aqua Pennsylvania, Inc.</p>	<p>Rod Beard, Esquire Beard Law Company 101 N. Allegheny Street Bellefonte, PA 16823 E-mail: rod@beardlawco.com Counsel for Rock Spring Water Company</p>
<p>David S. Gaines, Jr. MILLER, KISTLER & CAMPBELL 720 South Atherton Street, Suite 201 State College, PA 16801 E-Mail dgaines@mkclaw.com Counsel for State College Borough Water Authority</p>	<p>David P. Zambito, Esquire Jonathan P. Nase, Esquire Cozen O'Connor 17 North Second Street, Suite 1410 Harrisburg, PA 17101 Phone: (717) 703-5892 E-mail: dzambito@cozen.com E-mail: jnase@cozen.com</p>

Respectfully submitted,



Elizabeth Rose Triscari, Esquire (PA ID #306921)
Teresa K. Harrold, Esquire (PA ID #311082)
Erin K. Fure, Esq. (PA ID No. 312245)
Pennsylvania-American Water Company
852 Wesley Drive
Mechanicsburg, PA 17055
E-mail: elizabeth.triscari@amwater.com
E-mail: teresa.harrold@amwater.com
E-mail: erin.fure@amwater.com

David P. Zambito, Esquire (PA ID 80017)
Jonathan P. Nase, Esquire (PA ID 44003)
Cozen O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101
Telephone: 717-703-5892
Facsimile: 215-989-4216
E-mail: dzambito@cozen.com
E-mail: jnase@cozen.com

Counsel for Pennsylvania-American Water Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: I&E's Petition to Request the Commission :
Open a Section 529 Investigation Into the : Docket No. P-2024-3051313
Acquisition of Rock Spring Water Company :

**EXCEPTION OF PENNSYLVANIA-AMERICAN
WATER COMPANY**

Elizabeth Rose Triscari, Esquire (PA ID No. 306921)
Teresa Harrold, Esquire (PA ID No. 311082)
Erin K. Fure, Esquire (PA ID No. 312245)
Pennsylvania-American Water Company
852 Wesley Drive
Mechanicsburg, PA, 17055
Telephone: 717-550-1556
E-mail: elizabeth.triscari@amwater.com
E-mail: teresa.harrold@amwater.com
E-mail: erin.fure@amwater.com

David P. Zambito, Esquire (PA ID 80017)
Jonathan P. Nase, Esquire (PA ID 44003)
Cozen O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101
Telephone: 717-703-5892
Facsimile: 215-989-4216
E-mail: dzambito@cozen.com
E-mail: jnase@cozen.com

Counsel for *Pennsylvania-American Water
Company*

Dated: March 10, 2026

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AND NOW COMES PENNSYLVANIA-AMERICAN WATER COMPANY (“PAWC” or the “Company”), pursuant to 52 Pa. Code § 5.533 and the Secretarial Letter issued in this matter on February 18, 2026, to file this Exception to the Recommended Decision of Administrative Law Judge John M. Coogan (the “ALJ”), issued on February 18, 2026. The ALJ recommended that the Pennsylvania Public Utility Commission (the “Commission”) grant the Petition to Open a Section 529 Investigation into the Acquisition of Rock Spring Water Company (“RSWC” or “Rock Spring”) and that the Commission direct PAWC to acquire RSWC. PAWC is ready, willing and able to acquire the Rock Spring water system (the “System”) if the Commission so orders. PAWC, however, asks the Commission to modify the Recommended Decision to provide PAWC and RSWC with non-binding guidance on a “reasonable” purchase price for Rock Spring’s System.

I. PROCEDURAL HISTORY

Pages 1-7 of the Recommended Decision accurately summarize the Procedural History of this case.

II. EXCEPTION: THE COMMISSION SHOULD PROVIDE NON-BINDING GUIDANCE TO PAWC AND ROCK SPRING ON A “REASONABLE” PURCHASE PRICE

Section 529(a) empowers the Commission to order a capable public utility to acquire a small water utility if the Commission makes certain findings after notice and an opportunity to be heard. The ALJ recommended that the Commission make all of the findings necessary to order a capable public utility to acquire Rock Spring. In addition, the ALJ recommended that the Commission order PAWC to acquire the System. PAWC does not except to these recommendations; PAWC is ready, willing and able to acquire the System if the Commission so orders.

Section 529(e) provides:

The price for the acquisition of the small water or sewer utility shall be determined by agreement between the small water or sewer utility and the acquiring public utility, subject to a determination by the commission that the price is reasonable. If the small water or sewer utility and the acquiring capable public utility are unable to agree on the acquisition price or the commission disapproved the acquisition price on which the utilities have agreed, the commission shall issue an order directing the acquiring capable public utility to acquire the small water or sewer utility by following the procedure prescribed for exercising the power of eminent domain pursuant to the act of June 22, 1964 ... known as the Eminent Domain Code.

66 Pa. C.S. § 529(e).

PAWC and RSWC have not reached an agreement by which PAWC will acquire the System. Consequently, PAWC's Brief and Reply Brief argued that, if the ALJ recommended that the Commission direct PAWC to acquire the System, he should also recommend that the Commission's Order address the procedure going forward. Among other things, PAWC requested that the ALJ recommend that:

- The Commission give RSWC and PAWC a reasonable period (such as three months) to negotiate an asset purchase agreement identifying the System assets that will be transferred and a reasonable purchase price for those assets. If RSWC and PAWC cannot reach an agreement within that time period, PAWC could either request an extension of time to negotiate an agreement or file an eminent domain proceeding to acquire the System.
- The Commission provide PAWC and Rock Spring with a "range of reasonableness" for the purchase price.
- The Commission direct that certain existing debts of RSWC (such as the costs of PAWC's receivership together with the fines and penalties that already have been imposed on Rock Spring) be paid from the proceeds of the sale of the System, to the extent that proceeds are available.
- The Commission's Order give PAWC a reasonable period (such as three months) to prepare and submit a Plan for Improvements for remedying the System's deficiencies pursuant to Section 529(j).

PAWC's Brief at 15-16 and 37-43; PAWC's Reply Brief at 35-36.

The ALJ agreed with PAWC on most of these points. The ALJ, however, did not recommend that the Commission provide PAWC and Rock Spring with a "range of

reasonableness” for the purchase price. Recommended Decision (“R.D.”) at 176. According to the ALJ:

PAWC’s arguments for what may be a reasonable purchase price are detailed and may have merit. However, I decline to recommend a range of reasonableness for the purchase price. What is reasonable should be a factual matter to be negotiated and presented to the Commission in a future stage of this proceeding. Additionally, pursuant to Section 529(e), the price for acquisition is only to be presented to the Commission if *both* parties agree to a price. There is no indication that RSWC agrees to PAWC’s proposed “range of reasonableness.” Indeed, RSWC opposes guidance on a reasonable purchase price in this proceeding. RSWC RB at 5. To set a range of reasonableness now could limit the possibility of what the parties agree to as reasonable during future negotiations. Similarly, to set an acceptable price range now is premature since, if PAWC and RSWC cannot agree to an acquisition price, the Commission will order PAWC to acquire RSWC through eminent domain. 66 Pa. C.S. § 529(e).

Recommended Decision (“R.D.”) at 176.

PAWC respectfully excepts to this portion of the Recommended Decision and requests that the Commission provide PAWC and RSWC with non-binding guidance on what the Commission might find to be a “reasonable” purchase price for the System. Such guidance would be helpful to PAWC and Rock Spring as they attempt to negotiate a purchase price for the System that would be acceptable to the Commission.

Such guidance would be in the public interest because it could avoid substantial delays in transferring the System to a capable public utility. The Recommended Decision recommends that the Commission give PAWC and RSWC three months to negotiate an Asset Purchase Agreement, with the possibility for extensions to conduct further negotiations. Ordering Paragraphs 3 and 4. In contrast, if the Commission would provide non-binding guidance on a “reasonable” purchase price for the System, the parties might quickly realize that they cannot agree on a purchase price that the Commission would find “reasonable.” In that situation, PAWC would know that it should

quickly file an eminent domain proceeding¹ to acquire the System. Additionally, if the Commission would provide non-binding guidance on a “reasonable” purchase price for the System, PAWC and RSWC are not likely to spend months negotiating an Asset Purchase Agreement that the Commission ultimately disapproves on the grounds that the agreed-to purchase price is not “reasonable.” Finally, such guidance would be in the public interest because it would aid PAWC and RSWC (and the Commission) in avoiding the unprecedented step of forcing a capable public utility to acquire an unwilling small water system through eminent domain.²

The only party to respond to PAWC’s recommended procedure going forward was Rock Spring, who opposed PAWC’s proposal. RSWC’s Reply Brief at 5. According to Rock Spring, guidance on a “reasonable” purchase price would be inappropriate because it is an advisory opinion. Rock Spring further argues “[t]here is no reason, justification or precedent for the Commission to engage in speculation or guidance regarding a reasonable purchase price.” *Id.*

Rock Spring incorrectly claims that there is no precedent for the Commission to provide guidance on a “reasonable” purchase price for a utility system. The Commission recently provided non-binding guidance to the regulated community on a methodology it will use to determine

¹ In the alternative, PAWC could request Commission authority to file an eminent domain proceeding quickly. The Recommended Decision is unclear on whether PAWC could file an eminent domain proceeding during the three months immediately following entry of the Commission’s order if it becomes apparent that PAWC and Rock Spring cannot reach an agreement.

² The record contains no evidence regarding the eminent domain process, but the Commission can take official notice of the Eminent Domain Code, 26 Pa. C.S. §§ 101 *et seq.*, the Associations Code, especially 15 Pa. C.S. § 1511(c), and reported cases involving condemnations by public utilities. An eminent domain proceeding begins with the filing of a declaration of taking. 26 Pa. C.S. § 302(a)(1). Legal title to the property passes to the condemnor on the date of the filing, 26 Pa. C.S. § 302(a)(2), but the condemnor may not take possession of the property for a considerable period (although presumably PAWC would continue to act as Receiver even if Rock Spring would retain legal possession of the System). The process of determining the value of the System could be a lengthy process. That process would be conducted in the civil courts, completely beyond the control of the Commission. PAWC respectfully submits that the court-determined valuation of the System (together with all transaction and closing costs, including reasonable attorneys fees for the eminent domain proceeding) should be recoverable in rates because the Commission ordered PAWC to acquire the System. To remove any doubt, if the Commission directs PAWC to acquire RSWC through the eminent domain process, its order should make clear that all costs of the acquisition, including the purchase price for the System and all transaction and closing costs (including reasonable attorneys fees) are recoverable in rates.

whether the agreed-to purchase price for a utility system acquired pursuant to Section 1329 is “reasonable.” In *Valuation of Acquired Municipal Water & Wastewater Systems – Act 12 of 2016 Implementation*, Docket No. M-2016-2543193 (Final Supplemental Implementation Order entered Jul. 2, 2024) (the “2024 FSIO”), the Commission adopted a Reasonableness Review Ratio (“RRR”) that the Commission will use as an additional factor and point of reference in making a determination on the overall prudence of a Section 1329 application.³ The RRR is in the nature of a policy statement; it is not binding on the Commission. 2024 FSIO at 103.

In its Brief, PAWC recommended that the Commission establish a “range of reasonableness” from \$6,000 (about half of the System’s net utility plant) to \$65,000 (the amount offered by SCBWA). Together with the estimated cost of improving the System, this purchase price would represent an investment of up to \$34,839 per customer in the RSWC System – a per customer figure exceeding the amount PAWC paid for the Delaware Sewer Company and Clean Treatment Sewage Company pursuant to Section 529, but less than PAWC paid for the Winola Water Company pursuant to Section 529. PAWC’s Main Brief at 38-40.

At a minimum, the Commission should provide guidance to PAWC and RSWC on the factors it would consider in determining whether an agreed-to purchase price is “reasonable.” Such guidance would allow PAWC and RSWC to negotiate a purchase price and present it to the Commission along with the information that the Commission needs to determine whether the agreed-to purchase price is “reasonable.”

³ To be clear, PAWC is not requesting that the Commission establish something akin to the RRR, which would apply to all Section 529 proceedings. If the Commission desires to establish an RRR-like mechanism that would apply to a class of transactions, it should do so through an Implementation Order or policy statement on which all stakeholders should have an opportunity to comment. In this proceeding, PAWC only requests that the Commission establish a “range of reasonableness” for PAWC’s acquisition of RSWC.

These factors should include:

- the assets included in/excluded from the acquisition and the condition of those assets;
- the purchase price per customer for those assets, the capital expenditures per customer needed to bring the System into compliance with statutory and regulatory standards, and comparable data for recent Section 529 acquisitions, all recent Section 1103 acquisitions, and those Section 1103 acquisitions for which PAWC has recently requested an acquisition adjustment pursuant to Section 1327;
- any other offers to purchase the System in the last five years;
- the depreciated original cost of the System; and
- the revenues of the System and the costs to operate the System;
- the expected impact of the acquisition on rates for RSWC's existing customers and PAWC's existing customers.

See PAWC's Brief at 38-40.

The Commission should not require the submission of appraisals completed by utility valuation experts, as required by Section 1329. The Commission can take official notice of the evidence of record in recent Section 1329 acquisitions. That evidence demonstrates that expert valuations are expensive and take substantial time to prepare.⁴

III. CONCLUSION AND REQUEST FOR RELIEF

WHEREFORE, for all the reasons set forth above, Pennsylvania-American Water Company respectfully requests that the Commission adopt the Recommended Decision, as modified to include non-binding guidance on a "reasonable" purchase price for the System. That guidance could be a dollar figure for a minimum and maximum "reasonable" purchase price (PAWC recommends a range from \$6,000 (about half of the System's net utility plant) to \$65,000

⁴ In the recent case of *Application of PAWC for the Acquisition of the Wastewater Treatment Plant and Collection System Owned and Operated by the Elizabeth Borough Municipal Authority*, Docket No. A-2025-3052983, the answer to Standard Data Request 7 indicated that an average of almost \$30,000 had been paid to each utility valuation expert as of the date the application was filed. Considering that Rock Spring's net utility plant as of December 31, 2023, was estimated to be \$11,317, PAWC St. No. 2 p. 3, it would be unreasonable to require the parties to spend almost three times that amount on an appraisal.

(the amount offered by the State College Borough Water Authority)). In the alternative, the Commission could give PAWC and Rock Spring guidance on the evidence and data it would like to review to determine whether an agreed-to purchase price is “reasonable.”

Respectfully submitted,



Elizabeth Rose Triscari, Esquire (PA ID No. 306921)
Teresa Harrold, Esquire (PA ID No. 311082)
Erin K. Fure, Esquire (PA ID No. 312245)
Pennsylvania-American Water Company
852 Wesley Drive
Mechanicsburg, PA, 17055
Telephone: 717-550-1556
E-mail: elizablrh.triscari@amwater.com
E-mail: teresa.harrold@amwater.com
E-mail: erin.fure@amwater.com

David P. Zambito, Esquire (PA ID 80017)
Jonathan P. Nase, Esquire (PA ID 44003)
Cozen O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101
Telephone: 717-703-5892
Facsimile: 215-989-4216
E-mail: dzambito@cozen.com
E-mail: jnase@cozen.com

Counsel for *Pennsylvania-American Water Company*

Dated: March 10, 2026