

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of American Water Works	:	A-2025-3055551
Company, Inc., Pennsylvania-American Water	:	A-2025-3055552
Company, Nexus Regulated Utilities, LLC and	:	A-2025-3055553
Community Utilities of Pennsylvania Inc.,	:	A-2025-3055554
pursuant to Sections 1102 and 1103 of the Public	:	
Utility Code, for all of the necessary authority,	:	
approvals, and certificates of public convenience	:	
to approve the transfer of control of Community	:	
Utilities of Pennsylvania Inc. from Nexus	:	
Regulated Utilities, LLC to American Water	:	
Works Company, Inc.	:	

RECOMMENDED DECISION

Before
Erin L. Gannon
Administrative Law Judge

TABLE OF CONTENTS

I. Introduction 1

II. History of the Proceeding 1

III. Public Input Hearing Testimony 6

IV. Joint Petition for Settlement 8

V. Findings of Fact 14

VI. Legal Standards 29

VII. Discussion 32

 A. Fitness 32

 B. Affirmative Public Benefits 34

 1. Parties’ Positions 35

 2. Analysis 41

 C. Settlement Provisions 43

 1. Rates 43

 2. Approval of an Agreement with an Affiliated Interest Pursuant to
 66 Pa.C.S. § 2102 47

 3. Approval of Agreements Pursuant to 66 Pa.C.S. § 507 48

 4. Distribution System Improvement Charges 48

 5. Customer Assistance Programs 50

 6. CUPA Customer Protections 52

 7. Compliance with CUPA Rate Case Commitments 61

 8. Other Necessary Approvals 62

 9. Standard Settlement Conditions 63

VIII. Conclusion 64

IX. Conclusions Of Law 64

X. Order 68

I. INTRODUCTION

In this Decision, I recommend that the Pennsylvania Public Utility Commission (Commission) approve, without modification, the Joint Petition for Approval of Unanimous Settlement of All Issues (Joint Petition or Settlement) filed on December 23, 2025, because the Settlement is in the public interest. The Joint Petitioners agree the Settlement resolves all issues arising under Sections 1102 and 1103 of the Public Utility Code (the Code),¹ and should be approved without modification. I further recommend that the Commission approve the underlying Joint Application, as amended and as modified by the terms of the Settlement.

II. HISTORY OF THE PROCEEDING

On May 30, 2025, Pennsylvania-American Water Company (PAWC or Company) filed a Joint Application on behalf of American Water Works Company, Inc. (American Water), PAWC, Nexus Regulated Utilities, LLC (Nexus) and Community Utilities of Pennsylvania Inc. (CUPA) (collectively, Joint Applicants). The Joint Application was filed pursuant to Sections 507, 1102, 1103, and 2102 of the Code² and includes requests for Commission approval for the transfer of control of CUPA from Nexus to American Water and transfer to PAWC, by merger, of all assets of CUPA used or useful in the public service. Additionally, the Joint Applicants seek approval for PAWC to begin to offer, render, furnish and supply water service to the public in portions of: Stroud and Pocono Townships, Monroe County; Hanover Township, Northampton County; and Lehman Township, Pike County, Pennsylvania. They also seek approval for PAWC to begin to offer, render, furnish, and supply wastewater service in portions of: Stroud and Pocono Townships, Monroe County; West Bradford Township, Chester County; and Lehman Township, Pike County, Pennsylvania. Finally, the Joint

¹ 66 Pa.C.S. §§ 1102, 1103.

² 66 Pa.C.S. §§ 507, 1102, 1103, 2102.

Applicants request Commission approval for the abandonment by CUPA of all water and wastewater service to the public.

In addition to those approvals pursuant to Sections 1102 and 1103 of the Code, the Joint Applicants seek approval of affiliated interest agreements pursuant to Section 2102 and agreements with municipal corporations pursuant to Section 507.³

The Commission published Notice of the Joint Application in the *Pennsylvania Bulletin* on Saturday, June 14, 2025, and a deadline of June 30, 2025 was established for filing formal protests and petitions to intervene.⁴

On June 17, 2025, the Office of Small Business Advocate (OSBA) filed a Notice of Appearance, and on June 25, 2025, OSBA filed a Protest, Notice of Intervention, and Public Statement. On June 30, 2025, the Office of Consumer Advocate (OCA) filed a Protest and Public Statement. No other protests or petitions to intervene were filed.

The matter was assigned to the Office of Administrative Law Judge (OALJ) and subsequently assigned to me as Presiding Officer. On July 11, 2025, the Commission issued a Prehearing Conference Notice, scheduling a telephonic prehearing conference for July 29, 2025.

I issued a Prehearing Conference Order on July 17, 2025, establishing the procedural rules that would govern the initial prehearing conference. I also directed that each party should file and serve a prehearing memorandum by July 25, 2025.

³ 66 Pa.C.S. §§ 507, 2102.

⁴ 55 Pa.B. 4167 (June 14, 2025).

On July 18, 2025, the Joint Applicants filed a Petition for Protective Order, and I issued a Protective Order on July 23, 2025.

On July 29, 2025, the Prehearing Conference was held. The following parties were represented by counsel: PAWC, CUPA, OCA and OSBA. The parties agreed on potential dates, times and locations/venues for the in-person and telephonic public input hearings requested by the OCA, which request was granted. On August 6, 2025, the Commission issued a Public Input Hearing Notice, which scheduled and provided information for participating in four public input hearings: two in-person in Bethlehem and Tamiment, PA (September 23, 2025) and two telephonic sessions (September 24, 2025).

On August 7, 2025, the Commission issued another notice, which scheduled in-person evidentiary hearings on November 20, 2025 and November 21, 2025, beginning at 10:00 a.m. each day.

On September 5, 2025, I issued a Scheduling Order that memorialized the litigation schedule and discovery rules agreed on during the prehearing conference.

On September 23, 2025, twelve members of the public provided sworn testimony at the in-person public input hearings. Two additional members of the public testified at the 1:00 p.m. telephonic public input hearing on September 24, 2025. Two exhibits were admitted into the record during the public input hearings: Nielsen Exhibit 1 and Sanchez Exhibit 1.⁵

The parties submitted several rounds of written testimony between September 2, 2025 and November 18, 2025.

⁵ Tr. 78, 146-47.

On November 19, 2025, the Joint Petitioners advised the undersigned by email that all parties were engaged in active settlement negotiations and had waived cross-examination for many witnesses. Via email, I granted their request to cancel the first scheduled hearing date to allow additional time for negotiations.

On November 19, 2025, notice was issued cancelling the hearing on November 20, 2025. Later the same day, the Joint Petitioners advised by email that they had reached a unanimous agreement in principle to settle all issues in this matter and agreed to waive all cross-examination.

On November 21, 2025, the evidentiary hearing in the above-captioned matter was convened for the parties to present their testimony and seek to have it entered into the record by stipulation and with the verifications of the sponsoring witnesses. The following pre-served testimony and exhibits were identified in the parties' respective hearing exhibits and admitted into the evidentiary record:

PAWC Hearing Exhibit 1

PAWC Statement 1, Direct Testimony of Michael Salvo

PAWC Exhibits MS-1 and 2

PAWC Statement 1-R, Rebuttal Testimony of Michael Salvo

PAWC Statement 2, Direct Testimony of Michael J. Guntrum, P.E.

PAWC Exhibits MJG-1 through MJG-3

PAWC Statement 2-R, Rebuttal Testimony of Michael J. Guntrum, P.E.

PAWC Statement 3, Direct Testimony of Ashley E. Everette

PAWC Statement 3-R, Rebuttal Testimony of Ashley E. Everette

PAWC Statement 3-RJ, Rejoinder Testimony of Ashley E. Everette

CUPA Hearing Exhibit 1

CUPA Statement 1, Direct Testimony of Steven M. Lubertozzi

CUPA Statement 1-R, Rebuttal Testimony of Steven M. Lubertozi
CUPA Exhibit SL-1R through SL-3R
CUPA Statement 1-RJ, Rejoinder Testimony of Steven M. Lubertozi

OSBA Hearing Exhibit 1
OSBA Statement 1, Direct Testimony and Exhibit of Celia B. Hashlamoun
OSBA Exhibit ES-1
OSBA Statement 1-SR, Surrebuttal Testimony of Celia B. Hashlamoun

OCA Hearing Exhibit 1
OCA Statement 1, Direct Testimony of Lafayette Morgan
OCA Statement 1SR, Surrebuttal Testimony of Lafayette Morgan
OCA Statement 2, Direct Testimony of LeeAnn Wise
OCA Exhibit LMW-1 and LMW-2

On December 15, 2025, I issued an interim order memorializing our discussion during the evidentiary hearing about the procedure for settlement and suspension of the briefing schedule.

On December 23, 2025, a Joint Petition for Approval of Unanimous Settlement of All Issues was filed, which was signed by all parties to this proceeding. In this Joint Petition, the parties propose to resolve all issues associated with the Joint Application, including the protests of OSBA and OCA, and request all necessary Commission approvals for the proposed transfer of control of CUPA from Nexus to American Water and the subsequent merger of CUPA with and into PAWC. Further, the parties have agreed that, if the undersigned Judge recommends approval of the Settlement without modification, they waive their rights to file exceptions.

As all parties to this proceeding joined in the Settlement, the record in this matter closed on the date the Joint Petition was filed. This matter is now ready for disposition.

III. PUBLIC INPUT HEARING TESTIMONY

In-person public input hearings were held on September 23, 2025 at 1:00 p.m. and 6:00 p.m. in Manheim Township, Pennsylvania. Telephonic public input hearings were held on September 24, 2025, at 1:00 p.m. and 6:00 p.m. A total of fourteen witnesses provided on-the-record testimony at the hearings. The public input hearings generated approximately 135 transcript pages. Two public input hearing exhibits were admitted into the record, without objection.⁶

The issues raised most frequently by witnesses related to the impact that the acquisition by PAWC would have on their rates, whether PAWC would make investments necessary to provide adequate pressure for fire suppression, and concerns about water pressure, water quality (particulate matter and hardness), and CUPA's customer service.

Several CUPA customers testified that their rates were increased to pay for improvements that CUPA began but has not completed.⁷ Other customers testified that existing rates are high, particularly the fixed component of their bills; and other customers raised concerns that PAWC is not planning to lower their rates as part of the acquisition.⁸ Further, a PAWC customer raised a concern that the Company increased

⁶ Tr. 78-79, 81 (Nielsen Exh. 1); 146-47 (Sanchez Exh. 1).

⁷ Tr. 50, 86-87.

⁸ Tr. 76, 82-83, 85-86, 104, 118.

rates by 10% in January 2025, even before this merger; now the costs of the merger could further impact rates for existing PAWC customers.⁹

There was testimony raising concerns about water pressure for fire hydrants. For example, the solicitor for Hanover Township explained, “A few years back, there was a house fire that occurred within that Community portion that was served. There [were] issues with the hydrants that were attached to Community’s lines.”¹⁰ On behalf of the Hanover Township Board of Supervisors, the solicitor raised concerns whether system improvements to address hydrants with insufficient water pressure will continue after PAWC acquires CUPA’s Westgate water system.¹¹ Additionally, other customers in CUPA’s Tamiment system raised concerns about whether PAWC will address low water pressures and inadequate or inoperable fire hydrants, to protect the Tamiment community in the event of another house fire.¹²

Five customers from the Tamiment system testified about concerns with water quality, including that water has black sediment, tastes or smells bad, and is hard.¹³ As a result, many customers incur costs for filtration systems and buying bottled water.¹⁴ One Tamiment customer explained, “It’s just horrible knowing that when you go the next day to go to wash your face and your face cloth is actually standing up by itself and then you got to run the hot water enough to where to soften it before you can even wash your face or anything like that.”¹⁵

⁹ Tr. 144.

¹⁰ Tr. 49.

¹¹ *Id.*

¹² Tr. 74-75, 79-80, 82, 92, 95-96, 112, 114.

¹³ Tr. 92, 94-95, 101-02, 106-07, 113-14.

¹⁴ Tr. 95, 101-02, 110-11, 113-14, 116.

¹⁵ Tr. 116.

IV. JOINT PETITION FOR SETTLEMENT

The Joint Petition is an 18-page document containing 50 numbered paragraphs, in addition to 21 numbered paragraphs in the Joint Petition's request for relief. Additionally, the Settlement includes Appendices A through H, which are the Joint Petitioner's Proposed Findings of Fact, Proposed Conclusions of Law, Proposed Ordering Paragraphs, a discovery response addressing PAWC's proposals for incorporating CUPA's low-income customers into the Company's existing low-income programming, and the respective statements in support of PAWC, CUPA, OCA and OSBA.¹⁶

The Joint Petitioners set forth the agreed-upon settlement terms at pages 4 to 10 of the Joint Petition, which address approval of the application, rates, approval of agreements, Distribution System Improvement Charges, customer assistance programs, customer protections for CUPA customers, and compliance with CUPA's rate case commitments. These settlement terms are stated verbatim below with the same numbering and heading and subheading identifications used in the Joint Petition.

A. Approval of Application

24. The Joint Petitioners agree that the Commission should approve:

- a. the transfer of control of CUPA from Nexus to American Water;
- b. the transfer to PAWC, by merger, of all assets of CUPA used or useful in the public service (the "Systems");
- c. PAWC's right to begin to offer, render, furnish, or supply water service in the areas served by the Systems;

¹⁶ For brevity and clarity, the respective statements in support are referenced herein as App. E (PAWC), App. F (CUPA), App. G (OCA) and App. H (OSBA).

d. PAWC's right to begin to offer, render, furnish or supply wastewater service in the areas served by the Systems;

e. CUPA's abandonment of all water service in the Commonwealth; and

f. CUPA's abandonment of all wastewater service in the Commonwealth.

25. If PAWC and CUPA decide to close on the Transaction ("Close") in accordance with their respective contractual rights and obligations under the Stock Purchase Agreement and the Statement of Merger, the Closing will not take place sooner than the date of the existence of a final order of the Commission approving the Joint Application.

B. Rates

26. The pro forma tariff attached to the Application as Appendix "R", including all rates, rules and regulations regarding conditions of PAWC's water service, shall be permitted to become effective upon one day's notice, and the implementation of all other rates, and the rules and regulations regarding conditions of PAWC's water service, as reflected in PAWC's prevailing water tariff, to become effective upon the completion of the merger.

27. The pro forma tariff attached to the Application as Appendix "S", including all rates, rules and regulations regarding conditions of PAWC's wastewater service, shall be permitted to become effective upon one day's notice, and the implementation of all other rates, and the rules and regulations regarding conditions of PAWC's wastewater service, as reflected in PAWC's prevailing wastewater tariff, to become effective upon the completion of the merger.

28. PAWC shall record the original cost of CUPA's utility plant in service net of accumulated depreciation as of the acquisition Closing date. PAWC will not request recovery of an acquisition adjustment under Section

1327(a) of the Pennsylvania Public Utility Code (“Code”). Any goodwill resulting from this transaction that is included on the balance sheet of PAWC shall be excluded from rate base. Therefore, financing costs for the goodwill will not be recovered in rates.

29. PAWC will, in the first base rate case in which it includes the System assets, identify the capital additions made to the acquired System which are necessary for PAWC to integrate the Systems into its operating footprint separately from those capital additions which are safety-, reliability-, quality of service-, or environmentally-related or otherwise necessary for regulatory compliance. PAWC’s analysis or report separately identifying these investments shall be made available to the parties to that proceeding upon request.

30. Except as explicitly agreed upon in this Settlement, nothing contained herein or in the Commission’s approval of the Joint Application shall preclude any Joint Petitioner from asserting any position or raising any issue in a future PAWC proceeding.

C. Approval of an Agreement with an Affiliated Interest Pursuant to 66 Pa. C.S. § 2102

31. The Stock Purchase Agreement was executed by the corporate parent of PAWC and would briefly make the Systems subsidiaries of American Water. The Joint Petitioners agree that the Commission should approve the Stock Purchase Agreement and the Statement of Merger as affiliated interest agreements pursuant to 66 Pa. C.S. § 2102.

D. Approval of Agreements Pursuant to 66 Pa. C.S. § 507

32. Pursuant to 66 Pa. C.S. § 507, the Commission shall issue a Certificate of Filing or Approval for:

a. Water Services Agreement dated January 16, 2007, by and between Utilities, Inc. – Westgate and the City of Bethlehem; and

b. Addendum to Water Services Agreement dated June 6, 2017, by and between Utilities, Inc. – Westgate and the City of Bethlehem.

E. Distribution System Improvement Charges

33. The DSIC provisions of PAWC’s effective water and wastewater tariffs will apply to the former CUPA water and wastewater customers in the Systems no later than the first base rate case in which those systems are included. Additionally, PAWC will not seek to recover investments in the water or wastewater systems in its DSIC until PAWC applies the DSIC to the Systems’ customers.

F. Customer Assistance Programs

34. Immediately after Closing, System customers will become eligible for all PAWC payment options and customer programs, including applicability of PAWC’s arrearage management program.

35. Within the first billing cycle following Closing, PAWC shall include a bill insert to System customers regarding its low income programs and shall include such information in a welcome letter to the Systems’ customers. The bill insert and welcome letter shall include, at a minimum, a description of the available low income programs, eligibility requirements for participation in the programs, and PAWC’s contact information. PAWC also agrees to ongoing, targeted outreach to its System customers regarding its low income programs.

36. The welcome letter will be sent within the first 30 days of Closing and will also include information about the OCA and the OSBA, about payment options (including low-income programs, eligibility requirements, PAWC contact information) and in-person bill payment locations reasonably proximate to the areas served by the System. The welcome letter shall also refer customers to PAWC’s website (including the link) where a customer can find information concerning the

transaction, which will include information regarding the OCA and the OSBA with a hyperlink. Unless PAWC, OSBA and the OCA agree to work together on a different timeline, within 15 days of a final order in this proceeding, PAWC will provide the OSBA and the OCA with a copy of the draft welcome letter; OSBA and the OCA will provide any suggestions to PAWC within 10 days of receipt; and PAWC, in good faith, will consider incorporation of said suggestions.

G. CUPA Customer Protections

37. In furtherance of the settlement terms of CUPA's most recent base rate cases at Docket Nos. R-2023-3042804 et al, CUPA will provide a one-time credit on the final bills issued by CUPA to CUPA's customers to reimburse customers for the net balance of the Integration Customer Protection Deferral Mechanism. The balance of the Integration Customer Protection Deferral Mechanism account will be determined as of the last day of the month prior to Closing of the Transactions. A credit will only be provided if the dollar amount of benefits exceeds the dollar amount of costs. This provision is a result of the rate cases at Docket No. R-2023-3042804 et al. which authorized CUPA to create the Integration Customer Protection Deferral Mechanism.

38. Within 12 months following the date of Closing, PAWC will complete an initial hydraulic model or other analysis to evaluate fire suppression flows available throughout the Tamiment and Westgate systems and develop a capital plan consistent with its model and analysis to determine the scope of improvements necessary to provide sufficient pressure for fire suppression and the cost of any such improvements.

39. Within 18 months following the date of Closing, or, if delayed as a result of permitting or regulatory approvals, a reasonable time thereafter, PAWC will begin construction on the identified capital improvements necessary to provide sufficient water pressure for fire suppression in the Tamiment and Westgate systems.

40. Upon Closing, PAWC will assess the treatment needs in the Tamiment system and determine if additional treatment or filtration is required to address particulate matter in the water concerns raised at the public input hearing. An initial report will be prepared within 9 months of Closing detailing the results of the assessment. The report will be shared with the parties to this proceeding.

41. Within 18 months following the date of Closing, PAWC will organize an in-person collaborative in each of CUPA's current water and wastewater service territories. At this collaborative, PAWC will provide customers the opportunity to describe concerns they have regarding the quality of their water or wastewater service. The OCA and OSBA will be invited to participate in the in-person collaboratives and will have input into the locations of the collaboratives. The customer collaborative will be held between May 1 and September 30 and will include customer education on concerns regarding water hardness, particulate matter in water, and water conservation. PAWC will meet with the OCA and OSBA to discuss the issues it intends to present at the collaboratives at least 60 days prior to the collaboratives, and will consider in good faith any feedback provided by the OCA and OSBA. PAWC will provide a description of each concern identified by CUPA's customers to the OCA and OSBA within 60 days following the collaboratives.

42. Within 12 months of Closing, but prior to the first general rate increase request which includes CUPA's system assets, PAWC will conduct an evaluation of a wastewater deduct meter pilot program for CUPA's Utilities, Inc. of Pennsylvania Chester County (former Utilities, Inc. of Pennsylvania Division) service territory. The evaluation may assume that (1) the pilot program will be voluntary and/or (2) the customer using the deduct meter will provide a contribution in aid of construction for the cost of the deduct meter, its installation, and related plant in service accounts. This evaluation should estimate the costs to PAWC to implement the program, estimate the number of customers who may benefit from

enrollment in the program within the studied system, estimate the costs to customers to install and maintain a deduct meter (if applicable), estimate the potential bill savings that the customers would experience, and estimate the effect on other customers' rates due to the adjustment to billing determinants. PAWC will provide the written evaluation to the OCA and OSBA at the time of completion and, upon request, will produce the same in discovery in the first general rate increase request which includes CUPA's system assets.

H. Compliance with CUPA Rate Case Commitments

43. To the extent not otherwise specifically addressed by the terms of this Settlement agreement, CUPA's 2024 rate case settlement terms are not applicable to PAWC upon Closing the transaction, however, PAWC agrees to take actions consistent with its response to OCA-II-5 (attached as Appendix D) with respect to CUPA's low-income customers.

I. Other Necessary Approvals

44. The Commission shall issue any other approvals or certificates appropriate, customary, or necessary under the Code to carry out the transactions contemplated in the Joint Application in a lawful manner.^[17]

In addition, the Joint Petitioners specified that acceptance of their agreement was dependent on additional conditions, entitled "Standard Settlement Conditions" in paragraphs 45 through 50 of the Joint Petition.¹⁸

V. FINDINGS OF FACT

Appendix A to the Settlement contains the Joint Petitioners' proposed findings of fact, with citations to the record of admitted evidence. The Joint Petitioners

¹⁷ Joint Petition at 4-10.

¹⁸ *Id.* at 10-12.

agree and assert that these proposed findings are sufficient to support a finding that the Settlement is in the public interest.¹⁹ The proposed findings are adopted and stated verbatim below with the headings and numbering used in Appendix A to the Joint Petition.

Parties

1. Pennsylvania-American Water Company (“PAWC”) is an investor-owned certificated Pennsylvania public utility (public utility code numbers 212285 (water) and 230073 (wastewater)). PAWC St. No. 1 p. 9.
2. American Water Works Company, Inc. (“American Water”) owns 100% of the stock of PAWC. American Water is the largest investor-owned water and wastewater utility in the United States. PAWC St. No. 1 p. 9; PAWC Exhibit MS-2 p. 4.
3. Community Utilities of Pennsylvania, Inc. (“CUPA”) is an investor-owned certificated Pennsylvania public utility (public utility code numbers 2118089 (water) and 2318090 (wastewater)). CUPA St. No. 1 p. 3; PAWC St. No. 1 p. 12.
4. Nexus Regulated Utilities, LLC (“Nexus”) is a holding company that directly owns all of the issued and outstanding stock of CUPA. Nexus is a wholly-owned subsidiary of Nexus Water Group, Inc. (“NWG”). CUPA St. No. 1 p. 4.
5. The Office of Small Business Advocate (“OSBA”) is a Commonwealth agency created by Act 181 of 1988 to represent the interests of small businesses before the Commission. 73 P.S. § 399.41.
6. The Office of Consumer Advocate (“OCA”) is a Commonwealth agency created by Act 161 of 1976 to represent the interests of consumers before the Commission. 71 P.S. § 309-2.

¹⁹ Settlement ¶ III.J.48.

CUPA and Its Water and Wastewater Systems

7. CUPA provides water service to approximately 3,212 water customers across three service territories in Pennsylvania. These territories were formerly known as Penn Estates Utilities, Inc. (“Penn Estates”), Utilities Inc.-Westgate (“Westgate”) and Pennsylvania Utility Company (“Tamiment”). CUPA St. No. 1 p. 3.

8. PAWC does not provide wastewater service in any of CUPA’s water service areas. PAWC St. No. 2 p. 16.

9. CUPA provides wastewater service to approximately 3,846 wastewater customers across three service territories in Pennsylvania. These territories were formerly known as Penn Estates, Utilities, Inc. of Pennsylvania a/k/a Broad Run Wastewater (“Broad Run”) and Tamiment. CUPA St. No. 1 p. 3.

10. PAWC does not provide water service in any of CUPA’s wastewater service areas. PAWC St. No. 2 p. 16.

11. The Westgate water system is located in Hanover Township, Northampton County. It purchases all its water from the City of Bethlehem. This system has approximately 77,000 feet of pipe, no pump stations and no storage tanks. PAWC St. No. 2 pp. 2-3.

12. Several fire hydrants in Westgate do not meet state standards for flow and pressure to provide adequate fire service. PAWC St. No. 2 p. 9.

13. The Pennsylvania Department of Environmental Protection (“DEP”) has issued two Notices of Violation (“NOVs”) to Westgate. PAWC St. No. 2 pp. 9-10.

14. Broad Run has a wastewater treatment plant (“WWTP”) that serves a residential subdivision in West Bradford Township, Chester County, Pennsylvania. Sludge is hauled from the WWTP to either the Delaware County Regional Water Quality Control Authority

(“DELCORA”) WWTP or to the Pottstown WWTP for disposal. PAWC St. No. 2 pp. 3-4.

15. The Penn Estates community is a second home and year-round residential development. PAWC St. No. 2 p. 4.

16. The Penn Estates water system has seven permitted wells. The system has six storage tanks totaling 554,000 gallons in capacity. PAWC St. No. 2 pp. 4-5.

17. Several fire hydrants in Penn Estates do not meet state standards for flow and pressure to provide adequate fire service. PAWC St. No. 2 p. 10.

18. In 2023, Penn Estates reported 27% unaccounted for water (“UFW”). PAWC St. No. 2 p. 10.

19. The Penn Estates system has exceeded its combined production capacity on a peak day basis in three of the last five years. It had to purchase water from Easton three times in 2023 due to leaks in the distribution system. PAWC St. No. 2 p. 12

20. DEP issued six NOV's to the Penn Estates water system during the period 2022-2024. PAWC St. No. 2 p. 12.

21. The Penn Estates wastewater system includes a WWTP in Stroud Township, Monroe County. PAWC St. No. 2 p. 6.

22. Penn Estates wastewater had more than twenty sanitary sewage overflows (“SSOs”) (releases of untreated or partially untreated sewage) from 2019-2024. There were thirty-four exceedances of permitted effluent limits from 2020-2024. CUPA entered into a Consent Order and Agreement (“COA”) with DEP in 2020 for ongoing effluent violations and SSOs. PAWC St. No. 2 p. 13.

23. DEP issued seven NOVs to Penn Estates wastewater from 2020 through 2024. PAWC St. No. 2 p. 13.
24. The Tamiment service areas include private residences, resort facilities, and approximately 2,500 undeveloped acres with a proposed mix of residential and commercial properties. PAWC St. No. 2 p. 7.
25. The Tamiment water system has three permitted wells. Well 1 will likely require treatment for Perfluorooctanesulfonic acid (“PFOS”). PAWC St. No. 2 p. 8.
26. Several fire hydrants in Tamiment do not meet state standards for flow and pressure to provide adequate fire service. PAWC St. No. 2 p. 14.
27. In 2023, Tamiment water reported 28.8% UFW. PAWC St. No. 2 p. 14.
28. One entry point at Tamiment will require a PFOS removal system by the current 2031 deadline. PAWC St. No. 2 p. 14.
29. DEP issued three NOVs to Tamiment water from 2021-2022. PAWC St. No. 2 p. 14.
30. The Tamiment wastewater system has a WWTP. PAWC St. No. 2 p. 8.
31. The Tamiment wastewater system’s NPDES permit expired on April 30, 2021, although a renewal application was submitted in October 2020. PAWC St. No. 2 p. 15.
32. The Tamiment WWTP experienced at least one SSO every year from 2021-2024. PAWC St. No. 2 p. 15.
33. DEP issued seven NOVs to Tamiment wastewater during the period 2020-2024. PAWC St. No. 2 p. 15.

34. Testimony from consumers at the public input hearings highlighted persistent and widespread concerns regarding rates, water pressure, functional fire hydrants, water quality and customer service by CUPA. OCA St. No. 2 p. 4.

PAWC and its Systems

35. PAWC is the largest regulated public utility corporation duly organized and existing under the laws of Pennsylvania engaged in the business of collecting, treating, storing, supplying, distributing, and selling water service to the public, and collecting, treating, transporting and disposing of wastewater service for the public. PAWC St. No. 2 p. 9.

36. PAWC furnishes water and wastewater services in a service territory encompassing more than 424 communities in 38 counties. PAWC St. No. 1 p. 9.

37. As of July 31, 2025, PAWC furnished water service to approximately 694,617 customers and furnished wastewater service to approximately 116,270 customers in Pennsylvania. PAWC St. No. 1 p. 10.

The Transactions

38. In the Stock Purchase Agreement, American Water agreed to purchase all issued and outstanding equity interests in specified entities that own regulated water and wastewater systems located in various states, including CUPA in Pennsylvania. This will result in the change of control of CUPA from Nexus to American Water (the “Change of Control”). PAWC St. No. 1 p. 5.

39. Upon American Water’s acquisition of all the equity interests in CUPA, American Water will immediately merge CUPA with and into PAWC, with PAWC as the surviving corporation (the “Merger”). PAWC St. No. 1 pp. 5-6. The Change of Control and the Merger are referred to herein as the “Transactions”).

40. Following closing, CUPA will cease to exist. PAWC St. No. 1 pp. 6, 9.

41. The Preliminary Purchase Price for American Water's purchase of Nexus' equity interests is approximately \$315 million. The amount allocated to the purchase of CUPA is \$59,512,629. PAWC St. No. 1 p. 7; PAWC St. No. 3 pp. 4-5. The amount allocated to CUPA is based on the ratio of CUPA's capital structure balance to the total capital structure balance of the entities to be acquired through the Stock Purchase Agreement. PAWC St. No. 3 p. 5; PAWC St. No. 3-R p. 3.

42. If the purchase price had been allocated on the basis of the relative net assets of CUPA compared to the other Nexus systems, the amount allocated to CUPA would have been greater than \$59,512,629. PAWC St. No. 3-R p. 3.

43. The final purchase price for American Water's purchase of Nexus' equity interests will be determined at the closing of the Transactions ("Closing"). The \$315 million Preliminary Purchase Price therefore could change. OCA St. No. 1 p. 13.

44. PAWC plans to split the purchase price between the water and wastewater systems based on the depreciated original cost of each system. PAWC St. No. 3 p. 5.

45. As part of the Transactions, PAWC will negotiate a COA with DEP that establishes a new compliance schedule to deliver improvement projects. PAWC will then assume responsibility for implementing the projects after Closing. PAWC St. No. 2 p. 20.

Post-Closing Operation of the Systems

46. After Closing, the CUPA systems will continue to be operated as stand-alone systems; they will not be interconnected with another PAWC system. PAWC St. No. 2 p. 17.

47. Employees in PAWC’s water and wastewater departments support each other when appropriate and necessary, particularly in emergency situations. PAWC St. No. 2 p. 17.

48. All operations and employees within PAWC and within the broader American Water footprint have access to each other when circumstances require or when a very specialized skill or experience is required to support all local issues. PAWC St. No. 2 p. 17.

49. PAWC has developed a five year capital plan for the CUPA systems based on preliminary cost estimates of needed improvement projects identified during PAWC’s due diligence efforts. PAWC estimates the five year capital cost is \$43 million. PAWC St. No. 2 p. 18; PAWC Exhibit MJG-3.

50. The capital projects in PAWC’s plan will address the COA in Penn Estates wastewater as well as other projects that will: replace the systems’ aging infrastructure; replace portions of the collection system known to have high inflow and infiltration or combined sewer overflows; improve fire flows; address low and high pressure issues; address PFOS; and improve efficiency. PAWC St. No. 2 pp. 20-21.

PAWC’S Legal Fitness

51. PAWC has a history of complying with the Pennsylvania Public Utility Code (“Code”) and other applicable laws, including environmental laws. PAWC St. No. 1 p. 14; PAWC St. No. 2 p. 25.

52. There are no pending legal proceedings that would suggest that PAWC is not legally fit to provide service to CUPA’s customers. PAWC St. No. 1 p. 14.

PAWC’S Technical Fitness

53. PAWC currently employs approximately 1,150 professionals with expertise in all areas of water and wastewater utility operations, including water and

wastewater treatment plant operation and maintenance, distribution and collection system operation and maintenance, engineering, regulatory compliance, materials management, risk management, business development, legal, human resources, accounting and customer service. PAWC St. No. 1 p. 10; PAWC St. No. 2 p. 22.

54. A fifty-person team of American Water engineers has handled a wide variety of system assessments, treatment process evaluations, and design reviews for water and wastewater treatment systems to improve operations and prioritize capital improvements. PAWC St. No. 2 p. 23.

55. PAWC has significant water and wastewater operations throughout Pennsylvania and in the areas near CUPA's water and wastewater systems. PAWC St. No. 1 p. 15; PAWC St. No. 2 p. 16, PAWC Exhibit MJG-2.

56. PAWC is experienced in undertaking and completing water and wastewater system acquisitions with public and private sector owners and successfully integrating those assets into its business operations. PAWC St. No. 1 p. 15.

57. PAWC has improved troubled wastewater systems following acquisition. PAWC St. No. 2 p. 23.

PAWC'S Financial Fitness

58. PAWC had total assets of approximately \$7.9 billion and annual revenues of \$1.04 billion for 2024. For 2024, PAWC had operating income of approximately \$498 million and net income of approximately \$314 million. PAWC St. No. 3 p. 2.

59. PAWC has a \$495 million line of credit through American Water Capital Corp. ("AWCC"). PAWC obtains long-term debt financing through AWCC at favorable interest rates and payment terms. When applicable, PAWC uses low-cost financing through the Pennsylvania Infrastructure Investment Authority

(“PENNVEST”) and the Pennsylvania Economic Development Financing Authority (“PEDFA”). PAWC St. No. 3 pp. 3-4.

60. PAWC may obtain additional equity investments through American Water. PAWC St. No. 3 p. 4.

61. PAWC has a corporate credit rating of “A3” from Moody’s Investors Services and an “A” rating from Standard and Poor’s Rating Services. PAWC St. No. 3 p. 3.

62. PAWC does not anticipate that the acquisition of the Systems, or investment commitments in the Systems, will have a negative impact on PAWC’s cash flows, credit ratings or access to capital. PAWC St. No. 3 p. 4.

Impacts of the Transaction

63. The Transactions will not present any detriments for the Joint Applicants, the public-at-large, or customers of PAWC or CUPA immediately following Closing, as modified by the Joint Petition for Unanimous Settlement. CUPA St. No. 1 p. 11; PAWC St. No. 1 p. 13.

64. The Commission has a policy of promoting regionalization and consolidation when it will result in greater environmental and economic benefits to customers. 52 Pa. Code § 69.721, CUPA St. No. 1 p. 6.

65. PAWC provides water service in close proximity to CUPA’s current water service territory. PAWC St. No. 1 p. 12.

66. PAWC provides wastewater service in close proximity to CUPA’s current wastewater service territory. PAWC St. No. 1 p. 12.

67. The Transactions promote consolidation because they will allow PAWC to achieve greater economies of scale and to apply its management practices over a larger geographic footprint. PAWC St. No. 1 p. 18.

68. Consolidation provides a larger customer base on which to distribute fixed costs, provides opportunities for operating efficiencies and utilization of economies of scale, and serves to mitigate future rate increase impacts. PAWC St. No. 1 pp. 16-17.

69. Examples of economies of scale include in-house laboratory analysis and reductions in sludge disposal costs through utilizing PAWC's existing disposal contracts. CUPA's proximity to existing PAWC operations will result in efficiencies through shared labor and equipment resources. PAWC St. No. 1 pp. 18-19.

70. The Transactions benefit Nexus by allowing it to focus on a smaller core geography where it is better poised to grow and efficiently service its customers over the long term. CUPA St. No. 1 p. 5; PAWC St. No. 1 pp. 6 and 20.

71. The Transactions benefit CUPA employees because, in the Stock Purchase Agreement, PAWC committed to offering employment to CUPA employees. PAWC also committed to not terminating any CUPA employee who accepts an offer of employment from PAWC for twelve months following Closing, except for cause. CUPA St. No. 1 p. 11; PAWC St. No. 1 p. 16.

72. Retaining CUPA employees benefits CUPA customers because it helps ensure a smooth transition. CUPA St. No. 1 p. 11.

73. Service to CUPA's customers will improve due to capital improvements that PAWC will make in the Systems. For example, by replacing mains more quickly than CUPA did, PAWC will enhance the reliability of service, reduce interruptions in service, and reduce the amount of non-revenue water. PAWC St. No. 2 p. 24.

74. The Transactions will enhance continued compliance with health, safety and environmental regulations because PAWC has the capability to safely and adequately operate CUPA's water and wastewater systems in compliance with applicable laws and

regulations. PAWC is committed to environmental compliance and will promote the rights of all Pennsylvanians to a clean environment. CUPA St. No. 1 p. 6.

75. PAWC will review CUPA's current plans and will complete CUPA's forecasted investment plans and/or make additional investments to improve the water system. PAWC St. No. 1-R p. 2.

76. In the past, some CUPA customers have expressed concern about inadequate water pressure, leaks and UFW. PAWC's five-year capital plan will address these complaints. CUPA St. No. 1 p. 10.

77. PAWC will enhance CUPA's main replacement program to improve system reliability and reduce water loss within the Systems. In 2025, CUPA reported 25.08% UFW in the Penn Estates system and 37.3% in the Tamiment system. CUPA St. No. 1 p. 9; PAWC St. No. 1 p. 22.

78. PAWC will conduct a leak detection survey and repair any leaks found shortly after Closing, which will produce savings in water treatment costs. PAWC St. No. 1 p. 25; PAWC St. No. 2-R p. 2.

79. PAWC will address CUPA's current NOV's and COAs. PAWC St. No. 1 p. 19.

80. CUPA lacks adequate fire protection in portions of its Systems. PAWC St. No. 1 p. 22. PAWC has identified projects in its five-year capital plan to replace and/or upsize distribution assets to provide adequate fire protection. PAWC St. No. 1 p. 23.

81. As of August 15, 2025, CUPA completed the hydraulic model to evaluate fire suppression in the Tamiment system. Upon completion of the Transactions, PAWC will incorporate the Tamiment model and data provided by CUPA. CUPA St. No. 1-R p. 3.

82. Upon Closing, PAWC will test fire hydrants in the Westgate, Penn Estate and Tamiment systems to identify those with inadequate fire flow or pressure. PAWC will use data provided by CUPA as well as data gathered by PAWC to develop an initial hydraulic model that will pinpoint distribution system restrictions. Based on these findings, targeted projects will be launched to address and alleviate those limitations. The entire process is expected to take approximately 24 months. PAWC St. No. 2-R pp. 4-5.

83. PAWC will use information gained by operations as well as PAWC's initial hydraulic model to optimize operation of the Systems to maintain consistent system pressure. PAWC St. No. 2-R p. 2.

84. PAWC will address inconsistent water pressure issues immediately upon Closing on the acquisition. In addition to working to improve fire flow, PAWC will institute operational and equipment changes to the systems, such as installing supervisory control and data acquisition ("SCADA") equipment and remote monitoring instrumentation. PAWC St. No. 2-R p. 2.

85. PAWC will undertake projects to replace and/or upsize distribution assets to provide adequate fire protection. Distribution systems capable of providing fire protection benefit entire communities. PAWC's commitments to complete these capital investments are an important benefit to public safety. CUPA St. No. 1 p. 8.

86. PAWC had a 100% ticket completion rate in 2024 for the Pennsylvania One Call System. PAWC St. No. 2 p. 28.

87. To maintain and improve system reliability and meet established regulatory requirements, PAWC will ensure that uninterrupted power is available to critical infrastructure. PAWC St. No. 1 p. 21.

88. PAWC has established standards for facility security and safety and will complete upgrades to

CUPA's systems to align with PAWC's safety and security standards. PAWC St. No. 1 p. 21.

89. To address the black particulate matter in the water in the Tamiment system, mentioned in testimony at the public input hearing, PAWC will investigate the system to determine the cause of the particulate matter. If the investigation into the black particulate matter determines that additional raw water treatment or filtration is necessary to meet regulatory compliance, PAWC will invest in the required technology. PAWC St. No. 2-R p. 3.

90. The Transactions will have no immediate impact on the rates of CUPA's existing customers because PAWC will adopt CUPA's rates for CUPA's existing customers upon Closing. Rates will not change for CUPA's existing customers until the first rate case in which the Systems are included in PAWC's rates. PAWC St. No. 1 p. 24.

91. The CUPA systems are not included in the base rate case that PAWC filed on November 14, 2025. If the Commission approves the acquisition, PAWC anticipates that the CUPA Systems will be included in PAWC's next base rate case after the pending case. PAWC St. No. 3-RJ p. 4.

92. In future rate cases, CUPA's existing customers will benefit from being part of a large public utility system. They will be able to share the costs of operating and upgrading the systems with PAWC's existing 694,617 water customers and its existing 116,270 wastewater customers. By spreading costs over a large customer base, PAWC is able to keep rates stable for all PAWC customers. CUPA customers will no longer face the potential large rate spikes that can occur in small systems. PAWC St. No. 1 p. 24.

93. CUPA currently offers customer assistance programs which, among other things provide low-income discounts of 45% for water and wastewater customers. PAWC St. No. 3 p. 8. PAWC's customer assistance

program offers tiered discounts based on the customer's income level, as well as grants of up to \$500 per year for water and wastewater customers. PAWC St. No. 3 pp. 8-9; PAWC St. No. 2 pp. 32-33. Upon acquisition, CUPA's customers will be moved to PAWC's existing low-income program. PAWC St. No. 3 p. 9.

94. CUPA charges a fee for customers to pay their bill on-line. PAWC does not charge a fee for credit card or e-check payments. PAWC St. No. 3-R p. 7.

95. The Integration Customer Protection Deferral Mechanism (the "Deferral Mechanism") was created by the Joint Petition for Settlement (the "Joint Petition") in *Pa. Pub. Util. Comm'n v. CUPA*, Docket Nos. R-2023-3042804 and R-2023-3042805. The purpose of the Deferral Mechanism is to capture the accrued costs and integration benefits associated with the merger of SouthWest Water Company and Corix Infrastructure (US) Inc. (Docket No. A-2022-3036745) for five years after the closing date. PAWC St. No. 3-RJ pp. 3-4. To the extent that the financial benefits exceed the costs to achieve the financial benefits, the excess financial benefits would be passed back to customers. OCA St. 1 p. 15; CUPA St. No. 1-R p. 2.

96. The balance of the Deferral Mechanism as of September 30, 2025 is \$25,840 (i.e., the financial benefits to consumers are \$25,840 greater than the costs to achieve those financial benefits). CUPA St. No. 1-RJ p. 6.

97. For American Water, the Transactions offer a way to strengthen operations in several states and allow American Water to leverage its size and scale to continue to cost-effectively deliver safe, clean, reliable and affordable water and wastewater service to customers, including those in Pennsylvania. PAWC St. No. 1 p. 6.

98. The Transactions will have no immediate rate impact on PAWC's existing water or wastewater customers. PAWC St. No. 1 pp. 27, 28; PAWC St. No. 3 p. 7.

99. The Transactions will result in PAWC immediately gaining about 3,212 additional water customers and 3,846 additional wastewater customers. PAWC St. No. 1 p. 25.

100. Because the Transactions expand PAWC's customer base, they will benefit PAWC's existing customers because the costs of operating PAWC's system will be spread among a greater number of customers in future base rate cases. PAWC St. No. 1 pp. 26, 27.^[20]

VI. LEGAL STANDARDS

As the proponent of a rule or order in this proceeding, the Joint Applicants have the burden of proof to establish that they are entitled to the relief they are seeking.²¹ The Joint Applicants must establish their case by a preponderance of the evidence.²² That is, the Joint Applicants' evidence must be more convincing, by even the smallest amount, than that presented by any opposing party.²³ Additionally, this Commission's decision must be supported by substantial evidence.²⁴ This standard requires such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.²⁵

Section 1102 of the Public Utility Code requires that the Commission issue a certificate of public convenience as a legal prerequisite to offering service, abandoning service and certain property acquisitions or transfers by public utilities or their affiliated

²⁰ Joint Petition, Appendix A.

²¹ 66 Pa.C.S. § 332(a).

²² *Samuel J. Lansberry, Inc. v. Pa. Pub. Util. Comm'n*, 578 A.2d 600 (Pa. Cmwlth. 1990) (*Lansberry*).

²³ *SeLing Hosiery, Inc. v. Margulies*, 70 A.2d 854 (Pa. 1950).

²⁴ 66 Pa.C.S. § 332(a).

²⁵ *Lansberry; Dutchland Tours, Inc. v. Pa. Pub. Util. Comm'n*, 337 A.2d 922, 925 (Pa. Cmwlth. 1975).

interests.²⁶ Section 1102(a)(3) specifically requires a certificate to be issued for a public utility to transfer its stock, by way of merger, sale or otherwise, to any person or corporation, when such merger or sale results in the transfer of the title, possession or use of property used in public utility service.²⁷

In order to obtain a certificate of public convenience, the acquiring public utility has the burden to establish that it is technically, legally, and financially fit to provide the proposed service.²⁸ An existing CPC holder is entitled to a “continuing presumption regarding its fitness to operate,” which includes a presumption that the certificate holder has a propensity to operate legally.²⁹

Additionally, the Code requires that a certificate shall only be granted upon findings that the granting of such certificate is “necessary or proper for the service, accommodation, convenience or safety of the public.”³⁰ The Supreme Court has interpreted this section of the Code as requiring a finding that a proposed merger will affirmatively benefit the public and specifically will “affirmatively promote the ‘service, accommodation, convenience or safety of the public’ in some substantial way.”³¹

²⁶ 66 Pa.C.S. § 1102.

²⁷ 66 Pa.C.S. § 1102(a)(3); *see also* 52 Pa. Code § 69.901.

²⁸ *Seaboard Tank Lines v. Pa. Pub. Util. Comm’n*, 502 A.2d 762 (Pa. Cmwlth. 1985) (*Seaboard*); *Warminster Twp. Mun. Auth. v. Pa. Pub. Util. Comm’n*, 138 A.2d 240 (Pa. Super. 1958) (*Warminster Twp.*).

²⁹ *Lehigh Valley Transp. Servs., Inc. v. Pa. Pub. Util. Comm’n*, 56 A.3d 49, 58 (Pa. Cmwlth. 2012) (*Lehigh Valley Transp.*); *South Hills Movers, Inc. v. Pa. Pub. Util. Comm’n*, 601 A.2d 1308, 1310 (Pa. Cmwlth. 1992) (*South Hill Movers*).

³⁰ 66 Pa.C.S. § 1103(a).

³¹ *City of York v. Pa. Pub. Util. Comm’n*, 295 A.2d 825, 828 (Pa. Cmwlth. 1972) (*City of York*); *Popowsky v. Pa. Pub. Util. Comm’n*, 937 A.2d 1040, 1054-57 (Pa. 2007) (*Popowsky*).

An acquisition provides an affirmative public benefit if the benefits of the transaction outweigh the adverse impacts of the transaction.³² When looking at the benefits and detriments of a transaction, the focus of the analysis must be on all affected parties, not merely a particular group or a particular geographic area.³³ In determining whether the acquisition passes the affirmative public benefit test, the Commission is to consider the transaction's impact on rates, in at least a general fashion; it is one of many factors the Commission is to consider in conducting its net benefits assessment.³⁴

Even where the Commission finds sufficient public benefit to grant a certificate of public convenience as necessary or proper for the service, accommodation, convenience, or safety of the public without imposing any conditions, the Commission nevertheless has discretion to impose conditions which it deems to be just and reasonable.³⁵

In this matter, PAWC seeks additional approval of two agreements pursuant to Section 507 of the Code.³⁶ As set forth therein, Section 507 requires that contracts between a public utility and a municipal corporation (except for contracts to furnish service at regular tariff rates) must be filed with the Commission at least 30 days before the effective date of the contract. The Commission may allow the contract to take effect by operation of law as evidenced 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

³² *Application of CMV Sewage Co., Inc.*, Docket No. A-230056F200 (Opinion and Order entered Dec. 23, 2008) (CMV).

³³ *Middletown Twp. v. Pa. Pub. Util. Comm'n*, 482 A.2d 674 (Pa. Cmwlth. 1984).

³⁴ *Lawrence v. Pa. Pub. Util. Comm'n*, 348 A.3d 108 (Pa. 2025) (Cicero); *McCloskey v. Pa. Pub. Util. Comm'n*, 195 A.3d 1055 (Pa. Cmwlth. 2018) (McCloskey); *Popowsky*.

³⁵ 66 Pa.C.S. § 1103.

³⁶ 66 Pa.C.S. § 507.

the Commission initiate proceedings, the contract or agreement is not effective until the Commission grants its approval.

Finally, Commission policy promotes settlements.³⁷ In order to approve a settlement such as proposed here, the Commission must determine that the proposed terms and conditions are in the public interest.³⁸ Because the Joint Petitioners request that the Commission enter an order adopting the settlement without modification, they share the burden of proof to show that the terms and conditions of the Settlement are in the public interest.³⁹ Substantial evidence consistent with the statutory requirements must support the proposed settlement.⁴⁰

VII. DISCUSSION

A. **Fitness**

Pursuant to Section 1103 of the Code,⁴¹ PAWC must demonstrate that it possesses the technical, legal, and financial capability to own and operate the assets it

³⁷ 52 Pa. Code §§ 5.231, 69.401.

³⁸ *Pa. Pub. Util. Comm'n v. City of Bethlehem – Water Dept.*, Docket No. R-2020-3020256 (Final Order entered Apr. 15, 2021) (*City of Bethlehem*) (citing *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Recommended Decision issued Aug. 26, 2004, Final Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assoc.*, 74 Pa.P.U.C. 767 (1991) (*C.S. Water and Sewer*)).

³⁹ 66 Pa.C.S. § 332(a); *City of Bethlehem*.

⁴⁰ *Popowsky v. Pa. Pub. Util. Comm'n*, 805 A.2d 637 (Pa. Cmwlth. 2002) (*Emporium*); *ARIPPA v. Pa. Pub. Util. Comm'n*, 792 A.2d 636 (Pa. Cmwlth. 2001) (*ARIPPA*).

⁴¹ 66 Pa.C.S. § 1103.

seeks to acquire.⁴² As a certificated public utility, however, PAWC benefits from a rebuttable presumption that it possesses such requisite fitness.⁴³

Since no party has challenged or otherwise questioned PAWC's fitness to take over CUPA, it may be presumed that the Company does, in fact, possess the requisite fitness for approval of the transaction. However, a discussion of PAWC's fitness may be found in the Direct Testimony of PAWC witnesses Salvo, Guntrum, and Everette.⁴⁴ By way of brief summary, PAWC stated the following in its testimony:

PAWC is the Commonwealth's largest water and wastewater provider, with total assets of \$7.9 billion and annual revenues of \$1.04 billion for 2024. For 2024, PAWC had operating income of approximately \$498 million and net income of approximately \$314 million. These operating results produced cash flows from operations of approximately \$615 million.^[45]

PAWC currently employs approximately 1,179 professionals with expertise in all areas of water and wastewater utility operations, including water and wastewater treatment plant operation and maintenance, distribution and collection system operation and maintenance, engineering, regulatory compliance, materials management, risk management, business development, legal, human resources, accounting, and customer service.^[46]

PAWC has significant water and wastewater operations throughout Pennsylvania and in the areas near CUPA's water and wastewater systems.^[47]

⁴² *Seaboard; Warminster Twp.*

⁴³ *Lehigh Valley Transp.; South Hills Movers.*

⁴⁴ *See, e.g.,* PAWC St. 1 at 10, 14, 15; PAWC St. 2 at 16, 18-19, 22, 23, 25; PAWC Exh. MJG-2; PAWC St. 3 at 2-4.

⁴⁵ PAWC St. 3 at 2.

⁴⁶ PAWC St. 1 at 10.

⁴⁷ PAWC St. 1 at 15; *see also* PAWC Exh. MJG-2.

PAWC has successfully addressed [Pennsylvania Department of Environmental Protection] and [United States Environmental Protection Agency] compliance orders requiring operational improvements and substantial capital investments in several recent wastewater acquisitions, including Clarion, Claysville, Dravosburg, Duquesne, Exeter, Kane, McKeesport, Port Vue, Scranton, and York.^[48]

PAWC has an established track record of successfully managing large capital investment projects in order to provide reliable service to the communities it serves. PAWC has an ongoing proactive program of capital investment focused on systematically replacing and adding new pipes, treatment and pumping facilities, and other water and wastewater infrastructure; thereby minimizing customer disruption caused by infrastructure failure. PAWC has funded in excess of \$1 billion in capital construction over the past five years with expenditures expected to total \$470 million to \$600 million per year for the next five years.^[49]

Upon consideration of the record evidence of PAWC's fitness set forth in its testimony, and in the absence of any evidence challenging its fitness, I find that PAWC does, in fact, possess the requisite fitness supporting approval of the Application.

B. Affirmative Public Benefits

Having established PAWC's fitness, I now turn to the issue of whether PAWC and the settling parties have proven by a preponderance of the evidence that approval of the Joint Application is in the public interest by demonstrating that the transaction, as modified by the terms of Settlement, will produce affirmative public benefits. In *City of York*, the Pennsylvania Supreme Court held that the proponents of a merger or acquisition must show, by a preponderance of the evidence, that the proposed

⁴⁸ PAWC St. 2 at 23.

⁴⁹ PAWC St. 2 at 18-19.

transaction will promote the service, accommodation, convenience or safety of the public in some substantial way. In conducting this “net benefits assessment,” the Commission is to weigh all factors for and against the acquisition, including consideration of the transaction’s impact on rates, in at least a general fashion.⁵⁰ An acquisition provides an affirmative public benefit if the benefits of the transaction outweigh the adverse impacts of the transaction.⁵¹

1. Parties’ Positions

As set forth in its Statement in Support, PAWC contends that the transaction, with the conditions described in the Settlement, benefits all of the stakeholder groups impacted by the transaction – the public, CUPA and its employees, CUPA’s customers, and the existing customers of PAWC – in a substantial way.⁵² Accordingly, the Company avers that the Joint Application, as modified by the Settlement, is consistent with Section 1103 and should be approved.

Regarding benefits to the general public, PAWC submits that the transaction would benefit the public by promoting regionalization and consolidation of water and wastewater systems, consistent with the Commission’s regulatory policy.⁵³ Additionally, PAWC notes that, even without a physical interconnection between systems, the CUPA system can share labor and equipment resources, as well as sharing cost savings from in-house laboratory analysis and reductions in sludge disposal costs through utilizing PAWC’s existing disposal contracts.⁵⁴

⁵⁰ *Cicero; McCloskey; Popowsky.*

⁵¹ *CMV.*

⁵² App. E (PAWC) at 3-10; *see* PAWC St. 1 at 16-28.

⁵³ App. E (PAWC) at 5 (citing 52 Pa. Code § 69.721(a)).

⁵⁴ App. E (PAWC) at 5; *see* PAWC St. 1 at 18-19.

PAWC also contends that the transaction benefits the public at large by transferring the CUPA systems to an owner/operator who will address the systems' environmental problems. PAWC introduced evidence about multiple Notices of Violation (NOV) issued by the Pennsylvania Department of Environmental Protection (DEP) for CUPA's Westgate, Penn Estates and Tamiment water systems and its Penn Estates and Tamiment wastewater systems.⁵⁵ The NOVs for the water systems were primarily for failure to monitor. The violations for both wastewater systems include numerous exceedances of permitted effluent limits and sanitary sewage overflows (releases of untreated or partially untreated sewage), related to which DEP and CUPA have an active Consent Order and Agreement (COA) for the Penn Estates system.⁵⁶ PAWC states that, as part of the transaction, it will negotiate a new compliance schedule with DEP and assume responsibility for implementing the COA, and its planned capital projects will also address CUPA's current NOVs.⁵⁷

Further, the Company submits that the transaction will affirmatively benefit the public in a substantial way because PAWC's planned improvements for fire protection, unaccounted for water (UFW) and water pressure will provide safer and more reliable service to existing CUPA customers.⁵⁸

On the matter of fire protection, the Company points to a statement by Commission Chairman DeFrank in CUPA's most recent base rate case:

However, a number of customers raised serious service concerns that I believe warrant mentioning. By far the most disconcerting fact brought to light is the lack of fire protection in much of CUPA's system. Several hydrants in the Westgate and Penn Estates areas are inadequate for fire

⁵⁵ App. E (PAWC) at 6; *see* PAWC St. 2 at 9-10, 12, 14.

⁵⁶ App. E (PAWC) at 6; *see* PAWC St. 2 at 12-13, 15-16.

⁵⁷ App. E (PAWC) at 6; *see* PAWC St. 1 at 19; PAWC St. 2 at 20-21.

⁵⁸ App. E (PAWC) at 7-9.

suppression, which is alarming. Meanwhile, the Tamiment community has no fire hydrants capable of meeting state standards of 500 to 1,000 gallons per minute.^[59]

The Company states that, as of August 15, 2025, CUPA completed a hydraulic model to evaluate fire suppression in the Tamiment system.⁶⁰ PAWC submits that more needs to be done, however, and within approximately 24 months after closing, commits to: test fire hydrants in the Westgate, Penn Estate and Tamiment systems to identify those with inadequate fire flow or pressure, use data provided by CUPA as well as data gathered by PAWC to develop an initial hydraulic model that will pinpoint distribution system restrictions, and launch targeted projects to address and alleviate those limitations.⁶¹

Additionally, PAWC commits to address high levels of UFW in CUPA's Penn Estates and Tamiment systems – reported to be 25% and 37%, respectively, in 2025.⁶² PAWC will conduct a leak detection survey and repair any leaks found shortly after Closing, and also replace mains more quickly than CUPA did, which will produce savings in water treatment costs.⁶³

According to PAWC, the transaction will also benefit the customers of CUPA because, immediately upon closing, PAWC will begin to address concerns about high and low water pressures in CUPA's systems, initially by optimizing operation of the systems using PAWC's initial hydraulic model and also through planned improvements in its 5-year capital plan.⁶⁴

⁵⁹ *Pa. Pub. Util. Comm'n v. Community Utils. of Pa., Inc.*, Docket No. R-2023-3042804 (*CUPA 2023*), Statement of Chairman DeFrank at 1 (issued Aug. 1, 2024).

⁶⁰ App. E (PAWC) at 6-7 (citing CUPA St. 1-R at 3).

⁶¹ App. E (PAWC) at 7; *see* PAWC St. 2-R at 4-5; 52 Pa. Code § 69.1503(d).

⁶² App. E (PAWC) at 7-8; CUPA St. 1 at 9; PAWC St. 1 at 22; *see also* 52 Pa. Code § 65.20(4).

⁶³ App. E (PAWC) at 7-8; PAWC St. 1 at 24-25; PAWC St. 2-R at 2.

⁶⁴ App. E (PAWC) at 8 (citing OCA St. 2 at 4); PAWC St. 2 at 20-21; PAWC St. 2-R at 2; CUPA St. 1 at 10.

PAWC contends that the transaction will benefit the seller and its employees. Nexus will be able to “focus on a smaller core geography where it is better poised to grow and efficiently serve its customers over the long term.”⁶⁵ As part of the transaction, PAWC will offer employment to CUPA employees and has committed to not terminate any CUPA employee who accepts its offer of employment for 12 months following Closing, except for cause.⁶⁶

Regarding the benefits to PAWC and its existing customers, PAWC states that the transaction makes it a larger, financially stronger utility and will result in PAWC gaining about 3,212 additional water customers and 3,846 additional wastewater customers.⁶⁷

With regard to the consideration of the transaction’s rate impact, according to PAWC, the transaction will have no immediate impact on rates because PAWC customers’ rates will not be affected until the first base rate case in which the CUPA systems are included.⁶⁸ Similarly, because PAWC will implement CUPA’s rates upon closing, rates for CUPA customers will not increase until the first PAWC base rate case that includes the systems.⁶⁹

CUPA takes the position that the Joint Application as modified by the Settlement is in the public interest and provides affirmative benefits “because it addresses various issues parties raised in this proceeding with commitments by PAWC to study and/or remedy concerns raised.”⁷⁰ CUPA focuses on Section G of the Joint Petition (CUPA Customer Protections) and, specifically, the Settlement terms addressing the

⁶⁵ App. E (PAWC) at 9; *see* CUPA St. 1 at 5; PAWC St. 1 at 6, 20.

⁶⁶ App. E (PAWC) at 9; *see* CUPA St. 1 at 11; PAWC St. 1 at 16.

⁶⁷ App. E (PAWC) at 9; PAWC St. 1 at 25.

⁶⁸ App. E (PAWC) at 9-10; PAWC St. 1 at 27, 28; PAWC St. 3 at 7.

⁶⁹ App. E (PAWC) at 10; PAWC St. 1 at 24; PAWC St. 3-RJ at 4.

⁷⁰ App. F (CUPA) at 2.

OCA's testimony on fire protection and the Integration Customer Protection Deferred Account (Deferred Account), and the public input hearing testimony on water quality and concerns about charging for wastewater based on water usage.⁷¹

CUPA points to paragraphs 38 and 39 of the Settlement, which provide PAWC's commitments to develop a capital plan for necessary improvements to provide sufficient pressure for fire suppression in the Tamiment and Westgate systems, and begin construction within 18 months after closing.⁷² Also, paragraph 37 of the Settlement reflects the parties' adoption of the OCA's recommendation that CUPA provide the net balance, if any, of its Deferred Account to CUPA customers as a one-time credit to their bills.⁷³

With regard to water quality, CUPA avers that the provision in paragraph 40 of the Joint Petition will benefit its existing customers through PAWC's commitment to determine the cause of particulate matter in the Tamiment water and whether additional treatment is required to resolve it.⁷⁴ CUPA states that its customers will benefit from PAWC's commitment that, within 18 months of closing, it will organize an in-person collaborative in each of CUPA's current water and wastewater service territories, to provide customers the opportunity to describe concerns about the quality of their water or wastewater service.⁷⁵ Finally, CUPA contends that its existing customers will benefit from PAWC's commitment to evaluate a wastewater deduct meter pilot program for CUPA's Chester County service territory, as provided in Settlement paragraph 41.⁷⁶

⁷¹ App. F (CUPA) at 2-4 (citing OCA St. 1 at 14, 16; OCA Exh. LMW-1 at 4-5).

⁷² App. F (CUPA) at 3.

⁷³ *Id.*

⁷⁴ App. F (CUPA) at 4 (citing OCA Exh. LMW-1 at 4-5).

⁷⁵ App. F (CUPA) at 4.

⁷⁶ *Id.*

In its Statement in Support, the OCA states that its witness recommended several conditions should be placed on approval of the Joint Application to ensure the acquisition does not result in harms that outweigh the benefits asserted by PAWC and CUPA.⁷⁷ According to the OCA, because the Settlement addresses the concerns raised by the OCA and OSBA in testimony, the Joint Application is in the public interest and should be approved.⁷⁸

In particular, the OCA points to paragraphs 28 and 37 through 39 of the Settlement, which provide (1) that PAWC will not request an acquisition adjustment related to the transaction; (2) a one-time bill credit for CUPA customers; and (3) PAWC's commitment to invest in plant to permit adequate pressure for fire flows.⁷⁹

Also, within its discussion of the Settlement terms addressing customer assistance programs (Settlement paragraphs 34 through 36), the OCA identifies that CUPA has a low-income program, including an arrearage management program. However, the OCA contends that PAWC's low-income program is more robust because it includes an income-tier structure to provide greater bill discounts to lower income customers, and also has a hardship fund grant program, while CUPA does not.⁸⁰ Further, the OCA points to testimony by PAWC's witness that extending PAWC's suite of low-income programs and options to CUPA's customers who are currently enrolled in its low-income program will not come at a significant cost to current PAWC customers.⁸¹

The OSBA recommends that the Settlement should be approved because it provides a meaningful benefit to PAWC's small business customers.⁸²

⁷⁷ App. G (OCA) at 5-6.

⁷⁸ App. G (OCA) at 6 (citing OCA St. 1 at 9-10; OSBA St. 1; OSBA St. 1SR).

⁷⁹ App. G (OCA) at 6.

⁸⁰ App. G (OCA) at 9-10 (citing PAWC St. 3 at 8-10).

⁸¹ App. G (OCA) at 10 (citing PAWC St. 3 at 10).

⁸² App. H (OSBA) at 2.

2. Analysis

As stated above, for PAWC and CUPA to satisfy their burden of showing the transaction should be approved under Section 1103(a), they must demonstrate that it will yield substantial affirmative benefits.

PAWC correctly states that no party to this proceeding has identified any significant adverse impacts of the Joint Application, as modified by the Settlement. However, the OCA, OSBA and customers at the public input hearings did raise concerns about how the transaction would impact rates when the CUPA systems are included in revenue requirement.⁸³

Three aspects of the transaction and Settlement help to mitigate the transaction's potential rate impact on existing PAWC and CUPA customers. First, the method used to allocate CUPA's share of the overall purchase price for the transaction results in a lesser share than if the purchase price had been allocated to CUPA on the basis of its relative net assets compared to the other Nexus systems.⁸⁴ Second, as discussed further, in the discussion of individual Settlement terms in Section VII.C.1. below, PAWC will not request recovery of an acquisition adjustment for the transaction under 66 Pa.C.S. § 1327(a) of the Code.⁸⁵ This commitment eliminates the potential that more than the depreciated original cost of the CUPA assets could be included in PAWC's

⁸³ OCA St. 1 at 10-12; OCA St. 1SR at 2-7; OSBA St. 1 at 3-12; OSBA St. 1-SR at 1-3; Tr. 50, 76, 82-83, 85-87, 104, 118, 144.

⁸⁴ PAWC St. 3 at 5; PAWC St. 3-R at 3. The amount allocated to CUPA is based on the ratio of CUPA's capital structure balance to the total capital structure balance of the entities to be acquired through the Stock Purchase Agreement. PAWC St. 3 at 4-5.

⁸⁵ Settlement ¶ 28.

revenue requirement.⁸⁶ Third, CUPA will provide a one-time bill credit in the final bill it issues to CUPA customers.⁸⁷

As PAWC recognizes, capital investments in the CUPA system will cost money and may impact rates.⁸⁸ The capital cost for the Company's five-year capital plan for the CUPA systems is \$43 million, based on PAWC's preliminary cost estimates for needed improvement projects.⁸⁹ Those projects, however, are planned to address significant issues in the CUPA systems, including inadequate fire protection, high levels of UFW, PFOS, and excess infiltration & inflow/combined sewer overflows.⁹⁰

Apart from the environmental and public safety benefits for CUPA customers and the broader public, the transaction will make PAWC a financially stronger utility with a larger customers base: the transactions will result in PAWC immediately gaining about 3,212 additional water customers and 3,846 additional wastewater customers. Thus, the costs of operating PAWC's system can be spread among a greater number of customers in future base rate cases.⁹¹ Further, CUPA's proximity to existing PAWC water and wastewater operations may result in efficiencies through shared labor and equipment resources.⁹²

Considering all factors for and against the acquisition, I find that PAWC and CUPA have proven that the affected parties will realize net affirmative benefits sufficient to warrant approval of the Joint Application, as modified by the Settlement.

⁸⁶ See 66 Pa.C.S. § 1327(a)(9).

⁸⁷ Settlement ¶ 37.

⁸⁸ PAWC St. 3-R at 5.

⁸⁹ PAWC St. No. 2 at 18; PAWC Exh. MJG-3.

⁹⁰ PAWC St. 2 at 20-21, 25; PAWC St. 2-R at 2; PAWC Exh. MJG-3.

⁹¹ PAWC St. 1 at 26, 27.

⁹² PAWC St. 1 at 12, 18-19.

C. Settlement Provisions

As discussed above, the Joint Petitioners must establish, with substantial evidence, that approval of the terms and conditions of the Settlement are in the public interest.⁹³

At the outset, I note that not every area of the Settlement was of interest to every settling party. Therefore, their respective statements in support only address those subject areas on which those parties took a position. Further, to the extent any settling party's position is not discussed below, that is due to the support being repetitive of another party and/or my focus on the support I found most persuasive.

I will address the various Settlement terms in the order in which they appear on pages 5 to 10 of the Joint Petition.⁹⁴

1. Rates (Settlement ¶¶ 26-30)

Paragraphs 26 and 27 of the Settlement ask the Commission to approve the *pro forma* tariffs provided in Appendix R (water) and Appendix S (wastewater) to the Application. In its Statement in Support,⁹⁵ PAWC avers that this request is in the public interest because it means there will be no change in the rates charged to CUPA's customers immediately after Closing and rates will not increase for CUPA's customers

⁹³ 66 Pa.C.S. § 332(a); *City of Bethlehem; C.S. Water and Sewer; Emporium; ARIPPA*.

⁹⁴ Settlement paragraphs 24 and 25 (Approval of Application) are addressed above, in the discussion of substantial affirmative public benefits. *See* Section VII.B, *supra*.

⁹⁵ The Settlement paragraph numbering that is referenced in PAWC's Statement in Support does not align with the numbering in the Settlement filed with the Commission. In this Recommended Decision, I refer to the numbering from the filed Settlement.

until the first PAWC base rate case in which the CUPA Systems are included.⁹⁶

Moreover, the Company identifies that the CUPA Systems are not included in PAWC's pending base rate case that was filed on November 14, 2025.⁹⁷

Paragraph 28 of the Settlement addresses PAWC's agreement that it will not request recovery of an acquisition adjustment under 66 Pa.C.S. § 1327(a), and will record the CUPA Systems at their original cost net of accumulated depreciation. Paragraph 28 also reflects the Company's commitment to exclude any goodwill resulting from this transaction from rate base, which prevents any financing costs for the goodwill from being recovered in rates.

PAWC, OCA and OSBA agree that these terms are in the public interest. As summarized by PAWC, its commitment not to seek a positive acquisition adjustment "eliminates the risk to ratepayers that PAWC will, in a subsequent base rate case, seek to place the entire purchase price of the Systems (approximately \$59.5 million) into rate base. Instead, PAWC will place the Systems' depreciated original cost (estimated at \$34.2 million) into rate base consistent with 66 Pa.C.S. § 1311(b)."⁹⁸ The OCA agrees, particularly with regard to the water system assets.⁹⁹

Both the OCA and OSBA contend that PAWC's commitments to forego rate recovery of any (1) excess above depreciated original cost of the Systems and (2) goodwill resulting from the transaction will mitigate the rate impact of the acquisition on PAWC and CUPA customers.¹⁰⁰

⁹⁶ App. E (PAWC) at 10-11 (citing PAWC St. No. 1 at 24); *see also* Joint Application ¶ 35.j.

⁹⁷ App. E (PAWC) at 10-11; *see* PAWC St. 3-RJ at 4.

⁹⁸ App. E (PAWC) at 11 (citation omitted); *see* OSBA St. 1 at 4.

⁹⁹ App. G (OCA) at 7 (noting that the amount that will be attributable to CUPA's water system assets will not be determined until the time of closing).

¹⁰⁰ App. G (OCA) at 8; App. H (OSBA) at 3.

Pursuant to Settlement paragraph 29, PAWC agrees to identify capital improvements to the CUPA systems that are integration-related separately from those that are necessary to ensure that the system operator is providing service in compliance with regulatory requirements. PAWC submits that this provision is in the public interest because the pertinent information will enable all parties to that future base rate proceeding to fully understand the costs that PAWC has had to incur to bring the CUPA Systems into regulatory compliance.¹⁰¹ From the OCA's perspective, this will allow the requesting parties to distinguish between the costs of the acquisition and the costs of ensuring that customers in the CUPA systems receive reliable, safe, environmentally-compliant service that is adequate for all household needs.¹⁰²

In paragraph 30, the settling parties reserve their rights to assert any position or raise any issue in a future PAWC proceeding, except as explicitly agreed upon in the Settlement. The OCA supports this provision because it ensures the Settlement does not limit its flexibility in future rate cases to adopt a position that is in the interest of consumers, except as explicitly agreed-to in the Settlement.¹⁰³

Taken together, the OCA submits the rate provisions of the Settlement serve to protect PAWC and CUPA customers and are in the public interest because they mitigate potential future rate increase requests, provide the settling parties with additional information regarding the effects of the transaction on plant in service, and do not limit the rights of the settling parties to raise related issues in future rate cases.

The OCA also notes that, as addressed in Section III above, one of the concerns raised by customers at the public input hearings was how acquisition by PAWC would impact their bills. The OCA provided a table in its Statement in Support, which

¹⁰¹ App. E (PAWC) at 11.

¹⁰² App. G (OCA) at 8.

¹⁰³ App. G (OCA) at 8.

shows that CUPA and PAWC currently charge comparable rates for water and wastewater service.¹⁰⁴ As such, according to the OCA, “[t]he proposed acquisition will not have an immediate effect on rates or affordability, and the long-term effect of PAWC’s acquisition on rates may be relatively small, considering the level of parity in rates which already exists between CUPA and PAWC.”¹⁰⁵

I find that these Settlement terms are in the public interest for the reasons tendered by the settling parties. In particular, I agree with the parties that limiting future rate recovery to the depreciated original cost of the System assets provides a meaningful protection to customers. It ensures that the amount added to PAWC’s rate base for the transaction will be roughly \$25 million less than if PAWC sought and received approval under 66 Pa.C.S. § 1327(a) to use the purchase price.¹⁰⁶ Moreover, as OSBA identified in its testimony, this protection is consistent with commitments made by the acquiring utility in at least three other states where the transfer of control of Nexus subsidiaries is under review.¹⁰⁷ Together with the agreement that any goodwill resulting from the transaction that is included on PAWC’s balance sheet will be excluded from rate base, these provisions help to mitigate future rate impact from the transaction.

I also find benefit in eliminating the uncertainty about an acquisition adjustment within the acquisition proceeding, because it gives fuller information for evaluating the proposed transaction.¹⁰⁸ Accordingly, I recommend that these Settlement terms be approved by the Commission without modification.

¹⁰⁴ App. G (OCA) at 21 (citing PAWC St. 3 at 6 and PAWC’s currently effective tariffs).

¹⁰⁵ App. G (OCA) at 21.

¹⁰⁶ The OSBA calculated an acquisition adjustment of approximately \$25.3 million. OSBA St. 1 at 4. According to the OCA’s witness, the amount in excess of net book value of CUPA’s assets is \$27.9 million. OCA St. 1 at 10 (citing PAWC’s Response to OCA-I-10).

¹⁰⁷ OSBA St. 1 at 7-9 (Illinois, Kentucky and Tennessee); OSBA St. 1-SR at 3.

¹⁰⁸ See OCA St. 1 at 10; OSBA St. 1 at 6-7.

2. Approval of an Agreement with an Affiliated Interest Pursuant to 66 Pa.C.S. § 2102 (Settlement ¶ 31)

Section 2102 of the Code requires a utility to obtain Commission approval of contracts with affiliated interests.¹⁰⁹ The Commission is to approve such a contract if it is reasonable and consistent with the public interest.¹¹⁰

The Settlement includes a request that the Commission approve the Stock Purchase Agreement and the Statement of Merger as affiliated interest agreements.¹¹¹ PAWC states that this request is necessary “because the Stock Purchase Agreement, which was executed by American Water (the corporate parent of PAWC), would briefly make the CUPA Systems subsidiaries of American Water.”¹¹² Further, the Company avers that these affiliated interest agreements are necessary to effect the proposed transaction.¹¹³

According to PAWC, because the proposed transaction will affirmatively promote the public interest in a substantial way, it follows that approval of the agreements pursuant to Section 2102 is reasonable and in the public interest.¹¹⁴ The OCA also supports this term, when considered in the context of the Settlement, as being in the public interest.¹¹⁵

Consistent with my overall recommendation to approve the Settlement and Joint Application, and given that no party raised any objection or concern regarding the

¹⁰⁹ 66 Pa.C.S. § 2102(a).
¹¹⁰ 66 Pa.C.S. § 2102(b).
¹¹¹ Settlement ¶ 31.
¹¹² App. E (PAWC) at 12.
¹¹³ *Id.*
¹¹⁴ *Id.*
¹¹⁵ App. G (OCA) at 9.

Stock Purchase Agreement or the Statement of Merger, I agree that approval of these affiliated interest agreements is reasonable and in the public interest.

3. Approval of Agreements Pursuant to 66 Pa.C.S. § 507 (Settlement ¶ 32)

In this proceeding, PAWC requests approval of two contracts between PAWC and the City of Bethlehem, a municipal corporation. This request is subject to review under Section 507 of the Code.¹¹⁶ PAWC explains that these agreements are necessary for the Company to provide service to the territory currently served by CUPA.¹¹⁷

The OCA supports this term, in the context of the Settlement, as being in the public interest.¹¹⁸ The OSBA agrees that the agreements are a reasonable and a meaningful benefit to PAWC's small business customers.¹¹⁹

For the reasons stated by the parties, I agree that approval of the two agreements is reasonable and in the public interest.

4. Distribution System Improvement Charges (Settlement ¶ 33)

PAWC's existing water and wastewater tariffs include a Distribution System Improvement Charge (DSIC).¹²⁰ Paragraph 33 of the Settlement addresses when the DSIC will be applied to CUPA customers and when the Company can begin recovering investment in the CUPA Systems through the DSIC.

¹¹⁶ 66 Pa.C.S. § 507
¹¹⁷ App. E (PAWC) at 12-13.
¹¹⁸ App. G (OCA) at 9.
¹¹⁹ App. H (OSBA) at 3-4.
¹²⁰ PAWC St. 3 at 7.

PAWC explains these provisions and its contention that they provide important consumer safeguards, as follows:

First, the DSIC will apply to CUPA's existing customers *no later than* the first base rate case in which the Systems are included. This provision ensures that CUPA's customers will help fund investments in other portions of the PAWC system promptly after Closing. Second, PAWC will not seek to recover investments in the CUPA Systems through the DISC [sic] until PAWC applies the DSIC to CUPA's existing customers. This provision ensures that PAWC's existing customers will not be forced to pay for improvements to the CUPA System through the DSIC until CUPA's existing customers share in the cost of those improvements.^[121]

The OCA agrees that the provisions of paragraph 33 of the Settlement protect PAWC's existing customers by helping to ensure that they will not pay for projects in the CUPA service area until CUPA customers pay their share of the DSIC, and also by providing for CUPA customers to timely begin contributing toward overall PAWC system improvements.¹²²

The OSBA likewise supports this term of settlement, on the basis that it clarifies what infrastructure investments PAWC may seek to recover through the DSIC following close of the transaction.¹²³

Based on the support provided by the OCA, OSBA and PAWC, I agree that the DSIC provisions of the Settlement are reasonable and in the public interest, and should be approved.

¹²¹ App. E (PAWC) at 13.

¹²² App. G (OCA) at 9.

¹²³ App. H (OSBA) at 4.

5. Customer Assistance Programs (Settlement ¶¶ 34-36)

As discussed by the Joint Petitioners, the Settlement provides several measures to address the needs of low-income customers in CUPA's service territory.

On pages 13 to 14 of its Statement in Support, PAWC aptly summarizes the Settlement provisions relating to customer assistance programs, as follows:

The Settlement makes clear that CUPA's customers will become eligible for PAWC's customer assistance programs immediately after Closing. Settlement ¶ [34]. Within the first billing cycle after Closing, PAWC is to send a bill insert to CUPA's customers notifying them of PAWC's low income programs. In addition, PAWC is to send CUPA's customers a welcome letter that will include information about PAWC's low income programs. Settlement ¶ [35]. The welcome letter will also include information about the OCA and the OSBA, in-person bill payment locations, and PAWC's website. PAWC will provide a draft of the welcome letter to the OSBA and the OCA for review and comment. Settlement ¶ [36].^[124]

According to PAWC, these provisions are reasonable and in the public interest because it is important that low income customers are notified of the assistance programs that are available to them.¹²⁵

The OCA provides the following additional support for these terms of Settlement. It states:

These terms seek to create as seamless of a transition for CUPA's customers who are currently enrolled in its low-

¹²⁴ App. E (PAWC) at 13-14. As noted above, PAWC's references to the Settlement's paragraph numbering do not align with the numbering in the filed Settlement and have been corrected.

¹²⁵ App. E (PAWC) at 14.

income program as possible, as well as to provide all CUPA customers with information regarding PAWC's low-income program offerings. The OCA has consistently supported the issuance of a bill insert and welcome letter following PAWC's acquisition of a system in recent proceedings because the letters are an effective way to inform acquired customers of PAWC's low-income programming, including whether customers can qualify for the program, and how they can enroll.

...
Raising awareness of such programs following an acquisition is critical to ensure that acquired customers are fully informed of their options should they face difficulty paying their water and/or wastewater bills.^[126]

In addition to the support addressed above, the OSBA identified that small business customers will become eligible for all PAWC payment options and customer programs. The OSBA states that this will help small businesses manage their finances and help prevent their water from being turned off.¹²⁷ Further, the OSBA points out that the inclusion of information regarding the OSBA will give small businesses a resource to contact in case they have issues with PAWC.¹²⁸

I agree that these provisions are reasonable and, in combination, help to ensure that those customers who are eligible for assistance are informed about programs that might benefit them. Accordingly, I find the Settlement terms addressing customer assistance programs to be in the public interest and recommend they should be approved.

¹²⁶ App. G (OCA) at 11.

¹²⁷ App. H (OSBA) at 4-5.

¹²⁸ App. H (OSBA) at 5.

6. CUPA Customer Protections (Settlement ¶¶ 37-42)

a. Integration Customer Protection Deferral Mechanism (Settlement ¶ 37)

As identified by PAWC, one of the major issues in this case concerned the Integration Customer Protection Deferral Mechanism (Deferral Mechanism), which was created by the settlement in CUPA’s 2023 rate case at Docket No. R-2023-3042804.

Specifically, paragraph 30 of that settlement provided:

CUPA shall set up a deferral account, “Integration Customer Protection Deferral Mechanism,” which will capture accrued costs and benefits of integration that occur for five years after the closing date. All parties reserve their rights to challenge recovery of any deferred amounts in future rate proceedings.^[129]

In the instant proceeding, the OCA took the position that Nexus supported the acquisition of CUPA in 2022, in part, by claiming that cost savings would result, which would benefit CUPA’s customers in the long term. The settlement of CUPA’s 2023 rate case provided that cost savings would be tracked and, if net savings resulted after 5 years, that the savings would be flowed back to customers.¹³⁰ The OCA recommended that:

Because CUPA will no longer exist as a legal entity capable of flowing these cost savings back if the acquisition is approved, it is imperative that all accrued benefits of Nexus’s 2022 acquisition be captured and passed back to CUPA customers in this proceeding...^[131]

¹²⁹ CUPA 2023, Recommended Decision at 22 (issued May 28, 2024).

¹³⁰ App. G (OCA) at 12 (citing OCA St. 1SR at 3-6).

¹³¹ App. G (OCA) at 12 (citing OCA St. 1SR at 6).

PAWC and CUPA disagreed with the OCA’s recommendation. CUPA contended that it had agreed (only) to track savings and costs, and that how those savings and costs would be treated as to rates would be decided in future rate proceedings.¹³² Likewise, PAWC asserted that the ratemaking treatment of the account, including both costs and savings, should be reserved for a base rate case.¹³³ As of September 30, 2025, the Deferral Mechanism had a net balance of \$25,840.¹³⁴

To resolve this issue, the settling parties agreed that CUPA will flow the net balance of the Deferral Mechanism to its customers through a one-time credit on the final bills issued by CUPA to customers. The balance will be determined as of the last day of the month prior to Closing of the transactions.¹³⁵

I find this to be a reasonable resolution of the issue, and in the public interest. To begin with, CUPA acknowledges that one of the affirmative benefits discussed in the 2022 merger proceeding¹³⁶ was that the transaction was expected to reduce costs, through the integration of administrative and general functions.¹³⁷ The Deferral Mechanism would have netted the integration costs for five years after the merger transaction closed. Now tracking and netting will continue until the closing of the instant multi-state transaction, the timing of which is not specifically known. Even if the period is shorter, however, customers will benefit from the certainty that any net balance will be returned to them as a bill credit, rather than having the treatment decided in a

¹³² CUPA St. 1-R at 5-6.

¹³³ PAWC St. 3-R at 4.

¹³⁴ CUPA St. 1-RJ at 6.

¹³⁵ Settlement ¶ 37.

¹³⁶ The 2022 merger and Nexus’s acquisition of CUPA both refer to the 2022 application proceeding at docket numbers A-2022-3036744 and A-2022-3036745. *Application of Community Utils. of Pa. Inc. for Approval of a Merger of Equals Transaction*, Docket Nos. A-2022-3036744, A-2022-3036745 (Final Order entered Sept. 8, 2023).

¹³⁷ CUPA St. 1-RJ at 3.

future rate case. Further, the Settlement limits the bill credit to net savings, which reflects a compromise of the OCA's position that all cost savings should be passed to CUPA customers.¹³⁸ This takes PAWC's and CUPA's positions into account by recognizing the costs of integration that are being tracked in the Deferral Mechanism, along with the cost savings. In this way, paragraph 37 of the Settlement provides a reasonable compromise of the parties' litigation positions.

Accordingly, I recommend that paragraph 37 of the Settlement be approved by the Commission without modification.

b. Fire suppression in the Tamiment and Westgate systems (Settlement ¶¶ 38-39)

As discussed above in Section VII.B. of this Decision, inadequate fire protection in the CUPA system, particularly the Tamiment and Westgate water systems, was a major issue in this proceeding and in the recent CUPA 2023 rate case.¹³⁹ Several customers addressed fire suppression at the Tamiment public input hearings, raising concerns whether PAWC will address low water pressures and inadequate or inoperable fire hydrants, to protect their community in the event of another house fire.¹⁴⁰ The solicitor for Hanover Township also mentioned a house fire and questioned whether system improvements to address hydrants with insufficient water pressure will continue after PAWC acquires CUPA's Westgate water system.¹⁴¹

¹³⁸ OCA St. 1SR at 2, 6-7.

¹³⁹ App. E (PAWC) at 6-7 (citing *CUPA 2023*, Statement of Chairman DeFrank), 15, 17-18; App. F (CUPA) at 3; App. G (OCA) at 14, 21; *see also* OCA St. 1 at 13-15; OCA St. 1-SR at 8; PAWC St. 2-R at 4-5; PAWC St. 1 at 23; PAWC St. 2 at 20-21.

¹⁴⁰ Tr. 74-75, 79-80, 82, 92, 95-96, 112, 114, 123.

¹⁴¹ Tr. 49-50.

Settlement paragraphs 38 and 39 reflect the settling parties' agreements regarding these issues. They provide:

38. Within 12 months following the date of Closing, PAWC will complete an initial hydraulic model or other analysis to evaluate fire suppression flows available throughout the Tamiment and Westgate systems and develop a capital plan consistent with its model and analysis to determine the scope of improvements necessary to provide sufficient pressure for fire suppression and the cost of any such improvements.

39. Within 18 months following the date of Closing, or, if delayed as a result of permitting or regulatory approvals, a reasonable time thereafter, PAWC will begin construction on the identified capital improvements necessary to provide sufficient water pressure for fire suppression in the Tamiment and Westgate systems.^[142]

Consistent with their positions on the benefits of the proposed transaction, PAWC, CUPA and the OCA support these terms of settlement as being responsive to customer and public safety concerns by helping to ensure timely resolution of the pressure and fire protection issues.¹⁴³

As summarized by the OCA:

Additionally, the Settlement will ensure that PAWC will undertake best efforts to install sufficient water pressure capacity to provide adequate fire protection in its Westgate and Tamiment systems, as CUPA would have done if it were not acquired. This commitment addresses the concerns of CUPA's customers, the OCA, and Chairman DeFrank, that PAWC will continue the work which CUPA committed to undertake as part of the settlement of its

¹⁴² Settlement ¶¶ 38-39.

¹⁴³ App. E (PAWC) at 6-7, 15, 17-18; App. F (CUPA) at 3; App. G (OCA) at 14, 21; *see* Section VII.B, *supra*.

recent rate case. Furthermore, the Settlement includes timing windows, consistent with the testimony of PAWC witness Guntrum, so that all improvements necessary to provide adequate fire suppression will be implemented as quickly as is feasible.^{144]}

Further, the OCA avers that it is likely that investment in mains capacity sufficient to provide adequate fire suppression will improve customers' water pressure in their homes.¹⁴⁵

For the reasons stated by the parties, I agree that these Settlement terms are responsive to critical concerns raised by CUPA's customers and serve the broader public interest. Accordingly, I recommend their approval.

**c. Tamiment Water Quality and Customer Collaboratives
(Settlement ¶¶ 40-41)**

Several witnesses at the public input hearings held in the Tamiment service area testified about water quality concerns and many noted the presence of black particulate matter in the water.¹⁴⁶ In their respective statements in support, PAWC, CUPA and the OCA discussed their support for how paragraph 40 of the Settlement addresses those concerns.¹⁴⁷ Those parties also provided support for the related Settlement term (paragraph 41), which requires the Company to hold an in-person collaborative in each of CUPA's water and wastewater service territories within 18 months following acquisition by PAWC.¹⁴⁸

¹⁴⁴ App. G (OCA) at 14 (citing PAWC St. 2-R at 4-8).

¹⁴⁵ App. G (OCA) at 21.

¹⁴⁶ Tr. 92, 106-07, 113.

¹⁴⁷ App. E (PAWC) at 17; App. F (CUPA) at 4; App. G (OCA) at 14-16, 21-22.

¹⁴⁸ App. E (PAWC) at 19-20; App. F (CUPA) at 4; App. G (OCA) at 14-16, 21-22.

The OCA explained how these provisions of the Settlement work together.

It stated:

While the Settlement does not require PAWC to take steps in order to address CUPA's customers' reports of black particulate matter in their water, it does require PAWC to investigate potential causes, as described in Mr. Guntrum's rebuttal testimony. As Mr. Guntrum testified, it is impossible to know the source of particulate matter in water unless an investigation into the system is conducted which looks at iron and manganese content in the water, corroding fittings, or silt from the well which is drawn into the distribution system. PAWC St. 2-R at 3. By investigating, and providing a report on, the cause of black particulate matter in Tamiment customers' homes, PAWC is committing to taking the first step towards addressing an issue which is significant in the mind of CUPA's Tamiment customers. This commitment is important assurance to CUPA's Tamiment customers that their concerns are going to be taken seriously under PAWC ownership, a concern which was raised at the public input hearings.

Furthermore, by providing a forum in which CUPA's customers can express concerns regarding their service to PAWC, PAWC will be better informed on what issues are likely to arise in the acquired systems and will be better able to address them. Holding collaborative meetings with CUPA's customers provides PAWC with an opportunity to educate its customers, as well as build trust that it will be responsive to their concerns, hopefully reducing the rate of complaints filed with the Commission.^[149]

The importance of assuring customers that PAWC will take seriously their service concerns is underscored by reports by the Commission's Bureau of Consumer Services, which show that, in 2021, 2022, and 2023, CUPA had the highest rate of consumer complaints per 1,000 customers of any jurisdictional, Class A water or

¹⁴⁹ App. G (OCA) at 15-16.

wastewater utility in Pennsylvania.¹⁵⁰ Also, as PAWC points out, the Settlement provision requiring customer collaboratives is similar to a provision in the settlement of CUPA’s recent rate case that required CUPA to hold annual customer meetings in each of its service territories until the Commission issues an order in CUPA’s next base rate case.¹⁵¹ I agree with PAWC’s statement that, “[i]t is reasonable and in the public interest for PAWC to substantially comply with the commitments that CUPA made in its most recent rate case, where feasible.”¹⁵²

I find that PAWC’s commitments in paragraphs 40 and 41 of the Settlement, *inter alia*, to investigate potential causes of black particulate matter in the water, hold collaboratives to hear directly about the customers’ other quality and service concerns, provide customer education about matters of interest, and share information with the statutory advocates are valuable steps toward improving service, directly responsive to testimony at the public input hearings, and should be approved.

d. Wastewater Deduct Metering (Settlement ¶ 42)

Paragraph 42 of the Settlement provides PAWC’s commitment to conduct an evaluation of a wastewater deduct meter pilot program for CUPA’s service territory in Chester County. It states:

42. Within 12 months of Closing, but prior to the first general rate increase request which includes CUPA’s system assets, PAWC will conduct an evaluation of a wastewater deduct meter pilot program for CUPA’s Utilities, Inc. of Pennsylvania Chester County (former Utilities, Inc. of Pennsylvania Division) service territory. The evaluation may assume that (1) the pilot program will

¹⁵⁰ See App. G (OCA) at 14-15 (citing *2023 Utility Consumer Activities Report and Evaluation*, Pa. PUC (published Jan. 2025), at 54).

¹⁵¹ App. E (PAWC) at 19-20.

¹⁵² App. E (PAWC) at 20.

be voluntary and/or (2) the customer using the deduct meter will provide a contribution in aid of construction for the cost of the deduct meter, its installation, and related plant in service accounts. This evaluation should estimate the costs to PAWC to implement the program, estimate the number of customers who may benefit from enrollment in the program within the studied system, estimate the costs to customers to install and maintain a deduct meter (if applicable), estimate the potential bill savings that the customers would experience, and estimate the effect on other customers' rates due to the adjustment to billing determinants. PAWC will provide the written evaluation to the OCA and OSBA at the time of completion and, upon request, will produce the same in discovery in the first general rate increase request which includes CUPA's system assets.^[153]

As explained by PAWC and the OCA in their Statements in Support, the method by which customers are billed for wastewater service was an issue raised in testimony at the public input hearings in the instant matter and has been raised in recent CUPA proceedings.¹⁵⁴ In *CUPA 2023*, the Commission approved a transition from flat to metered wastewater rates for certain CUPA wastewater customers, including those in its Chester County service territory.¹⁵⁵ Formal complaints were filed against CUPA in 2024 and 2025, in which customers objected to the wastewater billing methodology because it includes water used for irrigation purposes, i.e. not entering CUPA's wastewater system, in the total water consumption used to calculate wastewater bills.¹⁵⁶

¹⁵³ Settlement ¶ 43.

¹⁵⁴ App. E (PAWC) at 18-19 (citing Tr. 60, 150-53); App. G (OCA) at 16-19. The OCA also states that, in its 2023 and 2025 base rate cases, PAWC made proposals for alternative methodologies for determining water usage for the purposes of metered wastewater billing. App. G (OCA) at 17-18. The first proposal was denied, and the second proposal is under review in PAWC's pending rate case. *Id.*

¹⁵⁵ App. G (OCA) at 16.

¹⁵⁶ App. E (PAWC) at 18, n.3 (citing *Pfaff v. Community Utils. of Pa. Inc.*, Docket No. C-2025-3053638 (*Pfaff*) (Initial Decision issued Oct. 30, 2025, Final Order entered Dec. 18, 2025); App. G (OCA) at 16 (citing *Jason Showers v. Community Utils. of Pa. Inc.*, Docket No. F-2025-3052795 (*Showers*) (Initial Decision issued Aug. 18,

Both PAWC and the OCA point to Statements by Vice Chair Barrow in these complaint cases, where the Vice Chair encouraged CUPA and other wastewater utilities with deduct meter usage customers to file and obtain Commission approval for a deduct meter tariff.¹⁵⁷ Thus PAWC states that “[t]he Settlement is reasonable and in the public interest because it provides for an evaluation of a wastewater deduct meter pilot program for CUPA.” The OCA explained its support for the resolution of the deduct metering issue in the instant case (Settlement ¶ 42), as follows:

This evaluation will include the relevant data necessary to complete a full evaluation, namely the costs of implementing deduct metering for both PAWC and customers, potential benefits of deduct metering, and the potential harms to customers due to the change in billing determinants from deduct metering. The evaluation is limited in scope and addresses the concerns of several current CUPA customers, applying only to CUPA’s former Utilities, Inc. Division, a service territory which recently switched from unmetered to metered wastewater rates and has seen large bill increases as a result.

...

The targeted nature of this provision of the Settlement will produce valuable data for further consideration as to whether an alternative method for wastewater billing may be beneficial and, as a result, is in the public interest.^[158]

I find that the settling parties’ agreement on the deduct metering issue is a reasonable means to respond to customer testimony at the public input hearings and to recognize the broader interest in how wastewater is billed. As provided by the Settlement, the evaluation should estimate: costs to PAWC, costs and potential savings

2025, Final Order entered Oct. 9, 2025); *Sean Petty v. Community Utils. of Pa. Inc.*, Docket No. C-2024-3052590 (Initial Decision on Remand issued Nov. 24, 2025, Final Order entered Dec. 29, 2025)).

¹⁵⁷ App. E (PAWC) at 18, n.3 (citing *Pfaff*, Statement of Vice Chair Barrow at 2 (issued Dec. 18, 2025)); App. G (OCA) at 16 (citing *Showers*, Statement of Vice Chair Barrow at 2 (issued Oct. 9, 2025)).

¹⁵⁸ App. G (OCA) at 18-19.

for customers using deduct meters, and the effect on other customers' rates due to the adjustment to billing determinants.¹⁵⁹ The Settlement further provides that the collected data will be available in the Company's first general rate increase proceeding that includes CUPA's system assets and, in which, the first post-acquisition rates for the CUPA systems will be established. As such, I find this Settlement provision to be in the public interest and recommend its approval.

7. Compliance with CUPA Rate Case Commitments (Settlement ¶ 43)

The OCA summarized Settlement paragraph 43 as follows:

In its response to OCA Set II-5, attached to the Settlement, PAWC provided a proposal on how to incorporate CUPA's low-income customers into PAWC's existing low-income programming beyond providing a bill insert and welcome letter, as described *supra*. The Settlement commits PAWC to implementing that proposal, to the extent not otherwise required by the terms of the Settlement.^[160]

The referenced interrogatory response is attached as Appendix D to the Settlement.

PAWC further explains that, in CUPA's settlement of its 2023 rate case, CUPA made several commitments regarding its customer assistance program. PAWC submits that its agreement to take actions consistent with its answer to OCA Set II-5 "is reasonable and in the public interest because PAWC will substantially comply with CUPA's settlement commitments regarding its customer assistance program."¹⁶¹

¹⁵⁹ Settlement ¶ 42.

¹⁶⁰ App. G (OCA) at 19 (citation omitted).

¹⁶¹ App. E (OCA) at 16.

I agree with PAWC that there is value in carrying through with many of CUPA’s settlement commitments regarding customer assistance programming. In recommending approval of the settlement of CUPA’s 2023 rate case, the presiding officers discussed testimony about the number of eligible households who were not participating in CUPA’s low-income program, and found that the changes agreed to in the settlement – which included expanding eligibility up to 200% of the Federal Poverty Level and direct-to-customer outreach (in English and Spanish) – were in the public interest because they should help to increase access and enrollment.¹⁶² Thus, existing CUPA customers will continue to benefit from those improvements to customer assistance programming being maintained, and further enhanced, under PAWC’s ownership.

Further, I agree with the OCA that PAWC’s commitments in Settlement paragraph 43, along with the Company’s other low-income programming commitments contained in paragraphs 34 through 36, will help to “ease CUPA’s low-income customers into PAWC ownership as effectively as possible.”¹⁶³ As one example, PAWC commits that any existing CUPA customer who is enrolled in CUPA’s low-income Program will be automatically transferred to PAWC’s H2O Help to Others Program.¹⁶⁴

Accordingly, I find that Settlement paragraph 43 is in the public interest and should be approved.

8. Other Necessary Approvals (Settlement ¶ 44)

As described by PAWC, the Joint Petitioners believe that they have requested all necessary approvals from the Commission. Nevertheless, as a safeguard,

¹⁶² *CUPA 2023, Recommended Decision.*

¹⁶³ App. G (OCA) at 19.

¹⁶⁴ App. D (PAWC response to OCA-II-5) at 1.

the Settlement includes a customary “safety valve” provision requesting that the Commission grant any necessary approvals that the Joint Petitioners might have inadvertently overlooked.¹⁶⁵ The OCA agrees that this condition is in the public interest when considered in totality with the Settlement and should be approved.¹⁶⁶ The OSBA likewise agrees with all other necessary approvals being issued.¹⁶⁷ I agree that this provision is reasonable in that, if the Commission determines to approve the proposed transaction, it should grant overlooked approvals necessary for its effectuation.

9. Standard Settlement Conditions (Settlement ¶¶ 45-50)

Finally, the Settlement contains standard provisions concerning the motivations and expectations of the parties in entering into the Settlement, their request that the Settlement be approved by the Commission without modification and their intentions in the event the Settlement is not approved or approved with modifications.¹⁶⁸ The Company, OCA and OSBA support approval of these provisions because they establish and protect the Joint Petitioners’ respective rights in the current and future proceedings.¹⁶⁹

The Settlement is a negotiated resolution. As stated in Settlement paragraph 47, its terms reflect a compromise of competing positions and do not necessarily reflect any settling party’s position with respect to any issues raised in these proceedings. As such, I agree that the conditions agreed to in paragraph 45 through 50 are reasonable and I recommend that they be approved without modification.

¹⁶⁵ App. E (PAWC) at 17.

¹⁶⁶ App. G (OCA) at 20.

¹⁶⁷ App. H (OSBA) at 5.

¹⁶⁸ Settlement ¶¶ 45-50.

¹⁶⁹ App. E (PAWC) at 17, App. G (OCA) at 20, App. H (OSBA) at 5-6.

VIII. CONCLUSION

Consistent with the foregoing discussion, including my analysis of the individual Settlement provisions, I find that the Joint Applicants and settling parties have carried their burden of demonstrating that the net benefits of the proposed transaction support its approval. Further, I find that the unopposed Settlement provides a reasonable response to concerns raised at the Public Input Hearings and in the parties' testimony, and is in the public interest.

As such, I recommend that the Commission approve without modification the Settlement and the Joint Application, as amended by the terms of the Settlement.

IX. CONCLUSIONS OF LAW

1. The Pennsylvania Public Utility Commission has jurisdiction over the subject matter of, and the parties to, these application proceedings. 66 Pa.C.S. §§ 1102, 1103.
2. American Water Works Company, Inc., Pennsylvania-American Water Company, Nexus Regulated Utilities, LLC, and Community Utilities of Pennsylvania Inc. have the burden of proof to establish that they are entitled to the relief they are seeking. 66 Pa.C.S. § 332(a).
3. To satisfy their burden, the Joint Applicants must demonstrate, by a preponderance of the evidence, that the proposed transaction complies with Pennsylvania law and should be approved. *Samuel J. Lansberry, Inc. v. Pa. Pub. Util. Comm'n*, 578 A.2d 600 (Pa. Cmwlth. 1990).

4. The decision of the Commission must also be supported by substantial evidence in the record. 66 Pa.C.S. § 332(a); *Samuel J. Lansberry, Inc. v. Pa. Pub. Util. Comm'n*, 578 A.2d 600 (Pa. Cmwlth. 1990).

5. Section 1102 of the Public Utility Code requires that the Commission issue a Certificate of Public Convenience as a legal prerequisite to offering service, abandoning service and certain property acquisitions or transfers by public utilities or their affiliated interests. 66 Pa.C.S. § 1102.

6. Section 1102(a)(3) of the Public Utility Code specifically requires a Certificate to be issued for a public utility to transfer its stock, by way of merger, sale or otherwise, to any person or corporation, when such merger or sale results in the acquisition or transfer of the title, possession or use of property used in public utility service. 66 Pa.C.S. § 1102(a)(3); *see also* 52 Pa. Code § 69.901.

7. An applicant for a certificate of public convenience must demonstrate that it is technically, financially, and legally fit to own and operate the acquired public utility assets. *Seaboard Tank Lines v. Pa. Pub. Util. Comm'n*, 502 A.2d 762 (Pa. Cmwlth. 1985); *Warminster Twp. Mun. Auth. v. Pa. Pub. Util. Comm'n*, 138 A.2d 240 (Pa. Super. 1958).

8. The fitness of a currently certificated public utility is presumed. *See e.g., Lehigh Valley Transp. Servs., Inc. v. Pa. Pub. Util. Comm'n*, 56 A.3d 49 (Pa. Cmwlth. 2012); *South Hills Movers, Inc. v. Pa. Pub. Util. Comm'n*, 601 A.2d 1308 (Pa. Cmwlth. 1992).

9. The Joint Applicants have demonstrated, by a preponderance of the evidence, that PAWC is technically, financially and legally fit.

10. 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).

11. An applicant for a certificate of public convenience must demonstrate that the transaction 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*, 295 A.2d 825, 828 (Pa. 1972); *Popowsky v. Pa. Pub. Util. Comm’n*, 937 A.2d 1040, 1054-57 (Pa. 2007).

12. In granting a certificate of public convenience, the Commission may impose such conditions as it may deem to be just and reasonable. 66 Pa.C.S. § 1103(a).

13. The proposed transaction, as amended by the terms of Settlement, affirmatively promotes the service, accommodation, convenience or safety of the public in some substantial way.

14. Commission policy promotes settlements. 52 Pa. Code § 5.231.

15. A settlement lessens the time and expense that the parties must expend litigating a case and, at the same time, conserves precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully-litigated proceeding. 52 Pa. Code § 69.401.

16. In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm’n v. City of Bethlehem – Water Dept.*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021); *Pa. Pub. Util. Comm’n v. York Water Co.*, Docket No. R-

00049165 (Recommended Decision issued Aug. 26, 2004, Final Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C.S. Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991).

17. Because the Joint Petitioners request that the Commission enter an order adopting the Settlement without modification, they share the burden of proof to show that the terms and conditions of the Settlement are in the public interest. 66 Pa.C.S. § 332(a); *Pa. Pub. Util. Comm'n v. City of Bethlehem – Water Dept.*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021).

18. The Settlement and its proposed terms and conditions are in the public interest and, therefore, should be approved without modification.

19. A contract between a municipality and a public utility (other than a contract to furnish service at regular tariff rates) must be filed with the Commission at least 30 days before the effective date of the contract. The Commission may approve it by issuing a certificate of filing or institute proceedings to determine whether there are any issues with the reasonableness, legality, or any other matter affecting the validity of the contract. 66 Pa.C.S. § 507.

20. The Commission is to approve an affiliated interest contract or arrangement if it is clearly established upon investigation that the contract or arrangement is reasonable and consistent with the public interest. 66 Pa.C.S. § 2102.

21. The Stock Purchase Agreement and the Statement of Merger are reasonable and consistent with the public interest.

X. ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Approval of Unanimous Settlement of All Issues filed on December 23, 2025, at Docket Nos. Docket Nos. A-2025-3055551, A-2025-3055552, A-2025-3055553 and A-2025-3055554, including all terms and conditions, be approved without modification.

2. That the Joint Application filed by American Water Works Company, Pennsylvania-American Water Company, Nexus Regulated Utilities, LLC, and Community Utilities of Pennsylvania Inc., on May 30, 2025, be approved subject to the modifications set forth in the Joint Petition for Approval of Unanimous Settlement of All Issues.

3. That a Certificate of Public Convenience be issued pursuant to Sections 1102(a) and 1103 of the Public Utility Code, 66 Pa.C.S. §§ 1102(a), 1103, evidencing Commission approval of:

a. the transfer of control of Community Utilities of Pennsylvania Inc. from Nexus Regulated Utilities, LLC to American Water Works Company;

b. the transfer to Pennsylvania-American Water Company, by merger, of all assets of Community Utilities of Pennsylvania Inc. used or useful in the public service (the Systems);

c. Pennsylvania-American Water Company's right to begin to offer, render, furnish, or supply water service in the areas served by the Systems;

d. Pennsylvania-American Water Company's right to begin to offer, render, furnish or supply wastewater service in the areas served by the Systems;

e. Community Utilities of Pennsylvania Inc.'s abandonment of all water service in the Commonwealth; and

f. Community Utilities of Pennsylvania Inc.'s abandonment of all wastewater service in the Commonwealth.

4. That the Commission permit Pennsylvania-American Water Company to issue compliance tariff supplements, consistent with the *pro forma* tariff supplement submitted with the Joint Application as Appendix R, including all rates, rules and regulations regarding conditions of Pennsylvania-American Water Company's water service, to become effective upon one day's notice, and permit the implementation of all other rates, and the rules and regulations regarding conditions of Pennsylvania-American Water Company's water service, as reflected in Pennsylvania-American Water Company's prevailing water tariff, to become effective upon the completion of the merger.

5. That the Commission permit Pennsylvania-American Water Company to issue compliance tariff supplements, consistent with the *pro forma* tariff supplement submitted with the Joint Application as Appendix S, including all rates, rules and regulations regarding conditions of Pennsylvania-American Water Company's wastewater service, to become effective upon one day's notice, and permit the implementation of all other rates, and the rules and regulations regarding conditions of Pennsylvania-American Water Company's wastewater service, as reflected in

Pennsylvania-American Water Company's prevailing wastewater tariff, to become effective upon the completion of the merger.

6. That Pennsylvania-American Water Company shall record the original cost of Community Utilities of Pennsylvania Inc.'s utility plant in service net of accumulated depreciation as of the acquisition Closing date. Pennsylvania-American Water Company will not request recovery of an acquisition adjustment under Section 1327(a) of the Pennsylvania Public Utility Code.

7. That, in the first base rate case in which Pennsylvania-American Water Company includes the System assets, Pennsylvania-American Water Company will identify the capital additions made to the acquired System which are necessary for Pennsylvania-American Water Company to integrate the Systems into its operating footprint separately from those capital additions which are safety-, reliability-, quality of service-, or environmentally-related or otherwise necessary for regulatory compliance. Pennsylvania-American Water Company's analysis or report separately identifying these investments shall be made available to the parties to that proceeding upon request.

8. That the Stock Purchase Agreement and the Statement of Merger be approved as affiliated interest agreements pursuant to 66 Pa.C.S. § 2102.

9. That the Commission issue a Certificate of Filing or Approval for the following agreements, pursuant to 66 Pa.C.S. § 507:

a. Water Services Agreement dated January 16, 2007, by and between Utilities, Inc. – Westgate and the City of Bethlehem; and

b. Addendum to Water Services Agreement dated June 6, 2017, by and between Utilities, Inc. – Westgate and the City of Bethlehem.

10. That the Commission issue any other approvals or certificates appropriate, customary, or necessary under the Code to carry out the transactions contemplated in the Joint Application in a lawful manner.

11. That the Distribution System Improvement Charge provisions of Pennsylvania-American Water Company's effective water and wastewater tariffs will apply to the former Community Utilities of Pennsylvania Inc. water and wastewater customers in the Systems no later than the first base rate case in which those systems are included. That Pennsylvania-American Water Company will not seek to recover investments in the water or wastewater systems in its Distribution System Improvement Charge until Pennsylvania-American Water Company applies the Distribution System Improvement Charge to the Systems' customers.

12. That immediately after Closing, System customers will become eligible for all Pennsylvania-American Water Company payment options and customer programs, including applicability of Pennsylvania-American Water Company's arrearage management program.

13. That within the first billing cycle following Closing, Pennsylvania-American Water Company shall include a bill insert to System customers regarding its low income programs and shall include such information in a welcome letter to the Systems' customers. The bill insert and welcome letter shall include, at a minimum, a description of the available low income programs, eligibility requirements for participation in the programs, and Pennsylvania-American Water Company's contact information.

14. That the welcome letter will be sent within the first thirty (30) days of Closing and will also include information about the Office of Consumer Advocate and the Office of Small Business Advocate, about payment options (including low-income

programs, eligibility requirements, Pennsylvania-American Water Company contact information) and in-person bill payment locations reasonably proximate to the areas served by the System. The welcome letter shall also refer customers to Pennsylvania-American Water Company's website (including the link) where a customer can find information concerning the transaction, which will include information regarding the Office of Consumer Advocate and the Office of Small Business Advocate with a hyperlink. Unless Pennsylvania-American Water Company, the Office of Small Business Advocate and the Office of Consumer Advocate agree to work together on a different timeline, within 15 days of a final order in this proceeding, Pennsylvania-American Water Company will provide the Office of Small Business Advocate and the Office of Consumer Advocate with a copy of the draft welcome letter; the Office of Small Business Advocate and the Office of Consumer Advocate will provide any suggestions to Pennsylvania-American Water Company within ten (10) days of receipt; and Pennsylvania-American Water Company, in good faith, will consider incorporation of said suggestions.

15. That Community Utilities of Pennsylvania Inc. will provide a one-time credit on the final bills issued by Community Utilities of Pennsylvania Inc. to Community Utilities of Pennsylvania Inc.'s customers to reimburse customers for the net balance of the Integration Customer Protection Deferral Mechanism. The balance of the Integration Customer Protection Deferral Mechanism account will be determined as of the last day of the month prior to Closing of the Transactions. A credit will only be provided if the dollar amount of benefits exceeds the dollar amount of costs.

16. That, within twelve (12) months following the date of Closing, Pennsylvania-American Water Company will complete an initial hydraulic model or other analysis to evaluate fire suppression flows available throughout the Tamiment and Westgate systems and develop a capital plan consistent with its model and analysis to

determine the scope of improvements necessary to provide sufficient pressure for fire suppression and the cost of any such improvements.

17. That, within eighteen (18) months following the date of Closing, or, if delayed as a result of permitting or regulatory approvals, a reasonable time thereafter, Pennsylvania-American Water Company will begin construction on the identified capital improvements necessary to provide sufficient water pressure for fire suppression in the Tamiment and Westgate systems.

18. That, upon Closing, Pennsylvania-American Water Company will assess the treatment needs in the Tamiment system and determine if additional treatment or filtration is required to address particulate matter in the water concerns raised at the public input hearing. An initial report will be prepared within nine (9) months of Closing detailing the results of the assessment. The report will be shared with the parties to this proceeding.

19. That, within eighteen (18) months following the date of Closing, Pennsylvania-American Water Company will organize an in-person collaborative in each of Community Utilities of Pennsylvania Inc.'s current water and wastewater service territories. At this collaborative, Pennsylvania-American Water Company will provide customers the opportunity to describe concerns they have regarding the quality of their water or wastewater service. The Office of Consumer Advocate and Office of Small Business Advocate will be invited to participate in the in-person collaboratives and will have input into the locations of the collaboratives. The customer collaborative will be held between May 1 and September 30 and will include customer education on concerns regarding water hardness, particulate matter in water, and water conservation. Pennsylvania-American Water Company will meet with the Office of Consumer Advocate and Office of Small Business Advocate to discuss the issues it intends to present at the collaboratives at least sixty (60) days prior to the collaboratives, and will

consider in good faith any feedback provided by the Office of Consumer Advocate and Office of Small Business Advocate. Pennsylvania-American Water Company will provide a description of each concern identified by Community Utilities of Pennsylvania Inc.'s customers to the Office of Consumer Advocate and Office of Small Business Advocate within sixty (60) days following the collaboratives.

20. That, within twelve (12) months of Closing, but prior to the first general rate increase request which includes Community Utilities of Pennsylvania Inc.'s system assets, Pennsylvania-American Water Company will conduct an evaluation of a wastewater deduct meter pilot program for Community Utilities of Pennsylvania Inc.'s Utilities, Inc. of Pennsylvania Chester County (former Utilities, Inc. of Pennsylvania Division) service territory. The evaluation may assume that (1) the pilot program will be voluntary and/or (2) the customer using the deduct meter will provide a contribution in aid of construction for the cost of the deduct meter, its installation, and related plant in service accounts. This evaluation should estimate the costs to Pennsylvania-American Water Company to implement the program, estimate the number of customers who may benefit from enrollment in the program within the studied system, estimate the costs to customers to install and maintain a deduct meter (if applicable), estimate the potential bill savings that the customers would experience, and estimate the effect on other customers' rates due to the adjustment to billing determinants. Pennsylvania-American Water Company will provide the written evaluation to the Office of Consumer Advocate and Office of Small Business Advocate at the time of completion and, upon request, will produce the same in discovery in the first general rate increase request which includes Community Utilities of Pennsylvania Inc.'s system assets.

21. That, to the extent not otherwise specifically addressed by the Settlement agreement, Community Utilities of Pennsylvania Inc.'s 2024 rate case settlement terms are not applicable to Pennsylvania-American Water Company upon Closing the transaction, however, Pennsylvania-American Water Company will take

actions consistent with its response to OCA-II-5 with respect to Community Utilities of Pennsylvania Inc.'s low-income customers.

22. That within ten (10) days after Closing of the transactions contemplated in the Joint Application, Pennsylvania-American Water Company shall file notice of Closing with the Commission at this docket.

23. That, upon receipt of notice of Closing of the transactions, pursuant to Ordering Paragraph No. 22 above, the Commission's Secretary shall mark this proceeding at Docket Nos. A-2025-3055551, A-2025-3055552, A-2025-3055553 and A-2025-3055554 as closed.

24. That a copy of this decision shall be served upon the Commission's Bureau of Technical Utility Services.

Date: March 13, 2026

_____/s/
Erin L. Gannon
Administrative Law Judge