

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket Number: M-2024-3050303

**BUREAU OF TECHNICAL UTILITY SERVICES**  
**REPORT ON THE REASONABLENESS REVIEW RATIO**  
**FOR THE YEAR ENDED 12.31.2025**  
**TO APPROXIMATE MARKET VALUE**  
**IN SECTION 1329 PROCEEDINGS**

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## **Introduction:**

On April 14, 2016, former Governor Tom Wolf signed Act 12 of 2016 (Act 12), which amended Chapter 13 of the Public Utility Code (Code) by incorporating a new section: Section 1329, 66 Pa.C.S. § 1329. Specifically, Section 1329 of the Code establishes a procedure for an acquiring public utility or entity (acquiring utility) and a municipal corporation or authority to use fair market value (FMV), instead of depreciated original cost (DOC), when the acquiring utility purchases a water system or wastewater system located in the Commonwealth. Following passage of Act 12, the Commission issued a series of *Implementation Orders* to assist in the administration of Section 1329.<sup>1</sup>

On July 2, 2024, the Commission entered a Final Supplemental Implementation Order (2024 FSIO) at Docket No. M-2016-2543193. In the 2024 FSIO, the Commission determined that it will publish, annually, a Reasonableness Review Ratio (RRR) which will serve as an additional reference for the Commission in Section 1329 proceedings. The RRR will assist in determining an approximate ratio of a proxy FMV to the DOC of a barometer group of similarly situated investor-owned water utilities (IOUs). The barometer group of IOUs will mirror the same group of water utilities utilized in the Report on the Quarterly Earnings of Jurisdictional Utilities. The rate base addition of the proposed Section 1329 transaction will be divided by the DOC of the acquired system to provide a resulting Market Value Ratio for the transaction that can be compared to RRR. While used as a point of reference, the RRR is not a binding norm and establishes no legal obligation on the parties or the Commission.

The Commission will utilize the Enterprise Value (EV) of the IOUs in the Quarterly Earnings Barometer Group as a relevant proxy. The EV is a comprehensive valuation of the IOUs and is readily available given their publicly traded status.<sup>2</sup> To approximate the DOC of these IOUs, we will utilize the Net Property, Plant, and Equipment (Net PPE) included on each company's balance sheet, which serves as an appropriate proxy as it represents the total value of the physical assets less depreciation for the reporting period.

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<sup>1</sup> The Implementation Orders include the *Tentative Implementation Order* entered July 21, 2016 (*2016 TIO*), *Final Implementation Order* entered October 27, 2016 (*2016 FIO*), *Tentative Supplemental Implementation Order* entered September 20, 2018 (*2018 TSIO*), and *Final Supplemental Implementation Order* entered February 28, 2019 (*2019 FSIO*), at Docket No. M-2016-2543193.

<sup>2</sup> Enterprise Value is calculated via the following: Market Capitalization + Debt – Cash.

The RRR is the ratio of these two numbers, with EV being the numerator and Net PP&E being the denominator, with the resulting formula being written as:

$$\text{RRR} = \text{EV} / \text{Net PPE}$$

The RRR will be comprised of the average of the RRR barometer group information set obtained from Yahoo Finance Premium four times a year. The EV and Net PP&E information will be comprised of values for each indicator at the end of all four quarters.<sup>3</sup> The data set will begin in quarter one of 2017<sup>4</sup> while adding an additional annual period, or four quarters, with every subsequent RRR publication until the total set reaches ten years. Once the ten-year data set is reached, the Commission will then utilize a rolling average of ten years.

The data for the RRR can be found on the following pages.

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<sup>3</sup> The Net PP&E quarterly information will lag one quarter due to the timing of Securities and Exchange Commission reporting.

<sup>4</sup> The Commission determined that the data set should not include information that precedes the passage of Act 12.

## Barometer Group of Water Companies

- American States Water Company (NYSE: **AWR**)
- American Water Works Company, Inc. (NYSE: **AWK**)
- California Water Service Group (NYSE: **CWT**)
- Essential Utilities, Inc. (NYSE: **WTRG**)<sup>5</sup>
- Middlesex Water Company (NASDAQ: **MSEX**)
- H2O America (NASDAQ: **HTO**)<sup>6</sup>

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<sup>5</sup> On October 27, 2025, American Water Works Company, Inc. announced that it was acquiring Essential Utilities, Inc. Consistent with Barometer Group Criteria, companies targeted by merger and acquisition are excluded from the Barometer Group. Consequently, data for Essential Utilities, Inc. has not been included for the quarter ending 12/31/2025.

<sup>6</sup> Yahoo data was unavailable for the quarter ended 9/30/25 for H2O America. Staff utilized H2O America's 10-Q information to supplement the data set. H2O America was previously known as SJW Group (NYSE: SJW). The company rebranded as H2O America on May 6, 2025.

| Reasonableness Review Ratio |      |      |      |      | Result | 1.59 |
|-----------------------------|------|------|------|------|--------|------|
| Quarter                     | AWK  | AWR  | CWT  | WTRG | MSEX   | HTO  |
| 12/31/2025                  | 1.33 | 1.58 | 0.88 |      | 1.16   | 0.94 |
| 9/30/2025                   | 1.42 | 1.64 | 0.95 | 1.37 | 1.24   | 0.96 |
| 6/30/2025                   | 1.43 | 1.72 | 0.95 | 1.34 | 1.24   | 1.02 |
| 3/31/2025                   | 1.50 | 1.80 | 1.00 | 1.40 | 1.42   | 1.05 |
| 12/31/2024                  | 1.34 | 1.80 | 0.96 | 1.32 | 1.24   | 0.99 |
| 9/30/2024                   | 1.54 | 1.95 | 1.11 | 1.38 | 1.53   | 1.10 |
| 6/30/2024                   | 1.42 | 1.77 | 1.04 | 1.37 | 1.33   | 1.08 |
| 3/31/2024                   | 1.38 | 1.81 | 1.01 | 1.40 | 1.33   | 1.12 |
| 12/31/2023                  | 1.46 | 1.97 | 1.10 | 1.40 | 1.57   | 1.20 |
| 9/30/2023                   | 1.44 | 1.97 | 1.19 | 1.34 | 1.59   | 1.29 |
| 6/30/2023                   | 1.60 | 2.15 | 1.29 | 1.49 | 1.86   | 1.44 |
| 3/31/2023                   | 1.72 | 2.20 | 1.39 | 1.62 | 1.84   | 1.54 |
| 12/31/2022                  | 1.70 | 2.29 | 1.26 | 1.71 | 1.88   | 1.58 |
| 9/30/2022                   | 1.55 | 2.02 | 1.32 | 1.57 | 1.88   | 1.32 |
| 6/30/2022                   | 1.70 | 2.11 | 1.38 | 1.70 | 2.12   | 1.38 |
| 3/31/2022                   | 1.91 | 2.30 | 1.46 | 1.82 | 2.52   | 1.49 |
| 12/31/2021                  | 2.14 | 2.64 | 1.74 | 1.88 | 2.79   | 1.52 |
| 9/30/2021                   | 2.02 | 2.29 | 1.52 | 1.75 | 2.47   | 1.45 |
| 6/30/2021                   | 1.91 | 2.17 | 1.46 | 1.74 | 2.05   | 1.43 |
| 3/31/2021                   | 1.88 | 2.10 | 1.48 | 1.74 | 2.03   | 1.47 |
| 12/31/2020                  | 1.92 | 2.23 | 1.44 | 1.78 | 1.93   | 1.51 |
| 9/30/2020                   | 1.88 | 2.17 | 1.25 | 1.63 | 1.77   | 1.42 |
| 6/30/2020                   | 1.74 | 2.29 | 1.32 | 1.71 | 1.92   | 1.46 |
| 3/31/2020                   | 1.67 | 2.39 | 1.39 | 1.25 | 1.79   | 1.39 |
| 12/31/2019                  | 1.71 | 2.52 | 1.44 | 1.80 | 1.98   | 1.00 |
| 9/30/2019                   | 1.73 | 2.67 | 1.48 | 1.72 | 1.93   | 1.52 |
| 6/30/2019                   | 1.65 | 2.30 | 1.44 | 1.89 | 1.81   | 1.37 |
| 3/31/2019                   | 1.54 | 2.23 | 1.52 | 1.50 | 1.78   | 1.41 |
| 12/31/2018                  | 1.42 | 2.16 | 1.41 | 1.43 | 1.73   | 1.58 |
| 9/30/2018                   | 1.42 | 2.05 | 1.31 | 1.53 | 1.64   | 1.35 |
| 6/30/2018                   | 1.39 | 1.97 | 1.24 | 1.52 | 1.49   | 1.45 |
| 3/31/2018                   | 1.35 | 1.87 | 1.20 | 1.50 | 1.37   | 1.24 |
| 12/31/2017                  | 1.46 | 2.02 | 1.43 | 1.67 | 1.47   | 1.43 |
| 9/30/2017                   | 1.39 | 1.80 | 1.29 | 1.50 | 1.47   | 1.32 |
| 6/30/2017                   | 1.37 | 1.83 | 1.27 | 1.52 | 1.50   | 1.23 |
| 3/31/2017                   | 1.38 | 1.76 | 1.25 | 1.50 | 1.44   | 1.25 |



|  | Net PPE (all numbers in thousands) |           |           |            |           |           |
|--|------------------------------------|-----------|-----------|------------|-----------|-----------|
| Quarter  | AWK                                | AWR       | CWT       | WTRG       | MSEX      | HTO       |
| 12/31/2025   | 30,661,000                         | 2,361,076 | 4,555,015 | -          | 1,149,207 | 3,892,904 |
| 9/30/2025  | 29,699,000                         | 2,303,244 | 4,444,002 | 13,926,719 | 1,121,469 | 3,746,441 |
| 6/30/2025  | 29,021,000                         | 2,253,295 | 4,334,611 | 13,607,956 | 1,102,447 | 3,602,792 |
| 3/31/2025  | 28,464,000                         | 2,194,674 | 4,230,215 | 13,350,419 | 1,074,407 | 3,496,645 |
| 12/31/2024   | 28,127,000                         | 2,158,071 | 4,134,601 | 13,174,739 | 1,057,972 | 3,446,532 |
| 9/30/2024  | 27,096,000                         | 2,097,277 | 4,040,884 | 12,848,332 | 1,040,444 | 3,341,545 |
| 6/30/2024  | 26,622,000                         | 2,035,411 | 3,942,181 | 12,553,920 | 1,023,018 | 3,256,036 |
| 3/31/2024  | 26,113,000                         | 1,986,042 | 3,848,522 | 12,291,324 | 1,012,317 | 3,172,901 |
| 12/31/2023   | 25,524,000                         | 1,943,194 | 3,752,522 | 12,134,488 | 1,001,542 | 3,155,597 |
| 9/30/2023  | 24,774,000                         | 1,896,750 | 3,248,324 | 11,884,401 | 988,836   | 2,729,004 |
| 6/30/2023  | 24,271,000                         | 1,862,425 | 3,177,730 | 11,630,000 | 970,606   | 2,667,212 |
| 3/31/2023  | 23,715,000                         | 1,827,859 | 3,103,437 | 11,335,245 | 945,655   | 2,618,204 |
| 12/31/2022   | 23,305,000                         | 1,800,208 | 3,456,120 | 11,172,680 | 924,351   | 2,594,358 |
| 9/30/2022  | 22,726,000                         | 1,761,437 | 2,987,612 | 10,918,773 | 903,849   | 2,556,921 |
| 6/30/2022  | 22,193,000                         | 1,728,631 | 2,934,676 | 10,637,078 | 883,089   | 2,517,561 |
| 3/31/2022  | 21,489,000                         | 1,698,885 | 2,887,415 | 10,440,989 | 862,372   | 2,480,953 |
| 12/31/2021   | 21,176,000                         | 1,677,289 | 2,816,907 | 10,300,796 | 869,868   | 2,476,849 |
| 9/30/2021  | 20,680,000                         | 1,642,905 | 2,796,369 | 10,012,155 | 854,588   | 2,406,475 |
| 6/30/2021  | 20,308,000                         | 1,618,680 | 2,746,606 | 9,764,517  | 840,286   | 2,361,038 |
| 3/31/2021  | 20,003,000                         | 1,588,952 | 2,684,936 | 9,627,848  | 820,214   | 2,319,901 |
| 12/31/2020   | 19,805,000                         | 1,558,507 | 2,622,991 | 9,573,211  | 801,807   | 2,299,745 |
| 9/30/2020  | 19,364,000                         | 1,521,952 | 2,596,314 | 9,322,482  | 771,431   | 2,246,220 |
| 6/30/2020  | 19,043,000                         | 1,498,604 | 2,537,816 | 9,114,457  | 751,734   | 2,206,033 |
| 3/31/2020  | 18,689,000                         | 1,472,697 | 2,446,971 | 8,954,900  | 732,308   | 2,192,170 |
| 12/31/2019   | 18,335,000                         | 1,459,166 | 2,381,516 | 6,358,657  | 711,674   | 2,173,062 |
| 9/30/2019  | 18,260,000                         | 1,418,962 | 2,343,254 | 6,209,835  | 683,883   | 1,376,807 |
| 6/30/2019  | 17,910,000                         | 1,394,033 | 2,302,205 | 6,128,012  | 660,567   | 1,353,804 |
| 3/31/2019  | 17,739,000                         | 1,358,410 | 2,259,559 | 6,033,428  | 635,123   | 1,327,038 |
| 12/31/2018   | 17,409,000                         | 1,321,666 | 2,207,980 | 5,930,326  | 618,487   | 1,313,022 |
| 9/30/2018  | 17,063,000                         | 1,289,301 | 2,185,742 | 5,740,801  | 599,104   | 1,287,513 |
| 6/30/2018  | 16,777,000                         | 1,262,862 | 2,130,264 | 5,541,973  | 580,480   | 1,262,417 |
| 3/31/2018  | 16,477,000                         | 1,242,574 | 2,083,038 | 5,460,219  | 564,324   | 1,239,369 |
| 12/31/2017   | 16,246,000                         | 1,229,062 | 2,025,753 | 5,399,860  | 557,240   | 1,224,851 |
| 9/30/2017  | 15,681,000                         | 1,204,962 | 1,981,924 | 5,276,474  | 545,461   | 1,201,421 |
| 6/30/2017  | 15,391,000                         | 1,176,616 | 1,928,612 | 5,159,151  | 533,281   | 1,169,015 |
| 3/31/2017  | 15,128,000                         | 1,158,320 | 1,888,005 | 5,057,826  | 524,532   | 1,140,249 |
| *Sourced from Yahoo! Finance Premium on March 18, 2026 |                                    |           |           |            |           |           |