

**PAWC STATEMENT NO. 8 SUPPLEMENTAL**

**SUPPLEMENTAL TESTIMONY**

**OF**

**LINDA SCHLESSMAN**

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

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

**DATE: MARCH 13, 2026**

**PENNSYLVANIA-AMERICAN WATER COMPANY**

**SUPPLEMENTAL DIRECT TESTIMONY OF LINDA SCHLESSMAN**

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

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

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

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

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

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

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

12 A. My supplemental testimony addresses the impact of Internal Revenue Service (“IRS”)  
13 guidance related to the Corporate Alternative Minimum Tax (“CAMT”) released on  
14 February 18, 2026.<sup>1</sup>

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

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

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

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

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

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

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

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

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

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

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

6 A. The deferred tax asset for CAMT included in revenue requirement, and reflected in PAWC  
7 Exhibit 3-A, was \$35,620,052.<sup>3</sup>

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

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

13 **Conclusion**

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

15 A. Yes, it does.

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