

Morgan Lewis

Mark A. Lazaroff

Partner

+1.215.963.4603

mark.lazaroff@morganlewis.com

March 13, 2026

VIA eFILING

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

**Re: Pennsylvania Public Utility Commission v.
Pennsylvania-American Water Company
Docket Nos. R-2025-3057983 and R-2025-3058051**

Dear Secretary Homsher:

Attached for filing in the above-referenced matters is the **Motion of Pennsylvania-American Water Company for Leave to File the Supplemental Direct Testimony of Linda Schlessman** (the "Motion").

Copies of the Motion have been served upon Administrative Law Judges Emily I. DeVoe and Jeffrey A. Watson and all parties of record as indicated in the attached Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Very truly yours,



Mark A. Lazaroff

MAL/ap
Enclosures

c: Per Certificate of Service (w/encls.)

DB1/ 167402294.1

Morgan, Lewis & Bockius LLP

2222 Market Street
Philadelphia, PA 19103-3007
United States

T +1.215.963.5000
F +1.215.963.5001

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
	:	
v.	:	DOCKET NOS. R-2025-3057983
	:	R-2025-3058051
PENNSYLVANIA-AMERICAN WATER COMPANY	:	
	:	

**MOTION OF PENNSYLVANIA-AMERICAN WATER COMPANY FOR LEAVE
TO FILE THE SUPPLEMENTAL DIRECT TESTIMONY OF
LINDA SCHLESSMAN**

Pursuant to 52 Pa. Code § 5.103, Pennsylvania-American Water Company (“PAWC” or the “Company”) hereby moves for leave to file the Supplemental Direct Testimony of Linda Schlessman, attached hereto as Appendix A. This limited-scope Supplemental Direct Testimony is intended to address the impact of recently-released Internal Revenue Service (“IRS”) guidance related to the Corporate Alternative Minimum Tax.¹ The Company’s revenue requirement in the fully projected future test year (“FPFTY”), as presented in the Company’s initial water and wastewater rate filing, included a deferred tax asset that the Company can remove as a result of the Guidance, resulting in a direct benefit to customers.

**I. MOTION FOR LEAVE TO FILE THE SUPPLEMENTAL DIRECT
TESTIMONY ATTACHED AS APPENDIX A**

1. This case was initiated on November 14, 2025, when PAWC filed Supplement No. 58 to Tariff Water – PA P.U.C. No. 5 (“Tariff No. 5”) and Supplement

¹ See Notice 2026-7, Additional Interim Guidance Regarding the Application of the Corporate Alternative Minimum Tax (Feb. 18, 2026), available at <https://www.irs.gov/pub/irs-drop/n-26-07.pdf> (the “Guidance”).

No. 61 to Tariff Wastewater PA P.U.C. No. 16 (“Tariff No. 16”) with the Pennsylvania Public Utility Commission (“Commission”). By Orders issued December 5, 2025, the Commission instituted a formal investigation to determine the lawfulness, justness and reasonableness of PAWC’s existing and proposed rates, rules and regulations.

Accordingly, Tariff Nos. 5 and 16 were suspended by operation of law until August 13, 2026.²

2. As described in the direct testimony of Linda Schlessman (PAWC Statement No. 8), application of the CAMT resulted in the inclusion of an approximately \$24.4 million deferred tax asset in the Company’s FPFTY revenue requirement as presented in the Company’s initial filing.

3. The Guidance, released by the IRS on February 18, 2026, permits a corporation to deduct tax repairs when calculating its adjusted financial statement income for the purpose of determining tax liability under the CAMT. After reviewing the Guidance with tax experts, the Company now interprets the Guidance to have retroactive effect.³ This results in a material change in the Company’s tax liability. The Supplemental Direct Testimony of Ms. Schlessman describes the Guidance and its impact to the Company, including the corresponding reduction to the Company’s FPFTY revenue requirement. This change is reflected in PAWC Exhibit 3-A Revised.

4. The Company believes it is appropriate to submit this limited-scope Supplemental Direct Testimony to explain the impact of the Guidance and the resulting

² *Pa. P.U.C. v. Pennsylvania-American Water Company*, Docket Nos. R-2025-3057983 and R-2025-3058051 (Orders entered December 4, 2025).

³ The Company did not have confirmation of the retroactivity of this Guidance until after rebuttal testimony was finalized.

reduction to the Company's FPFTY revenue requirement. The Company provided each of the parties to this proceeding notice of this intended filing on March 13, 2026.

II. CONCLUSION

WHEREFORE, for the reasons stated above, the Company respectfully requests that the Administrative Law Judges grant this Motion and authorize the Company to file the Supplemental Direct Testimony attached hereto as Appendix A.



Teresa K. Harrold (Pa. No. 311082)
Elizabeth Rose Triscari (Pa. No. 306921)
Erin K. Fure (Pa. No. 312245)
Pennsylvania-American Water Company
852 Wesley Drive
Mechanicsburg, PA 17055
717.550.1570 (bus)
teresa.harrold@amwater.com
elizabeth.triscari@amwater.com
erin.fure@amwater.com

Kenneth M. Kulak (PA No. 75509)
Mark A. Lazaroff (PA No. 315407)
Catherine G. Vasudevan (PA No. 210254)
Brooke E. McGlinn (PA No. 204918)
Morgan, Lewis & Bockius LLP
2222 Market Street
Philadelphia, PA 19103-3007
215.963.5384 (bus)
ken.kulak@morganlewis.com
mark.lazaroff@morganlewis.com
catherine.vasudevan@morganlewis.com
brooke.mcglinn@morganlewis.com

*Counsel for Pennsylvania-American Water
Company*

APPENDIX A

SUPPLEMENTAL DIRECT TESTIMONY OF LINDA SCHLESSMAN

PAWC STATEMENT NO. 8 SUPPLEMENTAL

SUPPLEMENTAL TESTIMONY

OF

LINDA SCHLESSMAN

**WITH REGARD TO
PENNSYLVANIA-AMERICAN WATER COMPANY'S
CORPORATE ALTERNATIVE MINIMUM TAX**

**DOCKET NOS.
R-2025-3057983 (WATER)
R-2025-3058051 (WASTEWATER)**

DATE: MARCH 13, 2026

PENNSYLVANIA-AMERICAN WATER COMPANY

SUPPLEMENTAL DIRECT TESTIMONY OF LINDA SCHLESSMAN

1 **Q. What is your name and business address?**

2 A. My name is Linda Schlessman. My business address is 1 Water Street, Camden, NJ 08102.

3 **Q. By whom are you employed, and in what capacity?**

4 A. I am employed by American Water Works Service Company, Inc. (“AWWC” or
5 “American Water”) as the Director - Tax Regulatory. I am responsible for the oversight of
6 calculating tax expense and accumulated deferred income taxes in rate cases and rate filings
7 for AWWC’s subsidiaries, including Pennsylvania-American Water Company (“PAWC”
8 or the “Company”).

9 **Q. Did you submit Direct Testimony in this proceeding?**

10 A. Yes, I submitted PAWC Statement No. 8.

11 **Q. What is the purpose of your supplemental direct testimony?**

12 A. My supplemental testimony addresses the impact of Internal Revenue Service (“IRS”)
13 guidance related to the Corporate Alternative Minimum Tax (“CAMT”) released on
14 February 18, 2026.¹

15 **Q. How does the CAMT impact the Company?**

16 A. As described in greater detail in my direct testimony, the CAMT imposes a 15% tax on
17 adjusted financial statement income (“AFSI”), for which applicable corporations are
18 required to pay the greater of (i) 15% of AFSI, or (ii) their calculated regular federal tax

¹ See Notice 2026-7, Additional Interim Guidance Regarding the Application of the Corporate Alternative Minimum Tax (Feb. 18, 2026), available at <https://www.irs.gov/pub/irs-drop/n-26-07.pdf> (the “Guidance”).

1 liability. AWWC and its subsidiaries, including PAWC, were considered an applicable
2 corporation beginning in tax year 2024 and, therefore, subject to the CAMT.

3 **Q. Please describe how the Guidance impacts the Company.**

4 A. The Guidance allows an applicable corporation's AFSI to be reduced by deductible tax
5 repairs related to eligible repair assets. The starting point when calculating AFSI is a
6 corporation's net income or loss per its financial statements. Prior to the Guidance, the
7 financial statement net income or loss was adjusted for federal income taxes, book and tax
8 depreciation, pension, and other post-employment benefits. Now, the financial statement
9 net income or loss can be adjusted for federal income taxes, book and tax depreciation,
10 pension, other post-employment benefits, *and tax repairs*. Additionally, we have
11 interpreted the Guidance to permit the inclusion of the tax repairs deduction into the AFSI
12 calculation retroactively.

13 At the time I submitted my direct testimony in this proceeding, AWWC and the
14 Company were subject to CAMT in 2024 and were estimated to be subject to CAMT
15 through the FPFTY of June 30, 2027. This was because 15% of AWWC's AFSI under the
16 previous rules was higher than the regular tax liability and led to a CAMT liability.
17 However, the ability to utilize the tax repairs deduction means that 15% of AWWC's AFSI
18 is no longer higher than its regular tax liability and, therefore, AWWC and PAWC will
19 only be responsible for payment of their calculated regular federal tax liability.

20 Because we have interpreted the Guidance to be retroactive, AWWC, inclusive of
21 the Company, has amended its 2024 Federal Income Tax return and is seeking a refund of
22 the CAMT payments submitted for the 2024 tax year.² Furthermore, AWWC and the

²This will not impact PAWC customers since the Company's 2024 deferred tax asset is not reflected in current rates (i.e., customers did not find the Company's 2024 CAMT payments).

1 Company do not estimate that a CAMT liability will be required for 2025 and will remove
2 the payable and deferred tax asset for CAMT from PAWC's financial statements at the end
3 of the first quarter of 2026.

4 **Q. What is the amount of deferred tax asset for CAMT that was included in the**
5 **Company's revenue requirement in its initial filing?**

6 A. The deferred tax asset for CAMT included in revenue requirement, and reflected in PAWC
7 Exhibit 3-A, was \$35,620,052.³

8 **Q. What do you recommend regarding the deferred tax asset based on the Guidance?**

9 A. Because AWWC is seeking a refund of the 2024 CAMT payments and does not estimate
10 that it will submit payments for CAMT through the FPFTY, I recommend removing the
11 deferred tax asset from rate base, which is reflected as a \$35,620,052 reduction in rate base
12 in PAWC Exhibit 3-A Revised.

13 **Conclusion**

14 **Q. Does that conclude your direct testimony at this time?**

15 A. Yes, it does.

³ In my direct testimony (p. 6), I stated that the deferred tax asset for CAMT through the FPFTY was \$24,432,740. This amount was different than the amount shown in the Company's revenue requirement because the Company's accumulated deferred income tax balance as shown in the revenue requirement is subject to a standard proration calculation.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

**PENNSYLVANIA-AMERICAN WATER
COMPANY**

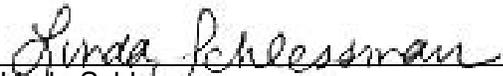
:
:
:
:
:
:
:

**DOCKET NOS. R-2025-3057983 (WATER)
R-2025-3058051 (WASTEWATER)**

VERIFICATION

I, **Linda Schlessman**, hereby state that the facts set forth in the pre-marked PAWC Statement No. 8 Supplemental and accompanying exhibits, if any, are true and correct to the best of my knowledge, information, and belief. I understand that this verification is made subject to the provisions and penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: March 13, 2026



Linda Schlessman

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	Docket No. R-2025-3057983
	:	(Water)
v.	:	
	:	Docket No. R-2025-3058051
PENNSYLVANIA-AMERICAN WATER COMPANY	:	(Wastewater)

CERTIFICATE OF SERVICE

I hereby certify that I have this date served true and correct copies of the **Motion of Pennsylvania-American Water Company for Leave to File the Supplemental Direct Testimony of Linda Schlessman** on the following individuals in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54:

VIA ELECTRONIC MAIL

The Honorable Jeffrey A. Watson
Administrative Law Judge
Pennsylvania Public Utility Commission
Office of Administrative Law Judge
Piatt Place
301 Fifth Avenue, Suite 220
Pittsburgh, PA 15222
jeffwatson@pa.gov

The Honorable Emily I. DeVoe
Administrative Law Judge
Pennsylvania Public Utility Commission
Office of Administrative Law Judge
Piatt Place
301 Fifth Avenue, Suite 220
Pittsburgh, PA 15222
edevoe@pa.gov

Harrison W. Breitman*
Ryan Morden*
Janna E. Williams*
Olivia M. Spergel*
Johnathan M. Longhurst*
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
OCAPAWC2025@paoca.org

Carrie B. Wright*
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
carwright@pa.gov

Rebecca Lyttle*
Steven C. Gray*
Small Business Advocate
Office of Small Business Advocate
555 Walnut Street
1st Floor, Forum Place
Harrisburg, PA 17101
relyttle@pa.gov
sgray@pa.gov

Lauren M. Burge*
Eckert Seamans Cherin & Mellot, LLC
600 Grant St., 44th Floor
Pittsburgh, PA 15206
lburge@eckertseamans.com
Counsel for Victory Brewing Company

Sean M. Gallagher
Gallagher Law Group
110 East Diamond Street, Suite 101
Butler, PA 16001
smgallagher@gallagher.legal
Counsel for Cleveland Cliffs Steel

Lauren N. Berman*
Elizabeth R. Marx*
Ria M. Pereira*
John W. Sweet*
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
pulp@pautilitylawproject.org
Counsel for CAUSE-PA

Stephen M. Pemberton*
Eckert Seamans Cherin & Mellot, LLC
Two Liberty Place, 22nd Floor
60 South 16th Street
Philadelphia, PA 19102
spemberton@eckertseamans.com
Counsel for Victory Brewing Company

Kurt J. Boehm*
Boehm, Kurtz & Lowry
425 Walnut Street, Suite 2400
Cincinnati, OH 45202
kboehm@BKLawfirm.com
Counsel for Cleveland Cliffs Steel

WITNESSES / CONSULTANTS

Harry S. Geller*
118 Locust Street
Harrisburg, PA 17101
hgeller@pautilitylawproject.org
CAUSE Witness

Jerome Mierzwa*
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
OCAPAWC2025@paoca.org
OCA Witness

Lafayette Morgan*
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
OCAPAWC2025@paoca.org
OCA Witness

David Garrett*
Resolve Utility Consulting PLLC
101 Park Avenue
Suite 1125
Oklahoma City, OK 73102
OCAPAWC2025@paoca.org
OCA Witness

Roger Colton*
Fisher, Sheehan and Colton
34 Warwick Road
Belmont, MA 02478
OCAPAWC2025@paoca.org
OCA Witness

Jason Hails*
Quantiv Advisory, LLC
925 Wappoo Road, Suite A
Charleston, SC 29407
j.hails@quantivadvisory.com
OSBA Witness

Roger Cathcart*
Cathcart Advisors, Inc.
Financial Regulatory Advisors
300-330 St. Mary Avenue
Winnipeg, MD, R3C 3Z5 Canada
REMC@CathcartAdvisors.com
OSBA Witness

Barbara Alexander*
83 Wedgewood Drive
Winthrop, ME 04364
OCAPAWC2025@paoca.org
OCA Witness

Joseph Kubas*
Commonwealth of Pennsylvania
Office of Small Business Advocate
555 Walnut Street
Forum Place, 1st Floor
Harrisburg, PA 17101
jkubas@pa.gov
OSBA Witness

Ethan Cline*
Esysan Sakaya*
Divya Dorairajan*
Vanessa Okum*
DC Patel*
I&E Witness



Mark A. Lazaroff (Pa. No. 315407)
Morgan, Lewis & Bockius LLP
2222 Market Street
Philadelphia, PA 19103-3007
215.963.4603 (office)
215.963.5001 (fax)
mark.lazaroff@morganlewis.com

Dated: March 13, 2026

*Counsel for Pennsylvania-American Water
Company*

*** Executed SPA and/or Protective Order
Acknowledgement**