



COMMONWEALTH OF PENNSYLVANIA

April 6, 2026

E-FILED

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 (Water) / R-2025-3058051 (Wastewater)**

Dear Secretary Homsher:

Enclosed please find the Main Brief and Exhibits, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-referenced proceedings.

Copies will be served on all known parties in these proceedings, as indicated on the attached Certificate of Service.

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

Sincerely,

/s/ Rebecca Lyttle

Rebecca Lyttle
Assistant Small Business Advocate
Attorney ID No. 201399

Enclosures

cc: Joseph Kubas
Jason Hails
Roger Cathcart
Parties of Record

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	Docket Nos. R-2025-3057983
	:	(Water)
v.	:	R-2025-3058051
	:	(Wastewater)
	:	
Pennsylvania-American Water Company	:	

**MAIN BRIEF AND EXHIBITS
ON BEHALF OF THE
OFFICE OF SMALL BUSINESS ADVOCATE**

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Date: April 6, 2026

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I. INTRODUCTION

The Office of Small Business Advocate (“OSBA”) is authorized and directed by the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50, to represent the interests of Small Business customers of utility services in matters before the Pennsylvania Public Utility Commission (“Commission”).

In the original filing, Pennsylvania-America Water Company (“PAWC” or “Company”) proposed a total annual increase to its water and wastewater rates from approximately \$1,156.6 million to \$1,325.3 million, a total increase of \$168.7 million or approximately 14.6% based on a fully projected future test year (FPFTY) ending June 30, 2027.¹ The total increase of approximately \$168.7 million was comprised of an increase in water revenue of approximately \$152.4 million and an increase in wastewater revenue of approximately \$16.3 million [PAWC Volume 3, Sch. 3-A].²

In rebuttal, the Company revised the filing so that the total increase requested was approximately \$159.6 million, comprised of an increase in water revenue of approximately \$143.4 million and an increase in wastewater revenue of approximately \$16.2 million [PAWC Rebuttal Sch. 3-A, Revised].

In the original filing and in rebuttal, the Company reflected a total Act 11 subsidy of approximately \$53 million [PAWC Volume 3, Sch. 3-A; PAWC Rebuttal Sch. 3-A, Revised].

¹ PAWC Schedules CEC-1 and CEC-2.

² OSBA Statement No. 1, Direct Testimony of Joe Kubas, Page 3.

A. Procedural History

On November 14, 2025, PAWC filed Supplement No. 58 (“Water Supplement No. 58”) to Tariff Water-PA P.U.C. No. 5 (“Tariff Water”) to become effective January 13, 2026. In Supplement No. 58, the Company proposed changes that would increase PAWC’s total annual operating revenues for its water service by approximately \$152.4 million, or 16.1%.

On November 14, 2025, PAWC - Wastewater Division (“PAWC-WD”) filed Supplement No. 61 (“Wastewater Supplement No. 16”) to Tariff Wastewater PA P.U.C. No. 16 (“Tariff Wastewater”) to become effective January 13, 2026. In Supplement No. 61, the Company proposed changes that would increase PAWC-WD’s total annual operating revenue for its wastewater service by approximately \$16.3 million, or 7.8%.

The OSBA and the Office of Customer Advocate (“OCA”) filed Formal Complaints to both proposed rate increases. The OCA’s Formal Complaints were filed at Docket No. C-2025-3058806 for water and Docket No. C-2025-3058810 for wastewater. The OSBA’s Formal Complaints were filed at Docket No. C-2025-3058770 for water and Docket No. C-2025-3058771 for wastewater. Several other interested parties entered their appearance.

A telephone Prehearing Conference was convened in the above-captioned matters on Friday, December 12, 2025, at 10:00 a.m. At the Prehearing Conference, the Company’s Consolidation Petition, requesting to consolidate the two R- dockets and that all the C-dockets identified above and subsequently filed and related to this proceeding under Docket No. R-2025-3057983, was granted.

B. Legal Standards

Section 1301 of the Public Utility Code, provides that “every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable, and in conformity with regulations or orders of the commission.”³

The burden of proof to establish the justness and reasonableness of every element of the utility’s rate increase rests solely upon the public utility.⁴ “It is well-established that the evidence adduced by a utility to meet this burden must be substantial.”⁵

Although the burden of proof remains with the public utility throughout the rate proceeding, when a party proposes an adjustment to a ratemaking claim of a utility, the proposing party bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment.⁶ “Section 315(a) of the Code, 66 Pa. C.S. § 315(a), applies since this is a proceeding on Commission Motion. However, after the utility establishes a prima facie case, the burden of going forward or the burden of persuasion shifts to the other parties to rebut the prima facie case.”⁷

Furthermore, Section 523 of the Public Utility Code, 66 Pa. C.S. § 523(a), requires the Commission to “consider . . . the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates.” In exchange for customers paying

3 66 Pa. C.S. § 1301(a)

4 66 Pa. C.S. § 315(a)

5 *Lower Frederick Township v. Pa. PUC*, 409 A.2d 505, 507 (Pa. Cmwlth. 1980).

6 *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-00072711 (Order entered July 31, 2008).

7 *Pa. PUC v. Philadelphia Gas Works*, Docket No. R-00061931 (Order entered September 28, 2007), at 12-13.

rates for service, which include the cost of utility plant in service and a rate of return, a public utility is obligated to provide safe, adequate, and reasonable service. “[I]n exchange for the utility’s provision of safe, adequate, and reasonable service, the ratepayers are obligated to pay rates which cover the cost of service which includes reasonable operation and maintenance expenses, depreciation, taxes and a fair rate of return for the utility’s investors... In return for providing safe and adequate service, the utility is entitled to recover, through rates, these enumerated costs.”⁸ As a result, the legislature has given the Commission discretionary authority to deny a proposed rate increase, in whole or in part, if the Commission finds “that the service rendered by the public utility is inadequate.”⁹

The Commonwealth Court in *Lloyd v. Pennsylvania Public Utility Commission*¹⁰, decided, as follows:

However, while permitted, gradualism is but one of many factors to be considered and weighed by the Commission in determining rate designs, and principles of gradualism cannot be allowed to trump all other valid ratemaking concerns and do not justify allowing one class of customers to subsidize the cost of service for another class of customers over an extended period of time.

* * *

[I]n effect, the Commission has determined that the principle of gradualism trumps all other ratemaking concerns - especially the polestar - cost of providing service.¹¹

8 Pa. PUC v. Pennsylvania Gas & Water Co., 61 Pa. PUC 409 (1986), at 415-16. See also 66 Pa. C.S. § 1501.

9 66 Pa. C.S. § 526(a).

10 904 A.2d 1010 (Pa. Cmwlth. 2006), appeal denied, 591 Pa. 676 (2007)

11 Lloyd, at 1020.

The Commonwealth Court in *Lloyd* continued, as follows:

To allow the principle of gradualism to be applied on a total bill basis when each service is a stand-alone rate structure would be like saying that the Commission could apply the principle of gradualism in an electric case based on a customer's total utility bill, i.e., the amount a rate payer would pay for electric, gas, water, and telecommunications services.¹²

II. SUMMARY OF ARGUMENT

A. OSBA Summary: A Proportional Scale-back of Revenue Should be Applied Principally to Water Rates.

If revenue requirement is reduced, the OSBA recommends that the class increases shown in OSBA Schedule Q4 (W) Column 2 (excluding Contract Sales), be scaled back proportionately based on each class' proportion of the total "OSBA Recommended Increase".¹³

The OSBA also recommends for future cost of service studies that the Company recover the wastewater Act 11 revenue shortfall from the corresponding class in water. This will prevent cross subsidization of the classes. For example, it will prevent Commercial water customers from subsidizing Residential wastewater customers and vice versa.¹⁴

If the Commission were to approve a lower revenue requirement than PAWC has proposed, the OSBA recommends that the decrease apply principally to the water rates. So

¹² Lloyd, at 1021

¹³ OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Page 5.

¹⁴ OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Page 18.

long as the approved cost-based wastewater revenue requirement exceeds PAWC's proposed wastewater rates, the OSBA suggests that PAWC's proposed wastewater rates are not reduced. Any incremental reduction reduces Act 11 revenues and PAWC's proposed water rates. At the lower revenue requirement, scale each water class's revenues in proportion to its share of total proposed non-Act 11 revenues.¹⁵

While the OSBA agrees with the proposed level of consolidation for Rate Zones 1-5 in principle, some of the proposed changes appear to result in excessive rate increases from the customer's existing rate. In consideration of gradualism, the rate increase in these cases should be moderated to no more than double the system average or 32%. This would achieve rate consolidation over a reasonable time frame without causing rate shock for these customers.¹⁶

B. OSBA Summary: Operating & Maintenance Expenses Should be Reduced by \$36.0 million.

The Company's revenue requirement includes excessive O&M expenses on a per customer basis. Allowing for PAWC's customer growth and escalating overall O&M costs with an inflationary factor, the OSBA's analysis and calculations result in a recommended overall reduction of \$36.0 million in FPFTY O&M expenses. This O&M Expense reduction in revenue requirement should be incremental to other revenue requirement reductions, including a reduction related to a lower return on equity approved for the return

15 OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Pages 16-17.

16 OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Page 8.

on rate base calculation and any other reductions deemed appropriate by the PUC.¹⁷

C. OSBA Summary: Act 11 Allocation Should Be Reduced to \$24.303 million.

The OSBA proposed that the Act 11 allocation from wastewater to water be reduced to approximately \$24.268 million (OSBA Statement No. 1, Exhibit JK-1 and 2). As a result of the Company's rebuttal, OSBA proposes that the amount be reduced to approximately \$24.303 million (OSBA Statement No. 1, Exhibit JK-1 and 2).

D. OSBA Summary: Customer Service Needs Improvement.

There is a need for the Company to inform Small Business customers of the availability of help at the OSBA, and if needed, that they are eligible for a payment arrangement.

III. OVERALL POSITION ON RATE INCREASE: DECREASE SUBSTANTIALLY

The proposed increase in water and wastewater rates is neither just nor reasonable and fails to satisfy the Company's burden under applicable regulatory standards. Public utilities bear the obligation to demonstrate that any requested rate adjustment is prudent, necessary, and in the public interest. Here, the Company has not met that burden.

First, the proposed increase imposes a disproportionate and inequitable impact on Small Business customers, who lack the financial elasticity to absorb escalating utility costs. Rate increases of this magnitude function as a regressive charge, effectively penalizing those least able to pay, while providing no commensurate enhancement in service quality or reliability.

¹⁷ OSBA Statement No. 2, Direct Testimony of Jason Hails, Page 18.

Second, the Company has failed to adequately justify the prudence of its underlying costs. Excessive operational expenses or inefficiencies should not be shifted onto ratepayers. Without clear evidence that such costs are necessary, reasonable, and incurred in the provision of safe and adequate service, recovery through increased rates should be denied.

Third, the proposed increase risks significant Small Business rate shock, particularly in the context of broader economic pressures, including inflation and rising operating costs for labor, materials, utilities, and other goods and services necessary to remain in business.

The Commission has consistently recognized that gradualism and rate stability are essential principles in ratemaking, and abrupt increases undermine those principles.

Finally, the Company has not demonstrated that it has exhausted all reasonable alternatives to mitigate the need for a Small Business rate increase, including cost controls, operational efficiencies, or phased implementation strategies. Absent such a showing, approval of the requested increase would contravene the Commission's duty to balance investor and customer interests.

Accordingly, the proposed rate increase should be rejected or, at minimum, substantially reduced to reflect only those costs that are demonstrably prudent, necessary, and in the public interest.

For example, the OSBA is recommending that the revenue requirement increase be decreased by \$36 million based on reductions to Service Company expenses and Employee-Related expenses. The OSBA does not oppose other reductions, such as a decrease in PAWC's deemed return on equity and overall rate of return, or other reductions as proposed by other

Parties.

IV. RATE BASE A-D

The OSBA has no comment.

V. REVENUES

Details of the OSBA’s proposed reductions in revenue are presented in the Expenses section below.

VI. EXPENSES SHOULD BE REDUCED BY \$36.0 MILLION

The OSBA recommends reductions in the FPFTY revenue requirement as follows:

Service Company Expense Reduction	\$27.3 million
Employee Related Expense Reduction	<u>\$ 8.7 million</u>
Total O&M Expense Reduction	\$36.0 million ¹⁸

The OSBA reduction is based on analysis that compared actual overall O&M expenses on a per-customer basis from 2021 to 2027 with per-customer O&M expenses escalated by inflationary increases over that same time.¹⁹

Acknowledging that PAWC’s customer based grows from 749,673 in 2021 to a forecast of 814,365 for 2027, an increase of 64,692 over the 6 years²⁰, subject to offsetting efficiencies of

18 OSBA Statement No. 2, Direct Testimony of Jason Hails, Page 18-19.

19 OSBA Statement No. 2, Direct Testimony of Jason Hails, Pages 3-4.

20 OSBA Statement No. 2, Direct Testimony of Jason Hails, Exhibit JH-1, Line 1.

scale, one might expect that O&M costs would naturally increase over that same timeframe to look after the needs of larger customer base. The OSBA felt that assessing operating expenses without factoring for Small Business customer growth by itself would be unsuitable, therefore focusing on the metric of O&M expense per customer.²¹ On that basis, given said customer growth, the escalation of expenses is somewhat moderated on a percentage basis.

Using the inflation-adjusted per-customer O&M expenses²², the OSBA calculated total inflation-adjusted O&M expenses²³, and compared these inflation-adjusted amounts with total PAWC actual and forecast O&M from 2021 to 2027.²⁴ Using this annual differential between PAWC actual/forecast O&M expenses and inflation-adjusted O&M expenses, the OSBA then calculated the cumulative differential over time.²⁵ This cumulative calculation serves to recognize and smooth the effects of both the June PAWC year-ends and any lags in the inflationary effects on cost, and show the cumulative differential between actual/forecast O&M costs and inflation-escalated O&M costs.

The result of the analysis shows that PAWC will have cumulatively overspent on O&M costs from 2021 to 2027 compared to inflation by approximately \$80 million, with \$103 million in overspending from 2024 to 2027 being slightly offset by underspending on the same basis from 2021 to 2023 of \$23 million.²⁶

21 OSBA Statement No. 2, Direct Testimony of Jason Hails, Exhibit JH-1, Line 16.

22 OSBA Statement No. 2, Direct Testimony of Jason Hails, Exhibit JH-1, Line 19.

23 OSBA Statement No. 2, Direct Testimony of Jason Hails, Exhibit JH-1, Line 22.

24 OSBA Statement No. 2, Direct Testimony of Jason Hails, Exhibit JH-1, Line 25.

25 OSBA Statement No. 2, Direct Testimony of Jason Hails, Exhibit JH-1, Line 26.

26 OSBA Statement No. 2, Direct Testimony of Jason Hails, Exhibit JH-1, Line 26.

Specifically, for the FPFTY 2027, PAWC is forecasting to spend \$36 million more than they would have spent had O&M costs escalated by actual and forecast inflation from 2021 to 2027.

A. Labor-Related Expense Should be Reduced by \$8.7 Million

As seen with Figure 3 below²⁷, Employee Related expenses have increased by \$19.4 million from 2024 to FPFTY 2027. This difference includes a \$14.1 million or 16.3% increase from 2025 to FTY 2026 alone, and a \$17.4 million or 20.2% increase from 2025 actuals to the 2027 FPFTY.

With significant rate pressure on Small Business customers, a \$17.4 million increase over 2 years for Employee Related expenses (the bulk of which occurs in a 1-year period) are excessive, considering the large overall \$168.7 million requested increase for FPFTY 2027. Employee Related expenses are within the control of PAWC Management, and every effort should be undertaken by Management to reduce costs where possible, considering significant capital expenditures required during PFPTY and in coming years. PAWC has invested heavily in prior periods for Operational Excellence associated with the Service Company allocation, and results of this collaboration with AWK should have yielded significant cost containment and scale efficiency strategies and been reflected in the FPFTY 2027 revenue requirement request.

To arrive at an Employee Related expense recommendation, the OSBA considered

²⁷ OSBA Statement No. 2, Direct Testimony of Jason Hails, Figure 3, Page 18.

customer growth to account for increased levels of resources to manage a larger customer base. The OSBA recommendation includes an Employee Related expense per customer using the base year 2024, escalates this expense per customer value by inflation from that base year, and recalculates total Employee Related expenses by multiplying the inflation-escalated per customer value by the larger customer base each year. Using this approach, the OSBA recommends a reduction in allowed Employee Related expenses to \$95.1 million, which is a \$8.7 million reduction from PAWC request to recover \$103.8 million.²⁸

Figure 3 (from OSBA Statement No. 2, Direct Testimony of Jason Hails)

Figure 3 - Employee Related Expenses				
PAWC O&M Expenses (\$)	Actuals		FTY	FPFTY
	6/30/2024	6/30/2025	6/30/2026	6/30/2027
Employee Related Expenses	84,337,520	86,348,118	100,414,920	103,769,189
Number of Customers	778,989	806,143	810,574	814,365
Employee Related Expenses per Customer (PAWC Provided)	108.3	107.1	123.9	127.4
Inflation**	N/A	3.2%	2.4%	2.1%
Inflation-Adjusted Employee Related Expenses per Customer*	N/A	111.7	114.4	116.8
Calculated Inflation-adjusted Employee Expenses*	84,337,520	90,027,265	92,694,663	95,083,823
OSBA Recommended Reduction				8,685,366
* from 2024 Base Year				
* Inflation Data Sources				
2021 - 2025 - US Bureau of Labor Statistics - https://data.bls.gov/timeseries/CUUR0100SA0?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true				
2026 - 2027 - US Federal Reserve - https://www.federalreserve.gov/monetarypolicy/fomcprojtab120250618.htm				

Ms. O’Malley in rebuttal, per PAWC Statement No. 6-R, claims that the OSBA’s downward adjustment to employee-related expenses of \$8.7 million, based on per-customer and inflationary benchmark analysis, is inappropriate for two reasons. First, Ms. O’Malley asserts that the OSBA’s calculation completely ignores the FPFTY staffing level

28 OSBA Statement No. 2, Direct Testimony of Jason Hails, Pages 16-18.

(i.e., 1,278 positions) that the Company determined is needed to support the continued provision of safe, adequate, efficient, and reliable service based on input from each of PAWC's organizational groups and functional areas. Second, Ms. O'Malley claims that the use of Customer Price Index ("CPI") inflation in lieu of the Company's actual and projected merit increases is unreasonable, showing that CPI rates are lower than the actual merit increases that the Company experienced in 2024 and 2025, as well as the merit increases budgeted for 2026 and 2027 based on a three-year average.

The OSBA, in surrebuttal, countered Ms. O'Malley's claim regarding staffing levels by noting that per-customer metric intentionally and inherently accounts for scale and efficiency, including any changes in staffing relative to the growing customer base.²⁹ If PAWC's staffing level is justified and necessary for continuance of safe, adequate, reliable, and notably "efficient" service, as Ms. O'Malley claims, one would expect per-customer labor costs at minimum to remain relatively stable, or perhaps decline modestly due to economies of scale from serving more customers with a proportionally smaller or more efficient workforce. Staffing levels are an input to cost determination, but the OSBA analysis evaluates the resulting output of expense levels per customer. Its testimony does not dictate a specific headcount, nor is it a direct analysis of whether 1,278 positions are needed like Ms. O'Malley claims. The analysis is a benchmark comparison showing that total employee-related spending has grown disproportionately from 2024 to FPFTY 2027,

²⁹ OSBA Statement No. 2-SR, Surrebuttal Testimony of Jason Hails, Pages 2-4.

clearly demonstrating that the escalation in employee-related expenses has far outpaced inflation, even after normalizing for customer growth.

In its application, PAWC maintains the burden to demonstrate that its proposed employee-related are just and reasonable. PAWC did not quantitatively justify escalated staffing levels that result in proportionately higher costs per customer, and it did not explain why it is forecasting significant declines in per-customer productivity from 2024 to FPFTY 2027.

Regarding Ms. O'Malley's second point on using CPI versus the Company's actual/projected merit increases, as noted in the OSBA's Statement No. 2-SR, pages 5-6, employee expense increases, including non-union merit raises, negotiated collective agreements, hiring decisions, and overall compensation strategy, are squarely within management's control and discretion. Small Business customer ratepayers should not automatically bear above-inflation employee-related expense escalations without strong justification that they are prudent and necessary, and it is management's responsibility to measure productivity, right-size the organization, and develop and implement strategies to moderate cost increases. The per-customer escalation in employee-related expenses demonstrates that management has not met this expectation for FPFTY 2027.

Further, CPI provides a reasonable, neutral benchmark for general inflationary pressures affecting the broader economy, including wages in many sectors. Small Business ratepayers expect PAWC to manage costs prudently and demonstrate that deviations from general inflation are justified. PAWC's reliance on its own historical and budgeted merit

increases, which exceed CPI, effectively asks Small Business ratepayers to fund the Company's self-determined employee-related expense policy without sufficient validation or moderation.

In addition, non-union merit increases, used by Ms. O'Malley for comparison, are only one factor in overall employee-related expenses, so it is therefore not appropriate in isolation to compare to a per-customer metric inclusive of all employee-related costs.

In summary, the staffing level assertion is a red herring because the OSBA's per-customer approach normalizes for scale and tests reasonableness against inflation; metrics that capture efficiency regardless of absolute headcount. Management retains accountability for controlling employee-related cost growth, and above-inflation increases should be moderated where they exceed prudent levels, absent compelling evidence of necessity.

B. Performance Compensation (PAWC)

The OSBA has no comment.

C. Group Insurance Expense

The OSBA has no comment.

D. Service Company Expense Should be Reduced by \$27.3 million.

PAWC is a subsidiary of American Water Works ("AWK"). The American Water Works Service Company, Inc. ("Service Company"), also a subsidiary of AWK, provides certain management and operational services to PAWC and other AWK affiliate operating companies, including customer service, water quality testing, environmental compliance,

human resources, communications, information technology, finance, accounting, legal, engineering, supply chain, and risk management.³⁰ The Service Company serves PAWC on an at-cost, not-for-profit basis in accordance with a management and service agreement.

Where costs incurred by the Service Company are exclusive to PAWC, the Service Company bills PAWC with direct charges. Costs the Service Company incurs in rendering services in common to a group of companies and not exclusively to PAWC are charged to each service recipient in the relevant group based on an allocation.³¹

PAWC is seeking recovery of Service Company expense of \$77.9 million for FPFTY 2027, which is 30.4% increase from 2024 levels. The 2025 year saw a 19.1% increase from \$59.8 million to \$71.2 million, and this increase is followed by increases of 5.8% and 3.4% for FTY 2026 and FPFTY 2027, respectively, resulting in the \$77.9 million FPFTY request.

If Service Company costs are not allocated appropriately, the risk is that PAWC overpays for services, does not receive commensurate value for services, and effectively subsidizes the operations of affiliate companies. To mitigate this risk, companies typically have an independent third party assess the efficacy of Service Company allocations, with somewhat industry-standardized tests applied to various aspects of the allocation model and services in question. PAWC did not direct a third-party assessment of Service Company costs for this application, however it provided prior assessments of Baryenbruch

30 PAWC Statement No. 6, Direct Testimony of Lori O'Malley, Page 13, Lines 8-10.

31 PAWC Statement No. 6, Direct Testimony of Lori O'Malley, Page 15, Lines 9-12.

& Company, LLC for the years 2020 and 2023, and noted that no changes have been made to the cost allocation methodology since the last PAWC rate case. PAWC is therefore relying on the findings of the 2023 report to support the veracity of Service Company costs for FPFTY. In addition, PAWC noted that no recommendations were made from these prior assessments.

The OSBA's contention is that PAWC did not provide an appropriate justification for escalating FPFTY Service Company costs. This contention is based on a) an extensive critical review of the Baryenbruch report; b) that PAWC has not justified the excessive increases in Service Company costs; and c) that the Company has not established the need for the levels of service and function costs allocated by the Service Company.³²

Based on this conclusion, per Figure 2 below, the OSBA recommends a Service Company expense reduction in the revenue requirement O&M recovery of \$27.3 million.³³

32 OSBA Statement No. 2, Direct Testimony of Jason Hails, Pages 7-14 include a detailed review of the Baryenbruch study.

33 OSBA Statement No. 2, Direct Testimony of Jason Hails, Figure 2, Page 15.

Figure 2 (from OSBA Statement No. 2, Direct Testimony of Jason Hails)

Figure 2 - OSBA Service Company Allocation Reduction						
Service Company Function	PAWC		OSBA	OSBA	OSBA 2027	Approximate Remaining FTEs @ \$125,000 per FTE
	6/30/2025*	6/30/2027**	Reduction (%)	Reduction (\$)	Revised	
Business Development	1,208,803	1,323,898	50.0%	661,949	661,949	5.3
Central Lab	758,612	830,842	22.5%	187,048	643,794	5.2
Corporate Admin	5,132,482	5,621,165	80.0%	4,496,932	1,124,233	9.0
Corporate Security	2,189,913	2,398,423	22.5%	539,958	1,858,465	14.9
Customer Service	15,571,640	17,054,276	22.5%	3,839,438	13,214,837	105.7
Environmental Leadership	1,357,070	1,486,282	80.0%	1,189,025	297,256	2.4
External Affairs & Public Policy	2,381,113	2,607,828	50.0%	1,303,914	1,303,914	10.4
Facilities	1,993,000	2,182,761	22.5%	491,406	1,691,355	13.5
Finance	11,199,666	12,266,029	22.5%	2,761,458	9,504,571	76.0
HR	5,302,686	5,807,575	22.5%	1,307,462	4,500,113	36.0
Investor Relations	328,705	360,002	50.0%	180,001	180,001	1.4
Legal	4,141,435	4,535,757	50.0%	2,267,878	2,267,878	18.1
Operational Excellence	3,985,514	4,364,990	80.0%	3,491,992	872,998	7.0
Regulated Ops	2,451,627	2,685,056	50.0%	1,342,528	1,342,528	10.7
Safety	524,440	574,374	22.5%	129,309	445,065	3.6
Supply Chain	889,618	974,322	22.5%	219,350	754,972	6.0
Technology and Innovation	11,726,882	12,843,443	22.5%	2,891,451	9,951,992	79.6
	71,143,206	77,917,024	35.0%	27,301,101	50,615,923	404.9

*2025 Totals from OSBA II-013 Attachment 3
 **OSBA Extrapolated at the Individual Account Level

The Corporate Admin function is comprised largely of AWK CEO & Board costs (2025 cost = \$3.2 million) and would not be fully required for PAWC as a stand-alone utility given it has its own leadership team and governance structure. With respect to Operational Excellence, without demonstrable value supplied by PAWC to justify this incremental expenditure, an 80% reduction is appropriate. Any prior Service Company expenditures on Operational Excellence should have yielded performance results that do not necessitate PAWC’s excessive request to recover \$168.7 million in additional revenue for FPFTY 2027. Much of this work to drive analysis and savings can be accomplished by operations staff embedded within PAWC, as they have the day-to-day awareness of the PAWC system, challenges, and opportunities for improvement, while the Service

Company can support with seven (7) full-time equivalents (FTE) remaining post-reduction for Operational Excellence. The functions that have been assigned 50% reductions include Business Development, External Affairs & Public Policy, Investor Relations, Legal and Regulated Operations. As a standalone utility, limited to the jurisdiction of Pennsylvania and avoiding multi-jurisdictional complexity, the costs assigned to PAWC for PFPTY at the 50% level are arguably sufficient to provide full or near-full function coverage when translating reduced Service Company costs into FTEs using \$125,000 per FTE as a benchmark for estimate purposes.

Ms. O'Malley claims in her rebuttal that the OSBA's analysis that identifies \$27.3 million of excessive O&M cost is not reasonable because it ignores the actual cost drivers within the Company's O&M expenses and fails to assess whether those costs are reasonable, prudently incurred, and necessary to provide safe and reliable service. Ms. O'Malley also asserts that the use of an inflation-based benchmark and drawing resultant conclusions about O&M expense growth is unreasonable without reviewing the underlying evidence.

In addition, while the OSBA offered a critique of PAWC's 3rd party studies of PAWC service company costs from 2023 (including consideration of the same 2020 study), authored by Baryenbruch & Company, LLC, Ms. O'Malley asserts that PAWC placed no reliance on these recent prior studies, and that these studies were not submitted as part of the evidentiary record of this proceeding. That said, the Company still asserts it does not agree with OSBA criticisms, however it does not offer reasons why.

Service Company costs are proposed by the Company to escalate from \$59.8 million in 2024 to \$77.9 million in 2027, an increase of 30.3% over a 3-year period.³⁴ This represents a compound growth rate of 9.24% each year. Pursuant to Pennsylvania Public Utility Code (66 Pa.C.S. § 1301 et seq.), utilities must show rates are just and reasonable, and in spite of the large increases in Service Company costs, PAWC did not conduct a Service Company cost study like they did for 2023 and 2020 Service Company costs. In addition, in review of PAWC's evidence, the OSBA could not find evidence that Service Company costs delivered at an appropriate level of service or at an appropriate and reasonable cost.

Further, PAWC does not explain why O&M productivity on a per-customer basis drops with costs that significantly exceed inflation, particularly over the past four (4) years. Mr. Runzer in his rebuttal testimony outlines qualitative descriptions of the benefits of Service Company services³⁵ and other operational efficiency measures undertaken by PAWC but does not offer any quantitative value applied to purported benefits. Per-customer analysis for O&M costs shows quite the opposite; not only is PAWC not demonstrating scale efficiencies as it grows its customer base, but analysis also shows that PAWC is getting less efficient and productive; the polar opposite of Company claims. Further to OSBA analysis, applying per-customer O&M cost metrics, PAWC has incurred \$102.8 million of O&M expenses in excess of inflation in the 4 years from 2024 to FPFTY

34 OSBA Statement No. 2, Direct Testimony of Jason Hails, Exhibit JH-1, Line 4.

35 PAWC Statement No. 3-R, Pages 13 to 20.

2027³⁶, including \$36 million in FPFTY 2027 alone.

As it relates to the use of inflation as a benchmark metric, in the absence of adequate justification of the reasonability of PAWC overall O&M and Service Company costs, the use of CPI inflation is a reasonable and neutral benchmark to assess the escalation of costs over time. To allow for the scale associated with customer growth, the OSBA adjusted inflation analysis to account for increased customers, expecting that costs will escalate to accommodate the needs of a larger customer base. In addition, despite suggesting the ‘theoretical’ inflation-based benchmark is not reasonable, Ms. O’Malley does not suggest alternative benchmarks for comparison or defend the prudence of O&M costs with any quantifiable alternative metric.

Regarding the assessment of the Baryenbruch study, OSBA analysis and testimony pertaining to the studies could not be more relevant to this proceeding. Its critique of the Baryenbruch study is based on a comprehensive set of guidelines that should be used by PAWC to assess the prudence of Service Company costs, either internally or preferably by a truly independent third party. The OSBA provides a list of requirements for an assessment of prudence on pages 9 and 10 of OSBA Statement No. 2, Direct Testimony of Jason Hails. PAWC did not pursue any of these measures in attempting to justify the large Service Company cost increases. While the OSBA did not entirely eliminate any cost categories from the list of Service Company functions based on the needs of a standalone

36 OSBA Statement No. 2, Direct Testimony of Jason Hails, Exhibit JH-1, Line 22.

utility, several categories yield highly speculative value for ratepayers, and without PAWC justification of the levels of expense allocated, the OSBA assigned reasonable reductions based on judgement and experience with utility shared service models using a cost per FTE benchmark to represent the approximate level of service received by PAWC remaining post-adjustment.

In response to Ms. O'Malley's rebuttal suggestion the "*Commission should rely on the testimonies and schedules submitted into the record in this proceeding, which explain the nature of the Service Company costs, how they are allocated to the Company, and why they are reasonable and appropriate for recovery*"³⁷, the OSBA is in agreement. While the Company explained in many cases the nature of \$77.9 million of Service Company costs, and showed the mechanics of how the services were allocated, these two undertakings in no way establish that the costs are reasonable or appropriate for recovery. The Company did not apply any meaningful assessments or evidentiary depth to justify the levels of service, or the amount charged, and Small Business ratepayers should not be burdened with excessive controllable costs in the absence of this critical requirement.

E. Waste Disposal Expense

The OSBA has no comment.

F. Transportation Expense

The OSBA has no comment.

37 PAWC Statement No. 6-R, Page 10, Lines 12-14.

G. Towamencin Transaction Costs

The OSBA has no comment.

H. Interest Synchronization

The OSBA has no comment.

I. Amortization Expense

The OSBA has no comment.

J. Third-Party Call Center Expense

The OSBA has no comment.

K. Pension and Other Post Employment Benefits (“OPEB”) Expense

The OSBA has no comment.

VII. TAXES

The OSBA has no comment.

VIII. DEPRECIATION

The OSBA has no comment.

IX. RATE OF RETURN A-F

The OSBA has no comment.

X. RATE STRUCTURE

A. Cost of Service Studies

1. Water Operations

The OSBA has no comment.

2. Wastewater Operations

The OSBA has no comment.

3. Cost of Service Studies for Future General Rate Increases

The OSBA recommends for future cost of service studies that the Company recover the wastewater Act 11 revenue shortfall from the corresponding class in water. This will prevent cross subsidization of the classes. For example, it will prevent Commercial water customers from subsidizing Residential wastewater customers and vice versa.³⁸

In the wastewater COSS, particularly the SSS Operations, the Company grouped Commercial customers in a class with municipal, industrial and some so called “named customers”.³⁹

To determine if the revenue from Commercial customers is more or less than the cost of providing service to Commercial customers, the OSBA recommended three additional COSS provisions that should apply in all future wastewater COSSs. First, OSBA recommended that the Company split off the Tariff Rate Commercial customers that pay a customer charge, usage rate or Equivalent Dwelling Unit (EDU) into a separate class of service (excluding the Special Rate customers). Second, OSBA recommended that the Company evaluate where the Special Rate customers and other named customers are grouped for revenue and COSS purposes,

38 OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Page 18.

39 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Page 41-42.

evaluate where they should be included, and create a new class of Special Rate customers if needed. Finally, OSBA recommended the Company evaluate where the customers currently listed as “Bulk Customers” are grouped in the COSSs.⁴⁰

The Company did not object to the OSBA recommendations above (PAWC Statement No. 12-R, pages 9-10). Because the Company did not object to these recommendations, the Commission should direct the Company to follow these recommendations in all future wastewater COSS.

B. Revenue Allocation / Act 11 Shift Should be Reduced to \$24.303 million

The OSBA proposed that the Act 11 allocation from wastewater to water be reduced to approximately \$24.268 million.⁴¹ As a result of the Company’s rebuttal, OSBA proposes that the amount be reduced to approximately \$24.303 million.⁴² Further analysis of the Act 11 shift appears in the Water Rate Design and Wastewater Rate Design sections below.

C. Tariff Structure

1. Customer Charges

The OSBA’s customer charge analysis is embedded within the Water Rate Design and Wastewater Rate Design sections below.

40 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Page 43.

41 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-1 and 2.

42 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-1 and 2.

2. Water Rate Design

If revenue requirement is reduced, the OSBA recommends that the class increases shown in OSBA Statement No. 3, Schedule Q4 (W) Column 2 (excluding Contract Sales), be scaled back proportionately based on each class' proportion of the total "OSBA Recommended Increase".⁴³

The OSBA agrees with the rate-making guidelines and principles as set out by Mr. McClellan of PAWC, including the following: Cost Causation; Revenue Stability; Gradualism; Avoidance of Discrimination; Simplicity and Feasibility; and Affordability. Mr. McClellan states that the cost causation is the foundation of the Company's rate design. Layered on top of cost causation, Mr. McClellan considers principles of gradualism, revenue stability, avoidance of discrimination and affordability.

PAWC currently has eight rate zones and is adding an additional rate zone, nine, for its in-process Corner Water acquisition. Those rate zones are as follows:

Zone 1 – General Statewide Rate	Zone 6 – Audubon
Zone 2 – Vally	Zone 7 – Manwalamink
Zone 3 – Turbotville	Zone 8 – Appalachian
Zone 4 – Farmington	Zone 9 – Corner Water
Zone 5 – East Dunkard	(Acquisition in process)

⁴³ OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Page 4.

The majority of the Company's customers are now being billed under the same set of rates for metered service rate zone 1, with over 99% of the Company's total water revenue.⁴⁴

PAWC proposes to consolidate rate zones, moving several zones toward Rate Zone 1 rates. The Company proposes to move Rate Zone 2 (Valley), Rate Zone 3 (Turbotville), Rate Zone 4 (Farmington), and Rate Zone 5 (East Dunkard) to Rate Zone 1 rates. The Company also proposes to move Rate Zone 6 (Audubon), Rate Zone 7 (Manwalamink), Rate Zone 8 (Appalachian), and Rate Zone 9 (Corner Water) toward Rate Zone 1 rates and rate structures. This consolidation represents the continued implementation of the Commission-approved concept of Single Tariff Pricing.

The OSBA agrees with the proposed level of consolidation for Rate Zones 1-5 in principle; however, upon review, some of the proposed changes appear to result in excessive rate increases from the customer's existing rate. For example, in Rate Zone 5 (East Dunkard), the commercial first 16,000 gallons volumetric rate is increasing by 65.7%, or over four times the overall average rate. Also, the proposed movement of Zone 6 (Audubon) would result in a commercial monthly rate for the proposed monthly rate for the commercial / Municipal $\frac{3}{4}$ meter is to increase by \$13.40 or 79.8%⁴⁵, which is almost five times the average overall requested rate

44 PAWC Volume 9 Statement No. 10, Direct Testimony of Max McClellan, Pages 8-9.

45 PAWC Statement No. 10, Direct Testimony of Max McClellan, Exhibit MHM-1.

increase. The proposed changes bring these particular rate classes to Zone 1 rates. In consideration of gradualism, the rate increase in these cases should be moderated to no more than double the system average or 32%. This would achieve rate consolidation over a reasonable time frame without causing rate shock for these customers. The OSBA in surrebuttal agreed with the Company's witness Mr. McClellan assertion that customer charges appropriately recover fixed costs associated with service readiness. OSBA's suggestion for moderation is intended only to ensure that the pace of those increases remains consistent with gradualism while still allowing full cost recovery over time.⁴⁶

PAWC's proposed revenue allocation is found in OSBA Statement No. 3, Exhibit 12-A, Schedule A. Excluding Act 11 allocation, as set out in schedule Q-2W, the Corporation proposes increases for the Residential, Commercial, are close to the proposed system average increase, while also proposing significantly below-average increases for the Public (Municipal) and materially higher rate increases to both private Fire Protection and Public Fire protection classes than the system average.

The Company offers a limited number of special rates designed to retain and attract the load of larger customers in Rate Zone 1 that have competitive alternatives to service from the Company. Currently, the Company serves customers

⁴⁶ OSBA Statement No. 3-SR, Surrebuttal Testimony of Roger Cathcart, Page 11.

on two of those rates: the Demand-Based Industrial Service rate and the Demand-Based Resale Service rate.⁴⁷ The Company currently serves industrial and other Utilities through these specific contracts with negotiated pricing for water service. The Company has not applied for any rate increases for existing contract sales customers, based on the current rate design where customers are being subsidized.

The OSBA recommends that when contracts are up for renewal, PAWC should evaluate the current charged rates relative to these contracts with competitive offerings. Where there is an opportunity, the contract rates should be increased to up to 90 percent of the competitive offering rates, reducing any gap between service rates and competitive rates. This would reduce the subsidy being afforded these customers.

The OSBA in surrebuttal countered Company's witness Mr. Wieczenski's concerns relate to demand-based contract rates as illusory and overly simplistic and that it did not recognize the multi-faceted negotiation process. The OSBA states the intent of the recommendation was to encourage the company to close as much of the discount gap as is reasonably possible without losing the customer. Our proposal was not a rigid requirement to hit exactly 90 percent; it is a suggested upper target. "Up to 90 percent" still leaves ample room for PAWC to put forward superior service or other value-added commitments. It is intended as a helpful

⁴⁷ Volume 9 Statement No. 10, Direct Testimony of Max McClellan, Page 11.

benchmark rather than a replacement for the thoughtful, multi-factor framework PAWC already employs.⁴⁸

Schedule Q-4W of OSBA Statement No. 3 updates Column 3 to reflect the Company's proposed allocation of \$53.0 million in Act 11 revenue responsibility by customer class. The class increases in Columns 4 and 5 can be compared to PAWC's plan, as indicated in OSBA Statement No. 2, Direct Testimony of Jason Hails, Schedule Q-1W. As previously mentioned, if the Commission decides to scale back the requested revenue requirement increase, it should be handled as described in the OSBA's evidence. The amount of Act 11 revenues assigned to water classes will be dependent upon (i) the level of the Company's awarded wastewater revenue requirement and (ii) the overall level of wastewater rates. The wastewater-related rate design recommendations are discussed in Mr. Kubas's testimony in OSBA Statement No. 1, where the OSBA recommended a reduction in Act 11 subsidy from \$53.0 million, as proposed by PAWC, to \$24.3 million. reflecting proposed changes in wastewater rates. Schedule Q-5W shows the OSBA's proposed revenue distribution for water service, which includes an Act 11 revenue requirement of \$24.3 million.

The OSBA understands that Act 11 permits the recovery of a portion of the Company's wastewater revenue requirement from water customers in each rate

48 OSBA Statement No. 3-SR, Surrebuttal Testimony of Roger Cathcart, Pages 7-8.

proceeding to mitigate the rate increases that wastewater service customers might otherwise experience. It further notes that Act 11 does not authorize a permanent shift in revenue responsibility from wastewater to water customers. In other words, Act 11 does not supersede the cost-of-service principles established by the Commonwealth Court's decision in *Lloyd*.⁴⁹

The OSBA in agreement with the Company's proposed method of allocating its Act 11 revenue requirement to its water service classes. Act 11 aims to reduce class increases for wastewater customers. Therefore, temporary subsidies for wastewater classes shall be recovered from the utility's respective corresponding water service classes.

The Company has determined the amount of Act 11 recovery by subtracting the proposed level of wastewater revenue after various increases from the pro forma cost of wastewater service for the twelve months ended June 30, 2027, from the revenue requirement for each area. The Act 11 allocation by class is equal to the wastewater cost of service by class less proposed revenues. PAWC's Act 11 allocation approach recovers wastewater subsidies from water users in a revenue-neutral manner and by customer class.

⁴⁹ The Commonwealth Court has unambiguously decided that cost of service should be the "polestar" criterion for rate-setting. In *Lloyd v. Pa. PUC*, the Court held that other rate-making concerns could not trump cost of providing service. *Lloyd v. Pa. PUC*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006). – Direct Testimony of Brian Kalcic OSBA Statement No. 1, Docket No. R-2021-3027385/R-2021-3027386, Page 14.

If the Commission were to approve a lower revenue requirement than PAWC has proposed, the OSBA recommends that the decrease apply principally to the water rates. If the approved cost-based wastewater revenue requirement exceeds PAWC's proposed wastewater rates, the OSBA suggests that PAWC's proposed wastewater rates are not reduced. Any incremental reduction reduces Act 11 revenues and PAWC's proposed water rates. At the lower revenue requirement, the Company should scale each water class's revenues in proportion to its share of total proposed non-Act 11 revenues.

3. Wastewater Rate Design

i. Revenue Allocation/Act 11 Shift

OSBA explained why the \$53 million should be reduced on OSBA Statement No. 1, pages 4-7. The Company's Rebuttal testimony on Act 11 was addressed on OSBA Statement No.1-SR, page 6-7. How the \$53 million should be reduced is addressed below in the SSS, CSS, BASA and EBMA Operations.

ii. Act 11 Allocation by Class

In the original filing, the Company did not accurately reflect the Act 11 subsidy by class. Therefore, OSBA compiled a schedule showing what the allocation should be after the OSBA rate structure proposals are applied.

The amounts were revised slightly in the OSBA Surrebuttal analysis.⁵⁰ This exhibit shows that the \$17,428,978 needed to subsidize the Residential wastewater class should come from the Residential water class. Also, the \$6,874,504 needed to subsidize the Non-Residential wastewater class should come from the Non-Residential water classes.

iii. SSS Operations

In the original filing, the Company proposed SSS Operations revenue increase \$7,329,642. In rebuttal, the Company revised this amount to \$7,016,727.⁵¹ OSBA proposed that the amount be increased to \$18,081,364.⁵² As a result of the Company's rebuttal OSBA revised this increase to \$17,977,570.⁵³

OSBA accepted the Company's revision to change present rate revenue from \$108,561,975 to \$108,665,751. OSBA proposed various customer charges and usage rates in the SSS Operation rates on OSBA Statement No. 1, Exhibit JK-3, Column D that produces the additional \$10,960,843 (\$17,977,570 - \$7,016,727) revenue described above.

a. *Customer Charges*

OSBA determined that the Company failed to justify

50 OSBA Statement No. 1-SR, Surrebuttal Testimony of Joe Kubas, Exhibit JK-1SR.

51 PAWC Rebuttal Sch. 3-A, Revised.

52 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-2, Column E.

53 OSBA Statement No. 1-SR, Surrebuttal Testimony of Joe Kubas, Exhibit JK-2SR, Column E.

increasing the Residential and Non-Residential customer charges because Inflow and Infiltration is not an expense that should be recovered in the customer charges.

For Zone 1f-Farmington, the current monthly charge includes some allowance. Therefore, OSBA accepted the Company's proposal to eliminate the allowance, but proposed the Residential customer charge be \$15.00 per month, and the Non-Residential customer charge be \$36.70 per month to be consistent with Zone 1. For flat rate customers, OSBA recommended a flat rate of \$75.00 per month.⁵⁴ For Zone 1f-Manwalmink, the current monthly Residential and Non-Residential charge are both \$16.92 per month. Therefore, OSBA proposed a Residential customer charge of \$15.00 per month and a Non-Residential customer charge of \$20.00 per month, moving the Non-Residential customer charge towards the Zone 1 Non-Residential customer charge of \$36.70 per month.⁵⁵

b. Flat -Residential Unmetered Rates

OSBA determined for Zone 1 Residential customers flat rate or unmetered customers should pay \$135.00 per month, which approximately equals the average bill of a Zone 1 Residential

54 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-3, page 2, line 50.

55 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-3, page 2, lines 54 and 55.

customer. Other flat Residential rates were increased towards this target rate of \$135.00 per month.⁵⁶

c. Flat -Non-Residential Unmetered Rates

OSBA determined for Zones 1 Non-Residential customer flat rate or unmetered customers should pay \$179.00 per month, which results in an increase of 19.3% and moves the flat rate towards the average bill of a Non-Residential customer.⁵⁷

d. Special Rate Customers

For Special rate or so called “Named Customers” OSBA proposed various increases to the flat and usage rates these customers pay shown on (OSBA Exhibit JK-3, pages 1 and 2).

For Cleveland Cliff and Victory Brewing, OSBA recommended that the monthly charge and usage rate increase 19.6%, which is the same percentage increase proposed for the Non-Residential usage rate. For Knouse Food, Penn State Special Metals, PSC Metals Ipsco Kopper Tubilers, and Strattanville Borough I recommend each flat rate increase 19.6% which also is the same percentage increase OSBA proposed for the Non-Residential usage

56 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-3, page 1, line 25 and page 2, lines 34, page 2, lines 44, 47, 50 and 56.

57 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Pages 14-15 and OSBA Exhibit JK-3, page 1, lines 5, 17 and 28, page 2, lines 35, 45, 48 and 57.

rate.

As described in OSBA Statement No. 3-SR, pages 11-17, the revenue from the two Large Industrial customers, Victory Brewing and Cleveland Cliffs is less than the cost of providing service to these two customers, thus justifying an even larger increase for this class and no scale back for the relatively low proposed usage rate of \$1.77 per hundred gallons.

The OSBA proposed flat rates / customer charges and usage rates that produce reasonable revenue by class that results in the Residential and Non-Residential class relative rate of return of 1.17 for both classes.⁵⁸ No party disputed this analysis.

The OSBA proposed flat rates / customer charges and usage rates produce reasonable monthly increases for the average Residential and Commercial customers. As described on OSBA Statement No. 1-SR, pages 7-8, the Company's claim that the average bill increases in the SSS Operations that I proposed are misplaced given the Company has no problem proposing that the average Residential water bill in Zone 4 increase 40%.

⁵⁸ OSBA Statement No. 1-SR, Surrebuttal Testimony of Joe Kubas, Exhibit JK-5SR.

iv. CSS Operations

In the original filing, the Company proposed CSS Operations revenue increase \$3,341,896. In rebuttal, the Company revised this amount to \$3,527,533. OSBA proposed that the amount be increased to \$22,037,015. As a result of the Company's rebuttal OSBA revised this increase to \$21,952,430.⁵⁹ OSBA Accepted the Company's revision to change present rate revenue from \$85,758,589 to \$85,843,172.⁶⁰

OSBA proposed various customer charges and usage rates in the CSS Operation rates on OSBA Exhibit JK-8, column D that produces the additional \$18,424,897 (\$21,952,430 - \$3,527,533) revenue described above.

a. Zone 2 - Residential and Non-Residential Rates

The OSBA proposed the Zone 2 Residential and Non-Residential rates increase as shown on OSBA Exhibit JK-8, lines 1-5. Because the Company didn't dispute these rates, they should be approved.

b. Zone 2a- Scranton Residential and Non-Residential Rates

The Company proposed not to increase the Scranton 2a rates (except for the minimal "roll-in" of the DSIC charge). The Company believes that it's bound by a prior agreement not to increase the rates

⁵⁹ OSBA Statement No. 1-SR, Surrebuttal Testimony of Joe Kubas, Exhibit JK-2SR Column G.

⁶⁰ OSBA Statement No. 1-SR, Surrebuttal Testimony of Joe Kubas, Exhibit JK-2SR Column G.

the former Scranton customers pay (PAWC Statement No. 10, page 24). However, the Commission left open the rate making treatment of this promise including the recovery of the revenue shortfall.

Therefore, the Company proposed that other ratepayers should pay higher rates and “pick up” the recovery of the approximately \$12 million revenue shortfall thus reimbursing PAWC for this promise. OSBA’s primary recommendation is that the Company absorbs the revenue shortfall, which under the OSBA proposed rates is approximately \$16 million.⁶¹ As an alternative, OSBA proposed that Zone 2a – Scranton rates be increased and made consistent with the other Residential and Non-Residential rates in Zone 2.⁶²

c. Customer Charges

Since the Company failed to provide a customer cost analysis for the CSS Operations, OSBA determined that the Company failed to justify increasing the Residential and Non-Residential customer charges.⁶³

d. Flat-Residential Unmetered Rates

OSBA determined for Zones 2 Residential customers flat rate

61 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Pages 23-24.

62 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Pages 24-16 and Exhibit JK-8, column D.

63 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Pages 26-28.

or unmetered customers should pay \$136.00 per month, which approximately equals the average bill of a Zone 2 Residential customer.⁶⁴

e. Bulk Rates

OSBA determined for Zones 2 monthly bulk rate should remain at \$86.00 per month and the usage rate should be increased slightly to \$1.800 per hundred gallons. The OSBA determined for Zones 2a the monthly Bulk and usage rates should not be increased.⁶⁵ The recommendation for a minimal increase in the Zone 2 Bulk usage rate and no other Bulk rate increases is based upon the CSS COSS which indicates that the relative rate of return for the Bulk class is 1.38, well above the target relative rate of return of 1.00.⁶⁶

The Company failed to address why making its rate structure discriminatory and more complex is reasonable.⁶⁷ The OSBA proposed flat rates / customer charges and usage rates that produce reasonable revenue by class that results in the Residential and Non-Residential class relative rate of return of 0.96 for both classes.⁶⁸ No

64 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Page 25 and OSBA Exhibit JK-8, lines 2 and 9.

65 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-8, lines 6-7 and 13-16.

66 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-10, Column G.

67 OSBA Statement No. 3-SR, Surrebuttal Testimony of Roger Cathcart, Page 19.

68 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-10.

other party objected to this analysis.

The OSBA proposed flat rates / customer charges and usage rates produce reasonable monthly increases for the average Residential customer which is 31.1% and Commercial customers which is 24.2%.⁶⁹ As described on OSBA Statement No. 1-SR, pages 7-8, the Company's concern that the average bill increases in the CSS Operations that I proposed are too high is misplaced, given the Company has no problem proposing that the average Residential water bill in Zone 4 increases by 40.0%.

v. BASA Operations

In the original filing, the Company proposed BASA Operations revenue increase \$5,097,589.⁷⁰ In rebuttal, the Company revised this amount to \$5,067,072.⁷¹ OSBA proposed that the amount be decreased to \$4,104,184.⁷² As a result of the Company's rebuttal OSBA revised this increase to \$4,056,332.⁷³

OSBA Accepted the Company's revision to change present rate revenue from \$12,748,475 to \$12,761,080.⁷⁴ OSBA proposed various

69 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-11.

70 PAWC Volume 3, Sch. 3-A.

71 PAWC Rebuttal Sch. 3-A, Revised.

72 OSBA, Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-2 Column F.

73 OSBA Statement No. 1-SR, Surrebuttal Testimony of Joe Kubas, Exhibit JK-2SR Column F.

74 OSBA Statement No. 1-SR, Surrebuttal Testimony of Joe Kubas, Exhibit JK-2SR Column F.

customer charges and usage rates in the BASA Operation on OSBA Statement 1, Exhibit JK-13, column D.

In Rebuttal, the Company disagreed with the OSBA proposal to increase the VA Hospital usage rate to \$1.682 per hundred gallons.⁷⁵ To satisfy Mr. McClellan's concerns OSBA revised the usage rate for the VA Hospital to \$1.28 per hundred gallons to match the \$1.28 per hundred-gallon Non-Residential usage rate.⁷⁶ This revision results in the BASA Operations revenue increasing to \$16,817,412 which is an increase of \$4,056,332.⁷⁷

OSBA proposed various customer charges and usage rates in the BASA Operation rates on OSBA Exhibit JK-9SR, column D that produces \$1,010,740 (\$5,067,072 - \$4,056,332) less revenue than \$5,067,072 the Company proposed described above. This \$1,010,740 decrease is made up by increasing the rates and revenue in the CSS Operations above the cost of providing service to the CSS Operations.

The OSBA proposed customer charges and usage rates produce reasonable revenue by class that results in the Residential and Non-Residential class relative rate of return of 0.99 and 1.01 respectively.⁷⁸ No

75 PAWC Statement No. 10-R, page 44-45.

76 OSBA Statement No. 1-SR, Surrebuttal Testimony of Joe Kubas, Exhibit JK-9SR, line 8.

77 OSBA Statement No. 1-SR, Surrebuttal Testimony of Joe Kubas, Exhibit JK-10SR, Column G, lines 8-9.

78 OSBA Statement No. 1-SR, Surrebuttal Testimony of Joe Kubas, Exhibit JK-11SR.

party disputed the change in usage rates proposed by OSBA. Therefore, they should be approved.

The OSBA proposed customer charges and usage rates produce reasonable monthly bills which are below Zone 1 and reasonable increases for the average Residential and Commercial customers.⁷⁹ As described on OSBA Statement No. 1 pages 33-34 if the Act 11 did not exist, the Residential bill increase will be approximately 376.6% and the Commercial bill increase will be approximately 311.3%.⁸⁰

vi. EBMA Operations

In the original filing, the Company proposed EBMA Operations revenue increase \$529,866.⁸¹ In rebuttal, the Company revised this amount to \$555,808.⁸² OSBA proposed that the amount be increased to \$817,861.⁸³ There was a slight change in the result of the Company's rebuttal OSBA revised this increase to \$817,863.⁸⁴

OSBA accepted the Company's present rate revenue of \$1,767,267 which did not change because of the Company's rebuttal testimony.⁸⁵ OSBA

79 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-16.

80 OSBA Exhibit 16, lines 3-4.

81 PAWC Volume 3, Sch. 3-A.

82 PAWC Rebuttal Sch. 3-A, Revised.

83 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-2 Column F.

84 OSBA Statement No. 1-SR, Exhibit JK-2SR Column H.

85 OSBA Statement No. 1-SR, Exhibit JK-2SR Column H.

proposed various customer charges and usage rates in the EBMA Operation on OSBA Exhibit JK-17, column H.

The OSBA proposed customer charges and usage rates that produce reasonable revenue by class that results in the Residential and Non-Residential class relative rate of return of 1.04 and 0.881 respectively.⁸⁶ No party disputed the change in usage rates proposed by OSBA. Therefore, they should be approved.

a. EMBA Bulk Customers

In its direct testimony, the OSBA addressed how the Company should have presented the subsidy needed to provide service to the Bulk customers.⁸⁷ OSBA recommended that the subsidy be adjusted so that the rate of return for the Bulk class is equal to 1.00. Doing this will show the true subsidy the Bulk class receives. The Company did not dispute this claim. Therefore, the OSBA analysis should be approved.

OSBA also addressed that Bulk customers should not be subsidized since they represent non-jurisdictional customers in OSBA Statement No 1, pages 37-39. The Company did not dispute this claim. Therefore, the OSBA analysis should be approved.

⁸⁶ OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-19.

⁸⁷ OSBA Statement No. 1, Direct Testimony of Joe Kubas, Pages 39-40.

The OSBA proposed that revenue from the EBMA Bulk customers be increased 46.3% since after the change in how the subsidy is calculated described above is applied, the Bulk class will still receive a subsidy of \$1,613,607.⁸⁸ The Company did not dispute this claim. Therefore, the OSBA analysis should be approved.

OSBA provided an example of how the Bulk rates can be structured to generate \$1,871,927 in total revenue (the 46.3% increase)⁸⁹, but would accept different rates if the total Bulk revenue is \$1,871,927.

The OSBA proposed Residential and Non-Residential customer charges and usage rates that produce reasonable monthly bills which are below the corresponding bills in Zone 2 and result in reasonable increases for the average EBMA Residential and Commercial customers.⁹⁰ If the Act 11 did not exist, the Residential bill increase will be approximately 201.8% and the Commercial bill increase will be approximately 624.6%.⁹¹

vii. Miscellaneous Revenue – Late Payment Revenue

In the original filing, the Company based the additional Late Payment

88 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-18, column F.

89 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-19, Column F, line 3.

90 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-20.

91 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit 20, lines 3-4.

Revenue on the amount of revenue for each wastewater Operations. OSBA accepted this methodology, but reflected higher late payment revenue for the SSS, CSS, and EBMA Operations, since OSBA proposed higher revenue in these Operations. The OSBA proposed slightly lower late payment revenue for the BASA Operations since the OSBA proposed a slightly lower increase in the BASA Operations.⁹² The Company agreed with the OSBA methodology but disagreed with the amount of the increase proposed in each wastewater Operation.⁹³

Therefore, the Commission should approve the methodology and base late payment revenue on the proposed revenue in each wastewater Operation.

4. Wastewater Deduct Adjustment

The OSBA has no comment.

5. Demand-Based Contract Rates

The OSBA has no comment.

D. Summary and Alternatives (Including Scale Back of Rates)

If revenue requirement is reduced, the OSBA recommends that the class increases shown in OSBA Schedule Q4 (W) Column 2 (excluding Contract Sales), be scaled back proportionately based on each class' proportion of the total "OSBA Recommended

92 OSBA Statement No. 1, Direct Testimony of Joe Kubas, page 41.

93 PAWC Statement No. 10-R, Page 51.

Increase”.⁹⁴

The OSBA described a reasonable scale back of rates and revenue if the Commission grants less than the full wastewater revenue request.⁹⁵

In direct testimony, OSBA provided a schedule showing the present rate revenue, wastewater revenue request, scale back of revenue at various steps, the increase in revenue at each step and the percentage increase at each step.⁹⁶ As a result of the Company’s changes to present rate revenue and the OSBA change in the BASA revenue, OSBA provided a revised JK-20 as OSBA Exhibit JK-SR14.

In summary, OSBA proposed that the rates and revenue in the BASA and EBMA Operations should not be scaled back since the proposed rates in these systems are so far below the corresponding rates in the SSS and CSS Operations respectively. OSBA also recommended that any rate in the SSS Operations that is below the corresponding Zone 1 rate, that rate should not be scaled back.⁹⁷ The Company generally agreed with these recommendations per PAWC Statement No. 10-R, pages 14-15.

The OSBA scale back is a reasonable proposal that results in the SSS and CSS Operations receiving approximately the same percentage increase if the Commission grants an increase of 90% of the revised increase (a 10% scale back).⁹⁸

94 OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Page 4.

95 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Pages 47-52.

96 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-20.

97 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Page 47.

98 OSBA Statement No. 1-SR, Exhibit JK-14SR, line 7.

For a larger decrease, the reasonable OSBA scale back proposal continues to be reasonable since the SSS and CSS Operations will each receive the same percentage increase if the Commission grants an increase of 80% or less than 80% of the revised increase (a 20% or greater scale back).⁹⁹

XI. ALTERNATIVE RATEMAKING REQUESTS

A. Customer Assistance Program (“CAP”) Rider

The OSBA has no comment.

XII. LOW-INCOME CUSTOMER ASSISTANCE

A. Summary

The OSBA recommends that any discounts in rates or other costs related to the operation of low-income programs be recovered entirely within the residential class.

The OSBA also recommends that contact information for the OSBA be added to the Rights and Responsibilities page of PAWC’s website directly after the Commission’s contact information.

B. Affordability of Water and Wastewater Service

Water and wastewater service are essential, non-discretionary services, and affordability for Small Business customers must therefore be a central consideration in any ratemaking determination. The Commission has long recognized that rates must be not

⁹⁹ OSBA Statement No. 1-SR, Exhibit JK-14SR, lines 14, 21 and 28.

only “just and reasonable,” but also reasonably affordable for the Small Business customers who rely on these utility services in their Small Businesses.

The proposed rate increase fails this standard. Small Business customers throughout the Commonwealth operate on narrow margins and lack the ability to absorb substantial increases in fixed utility costs. Unlike larger commercial entities, Small Businesses cannot easily offset rising expenses without increasing prices, reducing staff, or curtailing operations. As such, the proposed increase threatens not only individual Small Businesses but also the broader local economies they support.

Small Business customer affordability concerns are further compounded by the cumulative impact of rising utility and non-utility costs, including inflationary pressures affecting labor, goods, and services. Water service, as a basic necessity, does not permit demand reduction in the same manner as discretionary expenses. Accordingly, increased rates function as an unavoidable financial burden rather than a manageable cost.

Moreover, the Company has not adequately demonstrated that the proposed rate structure mitigates Small Business customer affordability concerns or equitably distributes costs among customer classes. Absent meaningful protections, such as gradual implementation, targeted relief, or rate design adjustments, the proposed increase risks imposing disproportionate hardship on Small Business customers.

The Commission must balance the Company’s opportunity to earn a fair return with its duty to ensure that rates remain affordable for Small Business customers. Here, that balance has not been achieved. The requested increase should therefore be denied or

significantly reduced to prevent undue financial strain on Small Business customers and to preserve the affordability of essential water and wastewater services.

C. Bill Discount Program (“BDP”) Design

The OSBA has no comment.

D. Arrearage Management Program (“AMP”)

The OSBA has no comment.

E. H2O Help to Others (“H2O”) Program Screening, Outreach and Enrollment Procedures

The OSBA has no comment.

F. Water Conservation and Line Repair and Replacement Assistance

The OSBA has no comment.

G. Hardship Fund

The OSBA has no comment.

H. Renter Assistance Pilot Program

The OSBA has no comment.

I. Universal Service Plan

The OSBA has no comment.

XIII. SERVICE QUALITY AND CUSTOMER SERVICE ISSUES

A. Summary

The OSBA is concerned that the Company has not demonstrated that its customer service performance towards Small Business customers meets the level of quality expected of a regulated public utility seeking a rate increase.

The Commission has recognized that safe, adequate, and reliable service includes not only physical infrastructure, but also the quality of customer interactions, billing accuracy, and responsiveness to inquiries and complaints. Where Small Business customers experience delays, inconsistent information, or unresolved issues, the value of the service provided is diminished.

Accordingly, the Commission should require the Company to demonstrate measurable performance metrics, including but not limited to call response times, complaint resolution rates, billing accuracy, and customer satisfaction indicators, before granting any Small Business rate increase.

B. Customer Service Performance

1. Call Center Performance

The OSBA is concerned that the Company has not provided sufficient evidence demonstrating that its call center operations are adequately staffed, trained, and capable of handling customer Small Business inquiries in a timely and accurate manner.

If there are extended wait times, inconsistent information, or inadequate issue resolutions, there will be a disproportionate burden on Small Business customers, who often lack the time and resources to repeatedly engage with customer service channels. These deficiencies translate directly into operational inefficiencies and increased costs for such customers.

The Commission should require the Company to meet defined service benchmarks for call center performance prior to or concurrent with any rate increase, ensuring that Small Business customers receive the level of service they are being asked to fund.

2. Customer Complaints

The volume and nature of Small Business customer complaints are critical indicators of service quality. To the extent complaint levels are elevated or unresolved issues persist, such conditions weigh against approval of increased rates.

The Company should be required to provide detailed data regarding Small Business customer complaint frequency, categories, and resolution timelines, as well as evidence of corrective actions taken to address systemic issues. Without such transparency and improvement, it would be inappropriate to shift additional financial burden onto Small Business ratepayers.

C. Billing Arrangement with American Water Resources

The OSBA acknowledges that the Company maintains a payment arrangement program for Small Business customers that are experiencing difficulty paying their bills.

However, the existence of such a program alone is insufficient where it is not meaningfully communicated or consistently implemented.

The record reflects that the Company does not adequately advertise the availability of payment arrangements to Small Business customers. The absence of clear, prominent disclosure on customer bills, the Company's website, or other customer communications significantly limits awareness and utilization of the program. As a result, Small Business customers who could benefit from such arrangements may instead incur late fees, penalties, or face collection actions unnecessarily.

Equally concerning, the Company has not demonstrated that its customer service representatives are adequately trained to inform Small Business customers of available payment arrangement options. Without proper training and standardized protocols, access to such arrangements becomes inconsistent and dependent on the individual representative, rather than a reliable and equitable customer protection.

This lack of transparency and training undermines the effectiveness of the program and shifts avoidable financial burdens onto Small Business customers. A program that is not clearly disclosed or consistently offered is, in practice, no program at all.

Accordingly, the OSBA recommends that the Commission requires the Company to:

1. Prominently disclose the availability of payment arrangements on all customer bills, including for Small Business customers;

2. Provide clear, plain-language information regarding eligibility and terms on its website and written communications;
3. Implement mandatory training for all customer service representatives to ensure proactive and consistent communication of Small Business payment options; and
4. Establish standardized procedures requiring representatives to offer payment arrangements when a Small Business customer becomes past due or expresses payment difficulty.

These measures are necessary to ensure that the Company's existing program functions as an effective tool for preventing arrearages and mitigating financial hardship, rather than a largely inaccessible option unknown to the Small Business customers it is intended to serve.

XIV. CONCLUSION

As discussed in our Summary of Argument, the OSBA is making the following recommendations to the PUC:

- A. Decrease or eliminate any rate increase.
- B. If revenue requirement is reduced, the OSBA recommends that the class increases shown in OSBA Schedule Q4 (W) Column 2 (excluding Contract Sales), be scaled back proportionately based on each class' proportion of the total "OSBA

Recommended Increase”.¹⁰⁰

- C. In future cost of service studies the Company should recover the wastewater Act 11 revenue shortfall from the corresponding class in water. This will prevent cross subsidization of the classes. For example, it will prevent Commercial water customers from subsidizing Residential wastewater customers.¹⁰¹
- D. If the Commission were to approve a lower revenue requirement than PAWC has proposed, that the decrease apply principally to the water rates. So long as the approved cost-based wastewater revenue requirement exceeds PAWC’s proposed wastewater rates, the OSBA suggests that PAWC’s proposed wastewater rates are not reduced.¹⁰²

While the OSBA agrees with the proposed level of consolidation for Rate Zones 1-5 in principle, some of the proposed changes appear to result in excessive rate increases from the customer’s existing rate. In consideration of gradualism, the rate increase in these cases should be moderated to no more than double the system average or 32%. This would achieve rate consolidation over a reasonable time frame without causing rate shock for these customers.¹⁰³

- E. There should be at least a \$36.0 million reduction in FPFTY O&M expenses.¹⁰⁴

100 OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Page 5.

101 OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Page 18.

102 OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Pages 16-17.

103 OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Page 8.

104 OSBA Statement No. 2, Direct Testimony of Jason Hails, Page 18.

- F. Act 11 allocation from wastewater to water be reduced to approximately \$24.303 million.¹⁰⁵
- G. Encourage the Company to offer training to their employees and transparency about the OSBA and the Company's Small Business late payment program.

Respectfully submitted,

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Dated: April 6, 2026

105 OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-1 and 2.

APPENDIX A

Proposed Findings of Fact

Proposed Findings of Fact

- 1) On November 14, 2025, PAWC filed Supplement No. 58 (“Water Supplement No. 58”) to Tariff Water-PA P.U.C. No. 5 (“Tariff Water”) to become effective January 13, 2026. In Supplement No. 58, the Company proposed changes that would increase PAWC’s total annual operating revenues for its water service by approximately \$152.4 million, or 16.1%.
- 2) On November 14, 2025, PAWC - Wastewater Division (“PAWC-WD”) filed Supplement No. 61 (“Wastewater Supplement No. 16”) to Tariff Wastewater PA P.U.C. No. 16 (“Tariff Wastewater”) to become effective January 13, 2026. In Supplement No. 61, the Company proposed changes that would increase PAWC-WD’s total annual operating revenues for its wastewater service by approximately \$16.3 million, or 7.8%.
- 3) On November 21, 2025, the OSBA filed Complaints in Opposition to both Supplement No. 58 and Supplement No. 61.
- 4) In rebuttal on March 13, 2026, the Company revised the filing so that the total increase requested was approximately \$159.6 million, comprised of an increase in water revenue of approximately \$143.4 million and an increase in wastewater revenue of approximately \$16.2 million [PAWC Rebuttal Sch. 3-A, Revised].
- 5) Of PAWC’s revised \$159.6 million revenue requirement increase, \$143.3 million is related to Water, \$7.0 million is related to WW SSS, \$5.1 million is related to BASA, \$3.5 million is related to CSS, and \$0.6 million is related to Elizabeth CSS, prior to accounting for PAWC’s proposed shift of a portion of the wastewater revenue requirement to water customers [PAWC Rebuttal Sch. 3-A, Revised].
- 6) PAWC proposed to recover \$53.0 million of its wastewater revenue requirement from its water customers based on Act 11 of 2012 (“Act 11”). Of this \$53.0 million, \$12.7 million is proposed to be transferred from WW SSS, \$30.3 million from BASA, \$7.1 million from CSS, and \$3.0 from Elizabeth CSS [PAWC Rebuttal Sch. 3-A, Revised].
- 7) PAWC proposed to recover \$77.9 million Service Company expenses and \$103.8 million in Employee-Related expenses [OSBA Statement No. 2, Figure 3].

APPENDIX B

Proposed Conclusions of Law

Proposed Conclusions of Law

- 1) Section 1301 of the Public Utility Code, 66 Pa. C.S. § 1301(a), provides that “every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable, and in conformity with regulations or orders of the commission.”
- 2) The burden of proof to establish the justness and reasonableness of every element of the utility’s rate increase rests solely upon the public utility. 66 Pa. C.S. § 315(a). “It is well-established that the evidence adduced by a utility to meet this burden must be substantial.” *Lower Frederick Township. v. Pa. PUC*, 409 A.2d 505, 507 (Pa. Cmwlth. 1980).
- 3) Although the burden of proof remains with the public utility throughout the rate proceeding, when a party proposes an adjustment to a ratemaking claim of a utility, the proposing party bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment. *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-00072711 (Order entered July 31, 2008). “Section 315(a) of the Code, 66 Pa. C.S. § 315(a), applies since this is a proceeding on Commission Motion. However, after the utility establishes a prima facie case, the burden of going forward or the burden of persuasion shifts to the other parties to rebut the prima facie case.” *Pa. PUC v. Philadelphia Gas Works*, Docket No. R-00061931 (Order entered September 28, 2007), at 12-13.
- 4) Furthermore, Section 523 of the Public Utility Code, 66 Pa. C.S. § 523(a), requires the Commission to “consider . . . the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates.” In exchange for customers paying rates for service, which include the cost of utility plant in service and a rate of return, a public utility is obligated to provide safe, adequate, and reasonable service. “[I]n exchange for the utility’s provision of safe, adequate and reasonable service, the ratepayers are obligated to pay rates which cover the cost of service which includes reasonable operation and maintenance expenses, depreciation, taxes and a fair rate of return for the utility’s investors . . . In return for providing safe and adequate service, the utility is entitled to recover, through rates, these enumerated costs.” *Pa. PUC v. Pennsylvania Gas & Water Co.*, 61 Pa. PUC 409 (1986), at 415-16. *See also* 66 Pa. C.S. § 1501. As a result, the legislature has given the Commission discretionary authority to deny a proposed rate increase, in whole or in part, if the Commission finds “that the service rendered by the public utility is inadequate.” 66 Pa. C.S. § 526(a).
- 5) The Commonwealth Court in *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010 (Pa. Cmwlth. 2006), *appeal denied*, 591 Pa. 676 (2007) decided, as follows:

However, while permitted, gradualism is but one of many factors to be considered and weighed by the Commission in determining rate designs, and principles of gradualism cannot be allowed to trump all other valid ratemaking concerns and do not justify allowing one class of customers to subsidize the cost of service for another class of customers over an extended period of time.

* * *

[I]n effect, the Commission has determined that the principle of gradualism trumps all other ratemaking concerns - especially the polestar - cost of providing service.

Lloyd, at 1020.

The Commonwealth Court in *Lloyd* continued, as follows:

To allow the principle of gradualism to be applied on a total bill basis when each service is a stand-alone rate structure would be like saying that the Commission could apply the principle of gradualism in an electric case based on a customer's total utility bill, i.e., the amount a rate payer would pay for electric, gas, water and telecommunications services.

Lloyd, at 1021.

APPENDIX C

Proposed Ordering Paragraphs

Proposed Ordering Paragraphs

- 1) PAWC's request in its revised filing for a total increase of approximately \$159.6 million, comprised of an increase in water revenue of approximately \$143.4 million and an increase in wastewater revenue of approximately \$16.2 million [PAWC Rebuttal Sch. 3-A, Revised] is DENIED.
- 2) PAWC total Act 11 subsidy of approximately \$53 million [PAWC Volume 3, Sch. 3-A; PAWC Rebuttal Sch. 3-A, Revised] is DENIED.
- 3) Act 11 allocation from wastewater to water is to be reduced to approximately \$24.303 million.¹
- 4) In all future cost of service studies, the Company will recover the wastewater Act 11 revenue shortfall from the corresponding class in water. This will prevent cross subsidization of the classes. For example, it will prevent Commercial water customers from subsidizing Residential wastewater customers.²
- 5) Revenue requirement is to be reduced by \$36 million to account for excessive O&M expenses related to Employee-Related Expenses and Service Company Expenses.
- 6) Any reduction in the revenue requirement that PAWC has proposed, will be applied principally to the water rates. So long as the approved cost-based wastewater revenue requirement exceeds PAWC's proposed wastewater rates, the PAWC's proposed wastewater rates are not reduced.³
- 7) All reduction in revenue requirement will follow the class increases shown in OSBA Schedule Q4 (W) Column 2 (excluding Contract Sales) and be scaled back proportionately based on each class' proportion of the total "OSBA Recommended Increase".⁴
- 8) With the proposed level of consolidation for Rate Zones 1-5, in consideration of gradualism, the rate increase in these cases will be moderated to no more than double the system average or 32%. This would achieve rate consolidation over a

¹ OSBA Statement No. 1, Direct Testimony of Joe Kubas, Exhibit JK-1 and 2.

² OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Page 18.

³ OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Pages 16-17.

⁴ OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Page 5.

reasonable time frame without causing rate shock for these customers.⁵

- 9) The Company is to offer training to their employees and transparency about the OSBA and the Company's Small Business late payment program.
- 10) All low-income residential customer assistance program costs shall be exclusively recovered from the residential class.

⁵ OSBA Statement No. 3, Direct Testimony of Roger Cathcart, Page 8.

OSBA EXHIBIT JKD

PENNSYLVANIA-AMERICAN WATER COMPANY
WASTEWATER SSS OPERATIONS
PRESENT AND PROPOSED RATES

OSBA PROPOSAL

<u>Zone 1 - Most WW Areas</u>		Current		Proposed	% Percent
(A)		Rate	Increase	Rate	Change
		(B)	(C)	(D)	(E)
<u>Residential</u>					
1	Service Charge per EDU	\$15.00	\$0.00	\$15.00	0.0%
2	Flat Rate per EDU	\$110.00	\$25.00	\$135.00	22.7%
Consumption Charges					
3	Usage (100 Gallons)	\$2.9539	\$0.8461	\$3.8000	28.6%
<u>Non-Residential</u>					
4	Service Charge per EDU	\$36.70	\$0.00	\$36.70	0.0%
5	Flat Rate per EDU	\$150.00	\$29.00	\$179.00	19.3%
Consumption Charges					
6	Usage (100 Gallons)	\$2.1986	\$0.4314	\$2.6300	19.6%
7	Rainbow Washhouse	\$75.00	\$1.30	\$76.30	1.7%
8	Usage (100 Gallons)	\$0.2226	\$0.1914	\$0.4140	86.0%
9	Cleveland Cliff + Victory Brewing	\$456.50	\$89.50	\$546.00	19.6%
10	Usage (100 Gallons)	\$1.4800	\$0.2900	\$1.7700	19.6%
11	Knouse Foods	\$8,683.00	\$1,704.00	\$10,387.00	19.6%
12	Penn State Special Metals	\$2,988.00	\$586.00	\$3,574.00	19.6%
13	PSC Metals	\$1,156.00	\$227.00	\$1,383.00	19.6%
14	Ipsco Kopper Tubilers	\$17,948.00	\$3,522.00	\$21,470.00	19.6%
15	Strattanville Borough	\$6,426.00	\$1,261.00	\$7,687.00	19.6%
<u>BULK</u>					
16	Service Charge per EDU	\$36.70	\$0.00	\$36.70	0.0%
17	Flat Rate per EDU	\$150.00	\$29.00	\$179.00	19.3%
18	Special Bulk Charge	\$456.50	\$0.00	\$456.50	0.0%
Consumption Charges					
20	Usage (100 Gallons)	\$2.1986	\$0.1431	\$2.3417	6.5%
21	Cleveland Cliff and Victory Brewing	\$1.4800	\$0.2900	\$1.7700	19.6%
22	Caln, West Brandywine, VA Med	\$1.4900	\$0.2800	\$1.7700	18.8%
23	St Lawrence Borough	\$0.4120	\$0.3580	\$0.7700	86.9%
<u>Zone 1a - Royersford WW</u>					
<u>Residential</u>					
24	Service Charge	\$15.00	\$0.00	\$15.00	0.0%
25	Flat (Unmetered)	\$75.00	\$30.00	\$105.00	40.0%
Consumption Charges					
26	Usage (100 Gallons)	\$1.4050	\$0.7910	\$2.1960	56.3%
<u>Non-Residential</u>					
27	Service Charge per EDU	\$36.70	\$0.00	\$36.70	0.0%
28	Flat Rate per EDU	\$113.00	\$36.00	\$149.00	31.9%
29	Usage (100 Gallons)	\$0.7500	\$0.3830	\$1.1330	51.1%

PENNSYLVANIA-AMERICAN WATER COMPANY
WASTEWATER SSS OPERATIONS
PRESENT AND PROPOSED RATES

OSBA PROPOSAL

	Current Rate	Increase	Proposed Rate	% Percent Change	
<u>Zone Ia - Most WW Areas</u>	(A)	(C)	(D)	(E)	
<u>Royersford Bulk</u>					
30	Service Charge per EDU	\$15.00	\$0.00	\$15.00	0.0%
31	Flat Rate	\$36.70	\$0.00	\$36.70	0.0%
32	Usage Residential (100 Gallons)	\$1.4150	\$0.6184	\$2.0334	43.7%
33	Usage Commercial (100 Gallons)	\$0.7500	\$0.3390	\$1.0890	45.2%
34	Residential Flat	\$75.00	\$9.00	\$84.00	12.0%
35	Commercial Flat	\$113.00	\$44.00	\$157.00	38.9%
<u>Zone Ib - York WW</u>					
<u>Residential</u>					
36	Service Charge	\$15.00	\$0.00	\$15.00	0.0%
Consumption Charges					
37	First 2,000 Gallons	\$0.7500	\$0.9845	\$1.7345	131.3%
38	All Over 2,000 Gallons	\$2.9539	\$0.5961	\$3.5500	20.2%
<u>Non-Residential</u>					
39	Service Charge per EDU	\$36.70	\$0.00	\$36.70	0.0%
Consumption Charges					
41	First 2,000 Gallons	\$0.4000	\$2.2300	\$2.6300	557.5%
42	All Over 2,000 Gallons	\$2.1986	\$0.4314	\$2.6300	19.6%
43	All Industrial Usage	\$2.1986	\$0.4314	\$2.6300	19.6%
<u>Zone Ic - Foster Township</u>					
44	Residential Flat Rate Per EDU	\$110.00	\$25.00	\$135.00	22.7%
45	Non-Residential Flat Rate Per EDU	\$150.00	\$29.00	\$179.00	19.3%
46	Butler Township	\$40.00	\$16.00	\$56.00	40.0%
<u>Zone Id - Sadsbury</u>					
47	Service Charge Per EDU	\$128.33	\$6.67	\$135.00	5.2%
48	Non-Residential Flat Rate Per EDU	\$128.33	\$50.67	\$179.00	39.5%
<u>Zone If - Farmington</u>					
49	Residential Service Charge Per EDU	\$53.50	-\$38.50	\$15.00	-72.0%
50	Flat Rate (Unmetered)	\$0.00	\$75.00	\$75.00	
51	Non-Residential Service Charge Per EDU	\$53.50	-\$16.80	\$36.70	-31.4%
Consumption Charges					
52	Residential Usage (100 Gallons)	\$0.0000	\$1.8930	\$1.8930	
53	Non- Residential Usage (100 Gallons)	\$0.0000	\$1.6230	\$1.6230	
<u>Zone Ig - Manwalamink</u>					
54	Service Charge - Residential	\$16.92	-\$1.92	\$15.00	-11.3%
55	Service Charge - Non Residential	\$16.92	\$3.08	\$20.00	18.2%
56	Residential Flat Rate	\$44.80	\$22.40	\$67.20	50.0%
57	Non- Residential Flat Rate	\$58.00	\$29.00	\$87.00	50.0%
58	Flat Rate - Recreation Area Pool	\$124.29	\$61.71	\$186.00	49.7%
59	Flat Rate - Shawnee Mountain Ski Area	\$462.12	\$230.88	\$693.00	50.0%
Usage (in 100 Gallons)					
60	First 10,000 gallons	\$0.6590	\$0.4410	\$1.1000	66.9%
61	Over 10,000 gallons	\$0.2530	\$0.1670	\$0.4200	66.0%

PENNSYLVANIA-AMERICAN WATER COMPANY
WASTEWATER CSS OPERATIONS
PRESENT AND PROPOSED CSS RATES

OSBA PROPOSAL

Zone 2 - WW		Current	Increase	Proposed	% Percent
(A)		Rate	(C)	Rate	Change
(B)		(D)	(E)		
<u>Residential</u>					
1	Service Charge	\$20.00	\$0.00	\$20.00	0.0%
2	Flat Rate	\$104.00	\$32.00	\$136.00	30.8%
Consumption Charges					
3	Usage (100 Gallons)	\$2.6117	\$1.0483	\$3.6600	40.1%
<u>Non-Residential</u>					
4	Service Charge per	\$40.00	\$0.00	\$40.00	0.0%
Consumption Charges					
5	Usage (100 Gallons)	\$2.1320	\$0.5900	\$2.7220	27.7%
<u>Bulk</u>					
6	Service Charge per	\$86.00	\$0.00	\$86.00	0.0%
Consumption Charges					
7	Usage (100 Gallons)	\$1.6680	\$0.1320	\$1.8000	7.9%
Zone 2a - Scranton WW					
<u>Residential</u>					
8	Service Charge	\$20.00	\$0.00	\$20.00	0.0%
9	Flat (Unmetered)	\$104.00	\$32.00	\$136.00	30.8%
Consumption Charges					
10	Usage (100 Gallons)	\$2.6117	\$1.0483	\$3.6600	40.1%
<u>Non-Residential</u>					
11	Service Charge per EDU	\$40.00	\$0.00	\$40.00	0.0%
Consumption Charges					
12	Usage (100 Gallons)	\$2.1320	\$0.5900	\$2.7220	27.7%
<u>Bulk Residential</u>					
13	Service Charge per	\$20.00	\$0.00	\$20.00	0.0%
Consumption Charges					
14	Usage (100 Gallons)	\$2.6117	\$0.0000	\$2.6117	0.0%
<u>Bulk Non-Residential</u>					
15	Service Charge per	\$40.00	\$0.00	\$40.00	0.0%
Consumption Charges					
16	Usage (100 Gallons)	\$2.1320	\$0.0000	\$2.1320	0.0%

PENNSYLVANIA-AMERICAN WATER COMPANY
 WASTEWATER COMBINED SEWER SYSTEM OPERATIONS
 DEVELOPMENT OF RATE OF RETURN BY CUSTOMER CLASSIFICATION
 UNDER PROPOSED RATES

Item	Taz Rate	Cost of Service	Residential	Non-Residential	Industrial	Bulk
(A)	(B)	(C)	(D)	(E)	(F)	(G)
1 REVENUES FROM SALES		\$107,059,200	\$62,347,943	\$30,478,690	\$3,275,218	\$10,957,349
2 OTHER REVENUES		\$736,402	\$415,081	\$214,124	\$21,713	\$85,484
3 TOTAL OPERATING REVENUES		\$107,795,602	\$62,763,024	\$30,692,813	\$3,296,931	\$11,042,833
4 LESS: OPERATING EXPENSES		\$44,082,075	\$26,116,451	\$12,768,793	\$1,225,050	\$3,971,781
5 (PROVIDED TO BASA WASTEWATER)		\$11,632,644	\$6,773,003	\$3,312,181	\$355,785	\$1,191,675
6 RETURN AND INCOME TAXES		\$52,080,883	\$29,873,570	\$14,611,839	\$1,716,096	\$5,879,377
7 LESS: TAXABLE EXC. - ALLOCATED ON RATE BASE		\$10,978,185	\$6,573,413	\$3,220,490	\$305,704	\$878,578
8 TAXABLE INCOME		\$41,102,698	\$23,300,158	\$11,391,349	\$1,410,392	\$5,000,799
9 LESS: INCOME TAXES (TAX. INC.)	28.61%	\$11,758,169	\$6,665,431	\$3,258,701	\$403,468	\$1,430,569
10 NET RETURN (Line 6 - Line 9)		\$40,322,714	\$23,208,139	\$11,353,138	\$1,312,628	\$4,448,808
11 ORIGINAL COSTS MEASURE OF VALUE		\$520,293,109	\$311,536,136	\$152,629,845	\$14,488,341	\$41,638,787
12 RATE OF RETURN, PERCENT		7.75	7.45	7.44	9.06	10.68
13 RELATIVE RATE OF RETURN		1.00	0.96	0.96	1.17	1.38

PENNSYLVANIA-AMERICAN WATER COMPANY
WASTEWATER SEWER SANITARY SYSTEM BUTLER AREA OPERATIONS
DEVELOPMENT OF RATE OF RETURN BY CUSTOMER CLASSIFICATION
UNDER PROPOSED RATES

ITEM	COST OF SERVICE	RESIDENTIAL	NON- RESIDENTIAL	VA HOSPITAL
(A)	(B)	(C)	(D)	(E)
1 REVENUES FROM SALES	\$17,747,117	\$11,209,387	\$6,390,191	\$147,539
2 OTHER REVENUES	\$98,447	\$69,036	\$28,747	\$664
3 TOTAL OPERATING REVENUES	\$17,845,564	\$11,278,423	\$6,418,938	\$148,203
4 LESS: OPERATING EXPENSES (NET OF COSS RECOVERED FROM WATER)	-\$9,919,693	-\$6,793,271	-\$3,054,159	-\$72,262
5 RETURN AND INCOME TAXES	\$27,765,257	\$18,071,694	\$9,473,097	\$220,466
6 LESS: TAXABLE EXCL. - ALLOCATED ON RATE BASE	\$5,180,634	\$3,604,841	\$1,539,916	\$35,884
7 TAXABLE INCOME	\$22,584,623	\$14,466,853	\$7,933,180	\$184,581
8 LESS: INCOME TAXES (TAX. INC.)	\$8,736,862	\$5,596,503	\$3,068,951	\$71,405
9 NET RETURN (Line 5 - Line 8)	\$19,028,395	\$12,475,191	\$6,404,145	\$149,060
10 ORIGINAL COSTS MEASURE OF VALUE	\$245,527,674	\$170,845,523	\$72,981,811	\$1,700,680
11 RATE OF RETURN, PERCENT	7.75	7.30	8.77	8.76
12 RELATIVE RATE OF RETURN	1.00	0.94	1.13	1.13
13 SUBSIDY	\$0	(\$765,337)	\$748,055	\$17,258

PENNSYLVANIA-AMERICAN WATER COMPANY
WASTEWATER EBMA OPERATIONS
PRESENT AND PROPOSED BASA RATES

OSBA PROPOSAL

Zone 2b - WW		Current	Increase	Proposed	% Percent
(A)		(B)	(C)	(D)	(E)
<u>Residential</u>					
1	Service Charge	\$35.00	-\$15.00	\$20.00	-42.9%
Consumption Charges					
2	Usage (100 Gallons)	\$0.8000	\$1.0900	\$1.8900	136.3%
<u>Non-Residential</u>					
3	Service Charge per	\$35.00	\$5.00	\$40.00	14.3%
Consumption Charges					
4	Usage (100 Gallons)	\$0.8000	\$0.5400	\$1.3400	67.5%
<u>Bulk</u>					
5	Elizabeth Township Per EDU	\$35.00	\$14.00	\$49.00	40.0%
6	Usage (100 Gallons)	\$0.8000	\$0.5400	\$1.3400	67.5%
7	Forward Township Per EDU	\$105.00	\$31.50	\$136.50	30.0%
8	Usage (100 Gallons)	\$0.8000	\$0.5400	\$1.3400	67.5%
9	Flat Rate	\$37.75	\$17.75	\$55.50	47.0%
10	Lincoln Borough	\$37.75	\$17.75	\$55.50	47.0%

PENNSYLVANIA-AMERICAN WATER COMPANY
 ELIZABETH BOROUGH WW CSS OPERATIONS
 SUMMARY OF APPLICATION OF PRESENT AND PROPOSED RATES
 FOR THE TWELVE MONTHS ENDING JUNE 30, 2027

Rate Zone 2b:								
ELIZABETH BOROUGH WW CSS OPERATIONS								
(A)	Residential (B)	Commercial (C)	Municipal (D)	Bulk WW (E)	Total Sales (F)	Late Payments (*) (G)	Total Revenues (H)	
1	Present Rate Application	\$454,286	\$60,425	\$1,586	\$1,241,828	\$1,758,126	\$9,141	\$1,767,267
2	Proposed Rate Application	\$620,397	\$87,131	\$1,987	\$1,862,245	\$2,571,759	\$13,371	\$2,585,130
3	Change in Revenues	\$166,111	\$26,706	\$400	\$620,416	\$813,633	\$4,230	\$817,864
4	% Change in Revenues	36.6%	44.2%	25.2%	50.0%	46.3%	46.3%	46.3%

5 (*) Utilized the same 0.5199% late payment rate as calculated for PA American Water Company.

PENNSYLVANIA-AMERICAN WATER COMPANY
WASTEWATER EBMA OPERATIONS
DEVELOPMENT OF RATE OF RETURN BY CUSTOMER CLASSIFICATION
UNDER PROPOSED RATES

	Item (A)	Tax Rate (B)	Cost of Service (C)	Residential (D)	Non-Residential (E)	Bulk (F)
1	Revenues From Sales		\$2,571,759	\$620,397	\$89,118	\$1,862,245
2	Other Revenues		<u>\$13,371</u>	<u>\$3,226</u>	<u>\$463</u>	<u>\$9,682</u>
3	Total Operating Revenues		\$2,585,130	\$623,623	\$89,581	\$1,871,927
4	Less: Operating Expenses		\$2,051,028	\$589,436	\$126,563	\$1,335,029
5	(Net of costs recovered from water)		<u>-\$2,669,051</u>	<u>-\$861,856</u>	<u>-\$193,589</u>	<u>-\$1,613,607</u>
6	Return and Income Taxes		\$3,203,153	\$896,043	\$156,607	\$2,150,504
7	Less: Taxable Exc. - Allocated on Rate Base		<u>\$598,191</u>	<u>\$159,635</u>	<u>\$36,947</u>	<u>\$401,610</u>
8	Taxable Income		\$2,604,962	\$736,408	\$119,660	\$1,748,895
9	Less: Income Taxes	38.62%	\$1,006,003	\$284,391	\$46,211	\$675,400
10	Net Return (Line 6 - Line 9)		\$2,197,151	\$611,651	\$110,395	\$1,475,104
11	Original Cost Measure of Value		\$28,350,331	\$7,565,637	\$1,751,029	\$19,033,665
12	Rate Of Return, Percent		7.75	8.08	6.30	7.75
13	Relative Rate of Return		1.00	1.04	0.81	1.00

OSBA EXHIBITS JKSR

PENNSYLVANIA-AMERICAN WATER COMPANY
WASTEWATER SSS OPERATIONS
OSBA ACT 11 CLASS SUMMARY
FOR THE TWELVE MONTHS ENDING JUNE 30, 2027
R-2025-3057983 and R-2025-3058051

(A)	Total Company (B)	Residential (C)	Non Residential (D)
1 Water Subsidy	\$24,303,482	\$17,428,978	\$6,874,504
2 SSS Operations	-\$1,958,881	-\$1,385,248	-\$573,633
3 CSS Operations	\$11,632,644	\$6,773,003	4,859,641
4 BASA	-\$31,308,194	-\$21,954,877	-\$9,353,317
5 Elizabeth Boro	-\$2,669,051	-\$861,856	-\$1,807,195
6 Difference	\$0	\$0	\$0

PENNSYLVANIA-AMERICAN WATER COMPANY
 WASTEWATER SSS OPERATIONS
 OSBA ACT 11 SUMMARY
 FOR THE TWELVE MONTHS ENDING JUNE 30, 2027
 R-2025-3057983 and R-2025-3058051

	(A)	Total Company (B)	Water Operations (C)	Wastewater System (D)	SSS System (E)	BASA System (F)	CSS System (G)	Elizabeth System (H)
1 Present Rate Revenue		\$1,162,135,669	\$953,098,389	\$209,037,280	\$108,665,761	\$12,761,080	\$85,843,172	\$1,767,267
2 Additional Revenue Requirement*		\$163,357,735	\$94,250,069	\$69,107,666	\$19,936,451	\$35,364,515	\$10,319,786	\$3,486,914
3 Act 11 Wastewater Allocation		\$0	\$24,303,471	-\$24,303,471	-\$1,958,881	-\$31,308,183	\$11,632,644	-\$2,669,051
4 Proposed Revenue		\$1,325,493,604	\$1,071,652,128	\$253,841,476	\$126,643,332	\$16,817,412	\$107,795,602	\$2,585,130
5 Rate Increase		\$163,357,735	\$118,553,540	\$44,804,195	\$17,977,570	\$4,056,332	\$21,952,430	\$817,863
6 Percent Increase		14.1%	12.4%	21.4%	16.5%	31.8%	25.6%	46.3%

*The additional Revenue Requirement by System was adjusted to reflect the change in rate increase by class proposed by the Company.

PENNSYLVANIA-AMERICAN WATER COMPANY
WASTEWATER SSS OPERATIONS
PRESENT AND PROPOSED RATES

OSBA PROPOSAL

<u>Zone 1 - Most WW Areas</u>		Current	Increase	Proposed	% Percent
(A)		Rate	(C)	Rate	Change
		(B)		(D)	(E)
<u>Residential</u>					
1	Service Charge per EDU	\$15.00	\$0.00	\$15.00	0.0%
2	Flat Rate per EDU	\$110.00	\$25.00	\$135.00	22.7%
Consumption Charges					
3	Usage (100 Gallons)	\$2.9539	\$0.8461	\$3.8000	28.6%
<u>Non-Residential</u>					
4	Service Charge per EDU	\$36.70	\$0.00	\$36.70	0.0%
5	Flat Rate per EDU	\$150.00	\$29.00	\$179.00	19.3%
Consumption Charges					
6	Usage (100 Gallons)	\$2.1986	\$0.4314	\$2.6300	19.6%
7	Rainbow Washhouse	\$75.00	\$1.30	\$76.30	1.7%
8	Usage (100 Gallons)	\$0.2226	\$0.1914	\$0.4140	86.0%
9	Cleveland Cliff + Victory Brewing	\$456.50	\$89.50	\$546.00	19.6%
10	Usage (100 Gallons)	\$1.4800	\$0.2900	\$1.7700	19.6%
11	Knouse Foods	\$8,683.00	\$1,704.00	\$10,387.00	19.6%
12	Penn State Special Metals	\$2,988.00	\$586.00	\$3,574.00	19.6%
13	PSC Metals	\$1,156.00	\$227.00	\$1,383.00	19.6%
14	Ipsco Kopper Tubilers	\$17,948.00	\$3,522.00	\$21,470.00	19.6%
15	Strattanville Borough	\$6,426.00	\$1,261.00	\$7,687.00	19.6%
<u>BULK</u>					
16	Service Charge per EDU	\$36.70	\$0.00	\$36.70	0.0%
17	Flat Rate per EDU	\$150.00	\$29.00	\$179.00	19.3%
18	Special Bulk Charge	\$456.50	\$0.00	\$456.50	0.0%
Consumption Charges					
20	Usage (100 Gallons)	\$2.1986	\$0.1424	\$2.3410	6.5%
21	Cleveland Cliff and Victory Brewing	\$1.4800	\$0.2900	\$1.7700	19.6%
22	Caln, West Brandywine, VA Med	\$1.4900	\$0.2800	\$1.7700	18.8%
23	St Lawrence Borough	\$0.4120	\$0.3580	\$0.7700	86.9%
<u>Zone 1a - Royersford WW</u>					
<u>Residential</u>					
24	Service Charge	\$15.00	\$0.00	\$15.00	0.0%
25	Flat (Unmetered)	\$75.00	\$30.00	\$105.00	40.0%
Consumption Charges					
26	Usage (100 Gallons)	\$1.4050	\$0.7910	\$2.1960	56.3%
<u>Non-Residential</u>					
27	Service Charge per EDU	\$36.70	\$0.00	\$36.70	0.0%
28	Flat Rate per EDU	\$113.00	\$36.00	\$149.00	31.9%
29	Usage (100 Gallons)	\$0.7500	\$0.3830	\$1.1330	51.1%

PENNSYLVANIA-AMERICAN WATER COMPANY
WASTEWATER SSS OPERATIONS
PRESENT AND PROPOSED RATES

OSBA PROPOSAL

	Current		Proposed	% Percent	
<u>Zone 1a - Most WW Areas</u>	Rate	Increase	Rate	Change	
(A)	(B)	(C)	(D)	(E)	
<u>Royersford Bulk</u>					
30	Service Charge per EDU	\$15.00	\$0.00	\$15.00	0.0%
31	Flat Rate	\$36.70	\$0.00	\$36.70	0.0%
32	Usage Residential (100 Gallons)	\$1.4150	\$0.6184	\$2.0334	43.7%
33	Usage Commercial (100 Gallons)	\$0.7500	\$0.3390	\$1.0890	45.2%
34	Residential Flat	\$75.00	\$9.00	\$84.00	12.0%
35	Commercial Flat	\$113.00	\$44.00	\$157.00	38.9%
<u>Zone 1b - York WW</u>					
<u>Residential</u>					
36	Service Charge	\$15.00	\$0.00	\$15.00	0.0%
Consumption Charges					
37	First 2,000 Gallons	\$0.7500	\$0.9845	\$1.7345	131.3%
38	All Over 2,000 Gallons	\$2.9539	\$0.5961	\$3.5500	20.2%
<u>Non-Residential</u>					
39	Service Charge per EDU	\$36.70	\$0.00	\$36.70	0.0%
Consumption Charges					
41	First 2,000 Gallons	\$0.4000	\$2.2300	\$2.6300	557.5%
42	All Over 2,000 Gallons	\$2.1986	\$0.4314	\$2.6300	19.6%
43	All Industrial Usage	\$2.1986	\$0.4314	\$2.6300	19.6%
<u>Zone 1c - Foster Township</u>					
44	Residential Flat Rate Per EDU	\$110.00	\$25.00	\$135.00	22.7%
45	Non-Residential Flat Rate Per EDU	\$150.00	\$29.00	\$179.00	19.3%
46	Butler Township	\$40.00	\$16.00	\$56.00	40.0%
<u>Zone 1e - Sadsbury</u>					
47	Service Charge Per EDU	\$128.33	\$6.67	\$135.00	5.2%
48	Non-Residential Flat Rate Per EDU	\$128.33	\$50.67	\$179.00	39.5%
<u>Zone 1f - Farmington</u>					
49	Residential Service Charge Per EDU	\$53.50	-\$38.50	\$15.00	-72.0%
50	Flat Rate (Unmetered)	\$0.00	\$75.00	\$75.00	
51	Non-Residential Service Charge Per EDU	\$53.50	-\$16.80	\$36.70	-31.4%
Consumption Charges					
52	Residential Usage (100 Gallons)	\$0.0000	\$1.8930	\$1.8930	
53	Non- Residential Usage (100 Gallons)	\$0.0000	\$1.6230	\$1.6230	
<u>Zone 1g - Manwalamink</u>					
54	Service Charge - Residential	\$16.92	-\$1.92	\$15.00	-11.3%
55	Service Charge - Non Residential	\$16.92	\$3.08	\$20.00	18.2%
56	Residential Flat Rate	\$44.80	\$22.40	\$67.20	50.0%
57	Non- Residential Flat Rate	\$58.00	\$29.00	\$87.00	50.0%
58	Flat Rate - Recreation Area Pool	\$124.29	\$61.71	\$186.00	49.7%
59	Flat Rate - Shawnee Mountain Ski Area	\$462.12	\$230.88	\$693.00	50.0%
Usage (in 100 Gallons)					
60	First 10,000 gallons	\$0.6590	\$0.4410	\$1.1000	66.9%
61	Over 10,000 gallons	\$0.2530	\$0.1670	\$0.4200	66.0%

PENNSYLVANIA-AMERICAN WATER COMPANY
WASTEWATER SSS OPERATIONS
OSBA SUMMARY OF APPLICATION OF PRESENT AND PROPOSED RATES
FOR THE TWELVE MONTHS ENDING JUNE 30, 2027

Rate Zone	Residential (B)	Commercial (C)	Industrial (D)	Municipal (E)	Bulk (F)	Total Revenues (G)
Present Rate Application						
1	\$46,878,331	\$14,070,063	\$1,505,364	\$1,375,273	\$2,473,166	\$66,302,197
2	931,090	476,386	15,691	19,051	88,181	1,530,399
3	16,253,713	8,461,688	12,124	434,556	9,883,981	35,046,062
4	613,883	29,863	790,394	32,304		1,466,444
5	346,491	132,437	0			478,928
6	251,131	40,446		17,334		308,911
7	245,727	255,873		1,649		503,249
8	\$65,520,366	\$23,466,756	\$2,323,573	\$1,880,167	\$12,445,328	\$105,636,190
9	IPP Surcharge					\$906,000
10	Other Revenues					\$2,123,571
11	Total WW SSS	\$23,466,756	\$2,323,573	\$1,880,167	\$12,445,328	\$108,665,761
Proposed Rate Application						
12	\$55,705,534	\$15,557,926	\$1,780,949	\$1,620,476	\$3,051,159	\$77,716,044
13	1,289,313	643,924	20,756	27,353	113,926	2,095,272
14	19,506,286	10,538,926	14,791	521,089	9,780,259	40,361,351
15	747,302	35,263	933,306	44,750		1,760,621
16	364,500	184,728				549,228
17	283,669	39,508		18,912		342,089
18	314,403	374,109		2,437		690,949
19	\$78,211,007	\$27,374,384	\$2,749,802	\$2,235,017	\$12,945,344	\$123,515,554
20	IPP Surcharge					\$906,000
21	Other Revenues					\$2,221,778
22	Total WW SSS	\$27,374,384	\$2,749,802	\$2,235,017	\$12,945,344	\$126,643,332
23	Change in Revenues	\$3,907,628	\$426,229	\$354,850	\$500,016	\$17,977,570
24	% Change in Revenues	19.4%	16.7%	18.3%	4.0%	16.5%

PENNSYLVANIA-AMERICAN WATER COMPANY

WASTEWATER SANITARY SEWER SYSTEM GENERAL OPERATIONS
DEVELOPMENT OF RATE OF RETURN BY CUSTOMER CLASSIFICATION
UNDER OSBA PROPOSED RATES

ITEM (A)	Tax Rate (B)	COST OF SERVICE (C)	RESIDENTIAL (D)	NON-RESIDENTIAL (E)	LARGE INDUSTRIAL (F)	BULK USERS/ VA HOSP (G)	BULK USERS CONTRACT (H)
1 REVENUES FROM SALES		\$123,515,554	\$78,211,007	\$31,419,989	\$939,214	\$3,165,085	\$9,780,259
2 OTHER REVENUES		\$3,127,776	\$1,975,860	\$816,495	\$29,764	\$25,992	\$279,664
3 TOTAL OPERATING REVENUES		\$126,643,330	\$80,186,867	\$32,236,484	\$968,978	\$3,191,077	\$10,059,923
4 LESS: OPERATING EXPENSES		\$60,831,853	\$33,572,175	\$13,251,478	\$472,441	\$1,211,928	\$12,323,831
5 (To Be Recovered from Water Customers)		-\$1,958,881	-\$1,385,248	-\$556,893	-\$16,739	\$0	\$0
6 RETURN AND INCOME TAXES		\$67,770,358	\$47,999,941	\$19,541,899	\$513,276	\$1,979,149	-\$2,263,908
7 LESS: TAXABLE EXCL. - ALLOCATED ON RATE BASE		\$26,850,552	\$15,596,030	\$6,348,940	\$216,602	\$422,401	\$4,266,579
8 TAXABLE INCOME		\$40,919,806	\$32,403,911	\$13,192,959	\$296,674	\$1,556,748	-\$6,530,487
9 LESS: INCOME TAXES (TAX. INC.)	39.73%	\$16,257,970	\$12,874,495	\$5,241,734	\$117,873	\$618,516	-\$2,594,647
10 NET RETURN (Line 6 - Line 9)		\$51,512,388	\$35,125,446	\$14,300,165	\$395,404	\$1,360,633	\$330,739
11 ORIGINAL COSTS MEASURE OF VALUE		\$661,192,897	\$384,051,109	\$156,342,185	\$5,333,803	\$10,401,601	\$105,064,199
12 RATE OF RETURN, PERCENT		7.79	9.15	9.15	7.41	13.08	0.31
13 RELATIVE RATE OF RETURN		1.00	1.17	1.17	0.95	1.68	0.04

PENNSYLVANIA-AMERICAN WATER COMPANY
SSS Operations

COMPARISON OF BILLS UNDER PRESENT AND PROPOSED RATES

Zone			<u>RESIDENTIAL</u>	<u>BILLS UNDER</u>		<u>INCREASE</u>	
			CONSUMPTION	PRESENT	PROPOSED	AMOUNT	PERCENT
			GALLONS	RATES	RATES		
(A)	(B)	(C)	(D)	(E)	(F)	(G)	
1	1	Main	3,164	\$109.61	\$135.23	\$25.62	23.4%
2	1a	Royersford	3,164	\$60.40	\$84.48	\$24.08	39.9%
3	1b	York	3,164	\$65.07	\$91.01	\$25.95	39.9%
4	1c	Foster	Flat	\$111.17	\$135.00	\$23.83	21.4%
5	1e	Sadsbury	Flat	\$128.33	\$135.00	\$6.67	5.2%
6	<u>1f</u>	<u>Farmington</u>	<u>2,415</u>	<u>\$53.50</u>	<u>\$60.72</u>	<u>\$7.22</u>	<u>13.5%</u>
7	<u>1g</u>	<u>Manwalamink</u>	<u>2,303</u>	<u>\$32.10</u>	<u>\$40.33</u>	<u>\$8.24</u>	<u>25.7%</u>

Zone	Zone		<u>COMMERCIAL</u>	<u>BILLS UNDER</u>		<u>INCREASE</u>	
			CONSUMPTION	PRESENT	PROPOSED	AMOUNT	PERCENT
			GALLONS	RATES	RATES		
8	1	Main	20,802	\$499.29	\$583.79	\$84.50	16.9%
9	<u>1a</u>	<u>Royersford</u>	<u>14,840</u>	<u>\$149.57</u>	<u>\$204.84</u>	<u>\$55.27</u>	<u>37.0%</u>
10	1b	York	20,802	\$462.94	\$583.79	\$120.85	26.1%
11	1c	Foster	Flat	\$151.59	\$179.00	\$27.41	18.1%
12	1e	Sadsbury	Flat	\$128.33	\$179.00	\$50.67	39.5%
13	<u>1f</u>	<u>Farmington</u>	<u>3,886</u>	<u>\$53.50</u>	<u>\$99.77</u>	<u>\$46.27</u>	<u>86.5%</u>
14	<u>1g</u>	<u>Manwalamink</u>	<u>3,460</u>	<u>\$39.72</u>	<u>\$58.06</u>	<u>\$18.34</u>	<u>46.2%</u>

PENNSYLVANIA-AMERICAN WATER COMPANY
WASTEWATER CSS OPERATIONS
SUMMARY OF APPLICATION OF PRESENT AND PROPOSED RATES
FOR THE TWELVE MONTHS ENDING JUNE 30, 2027

<u>Rate Zone</u> (A)	<u>Residential</u> (B)	<u>Commercial</u> (C)	<u>Industrial</u> (D)	<u>Municipal</u> (E)	<u>Bulk</u> (F)	<u>Total Revenues</u> (G)
<u>Present Rate Application</u>						
1 Zone 2	\$12,479,784	\$4,115,085	\$64,979	\$478,022	\$9,004,414	\$26,142,285
2 Zone 2a - Scranton WW	\$34,944,880	\$19,467,977	\$2,533,196	\$772,819	\$1,360,368	\$59,079,239
3	\$47,424,664	\$23,583,063	\$2,598,174	\$1,250,841	\$10,364,782	\$85,221,524
4 IPP Surcharge						\$150,000
5 Other Revenues						\$471,648
6 Total WW CSS	\$47,424,664	\$23,583,063	\$2,598,174	\$1,250,841	\$10,364,782	\$85,843,172
<u>Proposed Rate Application</u>						
7 Zone 2	\$16,272,306	\$5,067,630	\$81,958	\$596,222	\$9,611,254	\$31,629,369
8 Zone 2a - Scranton WW	\$46,075,637	\$23,845,682	\$3,193,260	\$969,156	\$1,346,095	\$75,429,831
9 Total WW CSS	\$62,347,943	\$28,913,312	\$3,275,218	\$1,565,378	\$10,957,349	\$107,059,200
10 IPP Surcharge						\$150,000
11 Other Revenues						\$586,402
12 Total WW CSS	\$62,347,943	\$28,913,312	\$3,275,218	\$1,565,378	\$10,957,349	\$107,795,602
13 Change in Revenues	\$14,923,279	\$5,330,249	\$677,044	\$314,536	\$592,567	\$21,952,429
14 % Change in Revenues	31.47%	22.60%	26.06%	25.15%	5.72%	25.57%
15 INCREASE IN ZONE 2A REVENUE						\$16,350,592

PENNSYLVANIA-AMERICAN WATER COMPANY
 CSS Operations

COMPARISON OF BILLS UNDER PRESENT AND PROPOSED RATES

			<u>RESIDENTIAL</u>	<u>BILLS UNDER</u>		<u>INCREASE</u>	
Zone			CONSUMPTION	PRESENT	PROPOSED	AMOUNT	PERCENT
			GALLONS	RATES	RATES		
(A)	(B)		(C)	(D)	(E)	(F)	(G)
1	2	Main	3,164	\$103.72	\$135.80	\$32.08	30.9%
2	2a	Scranton	3,164	\$103.72	\$135.80	\$32.08	30.9%

			<u>COMMERCIAL</u>	<u>BILLS UNDER</u>		<u>INCREASE</u>	
Zone			CONSUMPTION	PRESENT	PROPOSED	AMOUNT	PERCENT
			GALLONS	RATES	RATES		
Zone	Zone						
3	2	Main	20,802	\$488.63	\$606.23	\$117.61	24.1%
4	2a	Scranton	20,802	\$488.63	\$606.23	\$117.60	24.1%

PENNSYLVANIA-AMERICAN WATER COMPANY
 BUTLER AREA SEWER AUTHORITY SSS OPERATIONS
 PRESENT AND PROPOSED BASA RATES

OSBA PROPOSAL

<u>Zone 1c - WW</u>		Current	Increase	Proposed	% Percent
(A)		Rate		Rate	Change
		(B)	(C)	(D)	(E)
<u>Residential</u>					
1	Service Charge	\$45.50	-\$25.50	\$20.00	-56.0%
2	Flat Rate	\$45.50	\$27.50	\$73.00	60.4%
Consumption Charges					
3	Usage (100 Gallons)	\$0.0000	\$1.6900	\$1.6900	
<u>Non-Residential</u>					
4	Service Charge per	\$45.50	-\$8.80	\$36.70	-19.3%
5	Flat Rate	\$45.50	\$27.50	\$73.00	60.4%
Consumption Charges					
6	Usage (100 Gallons)	\$0.0000	\$1.2800	\$1.2800	
<u>VA Hospital</u>					
7	Service Charge per	\$45.50	-\$8.80	\$36.70	-19.3%
Consumption Charges					
8	Usage (100 Gallons)	\$0.0000	\$1.2800	\$1.2800	

PENNSYLVANIA-AMERICAN WATER COMPANY
 BASA WW OPERATIONS
 SUMMARY OF APPLICATION OF PRESENT AND PROPOSED RATES
 FOR THE TWELVE MONTHS ENDING JUNE 30, 2027

<u>BASA WW Operations</u>	Residential	Commercial	Industrial	Municipal	Bulk	Total Revenues
(A)	(B)	(C)	(D)	(E)	(F)	(G)
<u>Present Rate Application</u>						
1	Rate Zone 1d - Butler	\$8,014,669	\$3,763,450	\$392,323	\$518,792	\$12,689,234
2	IPP Surcharge					\$5,700
3	Other Revenues					\$66,146
4	Total BASA WW	\$8,014,669	\$3,763,450	\$392,323	\$518,792	\$0 \$12,761,080
<u>Proposed Rate Application</u>						
5	Rate Zone 1d - Butler	\$11,621,769	\$3,841,276	\$641,665	\$619,637	\$16,724,347
6	IPP Surcharge					\$5,700
7	Other Revenues					\$87,365
8	Total BASA WW	\$11,621,769	\$3,841,276	\$641,665	\$619,637	\$0 \$16,817,412
9	Change in Revenues	\$3,607,100	\$77,826	\$249,342	\$100,845	\$0 \$4,056,332
10	% Change in Revenues	45.00%	2.10%	63.60%	19.40%	31.80%

11 (*) Utilized the same 0.5199% late payment rate as the other WW SSS Rate Zones.

PENNSYLVANIA-AMERICAN WATER COMPANY
WASTEWATER SEWER SANITARY SYSTEM BUTLER AREA OPERATIONS
DEVELOPMENT OF RATE OF RETURN BY CUSTOMER CLASSIFICATION
UNDER OSBA PROPOSED RATES

ITEM (A)	Tax Rate (B)	COST OF SERVICE (C)	RESIDENTIAL (D)	NON- RESIDENTIAL (E)	VA HOSPITAL (F)
1 REVENUES FROM SALES		\$16,724,347	\$11,621,769	\$4,990,252	\$112,326
2 OTHER REVENUES		\$93,065	\$65,262	\$27,175	\$628
3 TOTAL OPERATING REVENUES		\$16,817,412	\$11,687,030	\$5,017,427	\$112,954
4 LESS: OPERATING EXPENSES (NET OF COST OF SERVICE		\$20,360,348	\$14,440,613	\$5,787,654	\$132,081
5 RECOVERED FROM OTHER CUSTOMERS		-\$31,308,193	-\$21,954,877	-\$9,142,035	-\$211,282
6 RETURN AND INCOME TAXES		\$27,765,257	\$19,201,294	\$8,371,808	\$192,155
7 LESS: TAXABLE EXCLUSIONS - ALLOCATED ON RATE BASE		\$5,177,172	\$3,602,431	\$1,538,887	\$35,854
8 TAXABLE INCOME		\$22,588,085	\$15,598,863	\$6,832,921	\$156,301
9 LESS: INCOME TAXES (TAX. INC.)	38.69%	\$8,738,200	\$6,034,420	\$2,643,315	\$60,465
10 NET RETURN (Line 6 - Line 9)		\$19,027,056	\$13,166,874	\$5,728,493	\$131,690
11 ORIGINAL COSTS MEASURE OF VALUE		\$245,527,674	\$170,845,503	\$72,981,811	\$1,700,360
12 RATE OF RETURN, PERCENT		7.75	7.71	7.85	7.74
13 RELATIVE RATE OF RETURN		1.00	0.99	1.01	1.00
14 SUBSIDY		\$0	-\$72,721	\$72,800	-\$79

PENNSYLVANIA-AMERICAN WATER COMPANY
BASA Operations

COMPARISON OF BILLS UNDER PRESENT AND PROPOSED RATES

Zone			BILLS UNDER		INCREASE		
			CONSUMPTION GALLONS	PRESENT RATES	PROPOSED RATES	AMOUNT	PERCENT
(A)	(B)	(C)	(D)	(E)	(F)	(G)	
1	1d	Residential	3,164	\$45.98	\$73.47	\$27.49	59.8%
2	1d	Commercial	20,802	\$229.91	\$302.97	\$73.05	31.8%

PENNSYLVANIA-AMERICAN WATER COMPANY
BASA Operations

COMPARISON OF BILLS UNDER PROPOSED RATES - NO SUBSIDY

Zone			BILLS UNDER		THEORETICAL INCREASE		
			CONSUMPTION GALLONS	PRESENT RATES	PROPOSED RATES	AMOUNT	PERCENT
(A)	(B)	(C)	(D)	(E)	(F)	(G)	
3	1d	Residential	3,164	\$45.98	\$218.94	\$172.96	376.1%
4	1d	Commercial	20,802	\$229.91	\$944.78	\$714.87	310.9%

PENNSYLVANIA-AMERICAN WATER COMPANY
EBMA Operations

COMPARISON OF BILLS UNDER PRESENT AND PROPOSED RATES

Zone			BILLS UNDER		INCREASE		
		CONSUMPTION GALLONS	PRESENT RATES	PROPOSED RATES	AMOUNT	PERCENT	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	
1	2b	Residential	3,486	\$62.89	\$85.89	\$23.00	36.6%
2	2b	Commercial	5,616	\$79.93	\$115.25	\$35.33	44.2%

PENNSYLVANIA-AMERICAN WATER COMPANY
EBMA Operations

COMPARISON OF BILLS UNDER PROPOSED RATES - NO SUBSIDY

Zone			BILLS UNDER		THEORETICAL INCREASE		
		CONSUMPTION GALLONS	PRESENT RATES	PROPOSED RATES	AMOUNT	PERCENT	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	
3	2b	Residential	3,486	\$62.89	\$198.48	\$135.59	215.6%
4	2b	Commercial	5,616	\$79.93	\$420.83	\$340.90	426.5%

EXHIBIT JHD

EXHIBIT JH-1

		Based on OSBA 01-014_Attachment							Exhibit JH-1
		6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025	FTY	FPFTY	
Pennsylvania-American Water Company									
Docket Nos. R-2025-3057983 (Water)									
R-2025-3058051 (Wastewater)									
Line	PAWC O&M Expenses (\$)	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025	FTY	FPFTY	
1	Production Costs	35,274,738	39,178,990	50,722,030	55,103,505	56,759,347	63,213,379	65,804,561	
2	Employee Related	75,946,430	81,071,564	85,220,655	84,337,520	86,348,118	100,414,920	103,769,189	
3	Pension/OPEB	(12,687,644)	(14,581,784)	(10,687,971)	(2,717,099)	(5,530,049)	(5,297,816)	(5,295,880)	
4	Service Company	57,063,288	56,166,073	58,323,517	59,771,756	71,192,953	75,354,045	77,917,024	
5	Operating Supplies & Services	31,765,613	33,576,847	39,461,082	44,296,954	47,842,816	44,505,814	44,940,456	
6	Customer Accounting	11,549,053	10,955,179	9,496,031	13,207,455	20,814,239	15,670,371	17,882,177	
7	Regulatory Expense	1,233,399	1,717,772	1,860,370	1,450,737	1,397,099	1,628,486	1,628,486	
8	Insurance Other Thank Group	13,830,737	13,412,187	16,679,432	20,834,888	21,528,018	22,114,376	23,889,119	
9	Maintenance	9,768,923	10,958,612	10,875,412	10,078,479	11,046,898	11,777,280	11,778,347	
10	Total	223,744,536	232,455,440	261,950,558	286,364,194	311,399,437	329,380,854	342,313,479	
11									
12	Customer Count	749,673	770,296	774,904	778,989	806,143	810,574	814,365	
13	Annual Inflation*	3.9%	7.0%	3.5%	3.4%	3.2%	2.4%	2.1%	
14									
16	O&M per Customer	298	302	338	368	386	406	420	
17	Annual Increase - O&M per Customer (PAWC Actual and Forecast)	1.7%	1.1%	12.0%	8.7%	5.1%	5.2%	3.4%	
18									
19	O&M per Customer with Inflation (from 2021 Base Year)	305	326	337	349	360	368	376	
20	Annual Increase - O&M per Customer (Matches Annual Inflation above)	N/A	7.0%	3.5%	3.4%	3.2%	2.4%	2.1%	
21									
22	Total O&M at Inflation-Adjusted Increases (from 2021 Base Year)	228,552,583	251,207,489	261,429,961	271,695,250	290,024,895	298,617,978	306,314,712	
23	Total O&M Inflation-Adjusted Annual Increase Percent		9.9%	4.1%	3.9%	6.7%	3.0%	2.6%	
24									
25	Total O&M Difference Between Actual and Inflation-Adjusted	(4,808,047)	(18,752,049)	520,597	14,668,944	21,374,542	30,762,876	35,998,766	
26	Cumulative Difference (from 2021 base year)	(4,808,047)	(23,560,096)	(23,039,498)	(8,370,555)	13,003,987	43,766,863	79,765,630	
27									
28	* Inflation Data Sources								
29	2021 - 2025 - US Bureau of Labor Statistics - https://data.bls.gov/timeseries/CUUR0100SA0?amp%253bdata_tool=XTgtable&output_view=data&include_graphs=true								
30	2026 - 2027 - US Federal Reserve - https://www.federalreserve.gov/monetarypolicy/fomcprojtab120250618.htm								

OSBA EXHIBIT RCD

Pennsylvania American Water Company
Company Proposed Allocation of its Requested
Increase in Water Revenues
(Future Test Period Ending June 30, 2027)

Line	Classification	Present Revenue*	Proposed Increase	
			Amount	Percent
		1	2	3
1	Residential	\$ 620,483,188	\$ 104,942,245	16.9%
2	Commercial	224,318,174	\$ 34,043,731	15.2%
3	Industrial	42,905,050	\$ 5,097,377	11.9%
4	Public (Municipal)	24,548,573	\$ 1,840,135	7.5%
5	Other Water Utilities - Group A	1,002,544	\$ 160,277	16.0%
6	Other Water Utilities - Group B	59,124	\$ (45)	-0.08%
7	Private Fire Prot.	5,749,012	\$ 2,404,423	41.8%
8	Public Fire Prot.	11,062,317	3,141,499	28.4%
9	Total Sales	930,127,983	151,629,687	16.3%
10	Other Revenues	10,649,702	788,328	7.4%
11	Contract Sales - Industrial	3,686,620	\$ -	0.0%
12	Contract Sales - Other Utilities	3,320,460	\$ -	0.0%
13	TOTAL	\$ 940,777,685	\$ 152,418,015	16.2%

Source Exh. No. 12A, Present Rates Sch A

Notes:

* Includes the Distribution System Improvement Charge (DSIC) at 1.88% , total of \$16.8 million for water operations.

PENNSYLVANIA AMERICAN WATER COMPANY.
 Company Proposed Allocation of its Requested Increase
 in Water Revenues,
 Exclusive of PAWC's Allocation of Act 11 Revenues
 (Future Test Period Ending June 30, 2027)

Line	Classification	Present Revenue	Adj. Proposed Increase	
			Amount	Percent
		1	2	3
1	Residential	\$620,483,188	\$66,338,369	10.7%
2	Commercial	\$224,318,174	\$22,816,278	10.2%
3	Industrial	\$42,905,050	\$3,259,045	7.6%
4	Public (Municipal)	\$24,548,573	\$805,436	3.3%
5	Other Water Utilities - Group A	\$1,002,544	\$160,277	16.0%
6	Other Water Utilities - Group B	\$59,124	(\$45)	-0.1%
7	Private Fire Protection	\$5,749,012	\$2,098,601	36.5%
8	Public Fire Protection	\$11,062,317	\$3,141,499	28.4%
9	Total Sales	\$937,135,063	\$98,619,460	10.5%
10	Other Revenues	\$10,649,702	\$788,328	7.4%
11	Contract Sales - Industrial	\$3,686,620	\$0	0.0%
12	Contract Sales - Other Utilities	\$3,320,460	\$0	0.0%
13	TOTAL	\$954,791,845	\$99,407,788	10.4%

Source: Exh. NO. 12-A Present Rates Sch. A

Notes:

* Includes the Distribution System Improvement Charge (DSIC) at 1.88%.

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PENNSYLVANIA AMERICAN WATER COMPANY - WATER OPERATIONS
Derivation of Class Revenue Subsidies at Present and Company Proposed Rates
Basis: PAWCs Water Cost-of-Service Study

Line	Classification	Present Rates			RCC	Proposed Rates			RCC
		Present Revenue	Cost-of-Service	Revenue Subsidy		Proposed Revenue 1/	Cost-of-Service 1/	Revenue Subsidy	
		1	2	3 = 1 - 2	1/2	4	5	6 = 4 - 5	4/5
1	Residential	\$620,483,188	\$621,703,415	(\$1,220,226)	1.0	\$686,821,557	\$682,920,439	\$3,901,118	1.0
2	Commercial	\$224,318,174	\$222,493,680	\$1,824,494	1.0	\$247,134,452	\$245,729,206	\$1,405,246	1.0
3	Industrial	\$42,905,050	\$41,559,761	\$1,345,289	1.0	\$46,164,095	\$45,903,121	\$260,973	1.0
4	Public (Municipal)	\$24,548,573	\$22,851,922	\$1,696,651	1.1	\$25,354,009	\$25,209,837	\$144,172	1.0
5	Other Water Utilities - Group A	\$1,002,544	\$1,070,759	(\$68,215)	0.9	\$1,162,821	\$1,188,981	(\$26,160)	1.0
6	Other Water Utilities - Group B	\$59,124	\$26,534	\$32,590	2.2	\$59,079	\$29,187	\$29,892	2.0
7	Private Fire Protection.	\$5,749,012	\$7,034,045	(\$1,285,033)	0.8	\$7,847,613	\$7,794,783	\$52,830	1.0
8	Public Fire Protection.	\$11,062,317	\$8,636,561	\$2,425,756	1.3	\$14,203,816	\$14,138,879	\$64,937	1.0
9	Total Sales	\$930,127,983	\$925,376,677	\$4,751,306	1.0	\$1,028,747,442	\$1,022,914,433	\$5,833,009	1.0
10	Other Water Revenues	\$10,649,702	\$10,649,702	\$0	1.0	\$11,438,031	\$11,438,031	\$0	1.0
11	Contract Sales - Industrial	\$3,686,620	\$4,930,923	(\$1,244,303)	0.7	\$3,686,620	\$5,383,847	(\$1,697,227)	0.7
12	Contract Sales - Other Utilities	\$3,320,460	\$6,827,477	(\$3,507,017)	0.5	\$3,320,460	\$7,456,244	(\$4,135,784)	0.4
13	Total Company	\$947,784,765	\$947,784,779	(\$14)	1.0	\$1,047,192,553	\$1,047,192,554	(\$1)	1.0

Source:

Exh. No. 12-A,
Present Rates,
Sch. A

Exh. No. 12-A, Exh. No. 12-A,
Proposed, Sch. A Proposed, Sch. A

Note - 1. Excludes Act 11

PENNSYLVANIA AMERICAN WATER COMPANY
WATER OPERATIONS
 Recommended Allocation of PAWCs Requested
 Increase in Water Revenues, Inclusive of
 Aqua's Proposed Act 11 Revenues
 (Future Test Year Period Ending June 30, 2027)

Line	Classification	Present Revenue	Proposed Increase	PAWC Proposed Act 11	Total Increase	% Inc.
		1	2	3	4 = 2 + 3	5 = 4 / 1
1	Residential	\$ 620,483,188	66,338,369	38,603,876	104,942,245	16.9%
2	Commercial	224,318,174	22,816,278	11,227,453	34,043,731	15.2%
3	Industrial	42,905,050	3,259,045	1,838,332	5,097,377	11.9%
4	Public (Municipal)	24,548,573	805,436	1,034,699	1,840,135	7.5%
5	Other Water Utilities - Group A	1,002,544	160,277	-	160,277	16.0%
6	Other Water Utilities - Group B	59,124	(45)	-	(45)	
7	Private Fire Protection	5,749,012	2,098,601	305,822	2,404,423	41.8%
8	Public Fire Protection	11,062,317	3,141,499	-	3,141,499	28.4%
9	Total Sales	930,127,983	98,619,460	53,010,182	151,629,642	16.3%
10	Other Revenues	10,649,702	788,328	-	788,328	7.4%
11	Contract Sales - Industrial	3,686,620	-	-	-	0.0%
12	Contract Sales - Other Water Utilities	3,320,460	-	-	-	0.0%
13	TOTAL	\$ 947,784,765	99,407,788	53,010,182	152,417,970	16.1%
Present Rates, Sch. A						
Source: Exh. No. 12-A Present Rates, Sch. A Sch. Q-2W Exh. No. 12-A Present Rates Sch. A Exh. No. 12-A Proposed, Sch. A						

**PENNSYLVANIA AMERICAN WATER COMPANY
WATER OPERATIONS**

OSBA Recommended Allocation of PAWC's
(OSBA Adjusted) Increase in Water Revenues
Inclusive of PAWCs (OSBA's Adjusted) Act 11 Revenues
(Future Test Period Ending June 30, 2027)

Line	Classification	Present Revenue	OSBA Recommended Increase	OSBA Recommended Act 11	Total Increase	Percentage Increase
		[1]	[2]	[3]	[4=2+3]	[5=4/1]
1	Residential	620,483,188	42,122,243	17,404,271	59,526,514	9.6%
2	Commercial	224,318,174	14,487,435	5,349,392	19,836,827	8.8%
3	Industrial	42,905,050	2,069,365	875,885	2,945,250	6.9%
4	Public (Municipal)	24,548,573	511,420	492,989	1,004,409	4.1%
5	Other Water Utilities - Group A	1,002,544	101,770	-	101,770	10.2%
6	Other Water Utilities - Group B	59,124	(29)	-	(29)	0.0%
7	Private Fire Protection	5,749,012	1,332,529	145,711	1,478,240	25.7%
8	Public Fire Protection	11,062,317	1,994,728	-	1,994,728	18.0%
9	Total Sales	930,127,983	62,619,460	24,268,248	86,887,708	9.3%
10	Other Water Revenues	10,649,702	365,159	-	365,159	3.4%
11	Contract Sales - Industrial	3,686,620	-	-	-	-
12	Contract Sales - Other Utilities	3,320,460	-	-	-	-
13	TOTAL	947,784,765	62,984,619	24,268,248	87,252,867	9.2%

Source: Exh. No.12A Present Sch. A Schedule Q-5W Q-2W Adjusted OSBA St. No. 2 Sch. Q- 5W Col. 3, less OSBA St. No 1 WWAdjusted

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	Docket Nos. R-2025-3057983 (Water)
v.	:	R-2025-3058051 (Wastewater)
	:	C-2025-3058770 (Water)
Pennsylvania-American Water Company	:	C-2025-3058771 (Wastewater)

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email (*unless otherwise noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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