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July 8, 2026

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA E-FILING

RE: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. §§1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the water treatment and distribution system owned and operated by the Indian Creek Valley Water Authority, and (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish water service to the public in all of the Borough of Ohiopyle and portions of the Townships of Saltlick, Springfield, Bullskin, Connellsville and Stewart, Fayette County and all of the Borough of Donegal and portions of the Townships of Donegal and Mount Pleasant, Westmoreland County, Pennsylvania, Docket No. A-2025-3055741, *et al.*

Dear Secretary Homsher:

Attached please find for filing the Joint Petition for Approval of Unanimous Settlement of All Issues of Pennsylvania-American Water Company ("PAWC"), in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to this proceeding are being duly served with a copy of this document. Thank you.

Sincerely,

Adeolu A. Bakare
MCNEES WALLACE & NURICK LLC

Counsel to Pennsylvania-American Water Company

c: Administrative Law Judge Katrina L. Dunderdale
Administrative Law Judge Ann Quimby
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Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing documents upon the participants, listed below, in accordance with the requirements of Section 1.54 (relating to service by a participant).

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Dated this 8th day of July, 2026, in Harrisburg, Pennsylvania.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judges Katrina L. Dunderdale and Ann Quimby

---

Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the water treatment and distribution system owned and operated by the Indian Creek Valley Water Authority, and (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish water service to the public in all of the Borough of Ohiopyle and portions of the Townships of Saltlick, Springfield, Bullskin, Connellsville and Stewart, Fayette County and all of the Borough of Donegal and portions of the Townships of Donegal and Mount Pleasant, Westmoreland County, Pennsylvania	:	Docket A-2025-3055741

JOINT PETITION FOR APPROVAL OF UNANIMOUS SETTLEMENT OF ALL ISSUES

I. INTRODUCTION

Pennsylvania-American Water Company ("PAWC" or the "Company"), the Indian Creek Valley Water Authority ("ICVWA" or "Authority"), and the Office of Consumer Advocate ("OCA") (singularly, a "Petitioner" and, collectively, the "Joint Petitioners") hereby join in this Joint Petition for Approval of Unanimous Settlement of All Issues ("Joint Petition" or "Settlement") and respectfully request that the Honorable

Administrative Law Judges Katrina L. Dunderdale and Ann Quimby (the "ALJs") recommend approval of, and the Commission approve, this Settlement without modification.[1]

In support of the Settlement, the Joint Petitioners state the following:

II. BACKGROUND

1. PAWC and ICVWA entered into an Asset Purchase Agreement ("APA") dated May 30, 2025, by which PAWC will purchase substantially all of the assets, properties, and rights related to the water system (the "System") currently owned and operated by ICVWA. On November 3, 2025, PAWC filed an application (the "Application") at Docket No. A-2025-3055741 asking the Commission to approve its acquisition of the System (the "Transaction") pursuant to 66 Pa. C.S. §§ 507, 1102 and 1329.[2]

2. On November 20, 2025, Steven C. Gray filed a Notice of Appearance on behalf of the OSBA, with the OSBA filing a Notice of Intervention on November 21, 2025.

3. On December 16, 2025, the Bureau of Technical Utility Services ("TUS") notified the Company that an initial review of the Application had been completed, and TUS provided a list of information required to perfect the Application, with a submittal deadline of December 31, 2025. On December 19, 2025, the Company filed a letter

[1] The Office of Small Business Advocate does not oppose the Settlement, meaning the Joint Petition is unanimous among the parties that submitted testimony in the proceeding and participated in the evidentiary hearings. The Borough of Ohiopyle has been informed of the Settlement, but has not responded to such outreach. Additionally, the OCA advised both pro se protestants of the Settlement.

[2] For clarity, references to PAWC's Application include subsequent amendments.

requesting an extension to January 13, 2026, to respond to TUS's requests, which was granted. On January 13, 2026, PAWC responded to TUS's list of deficiencies, including filing an Amended Application and appendices.

4. On February 3, 2026, the OCA filed a Protest to the Application, with Christy M. Appleby and Janna Williams submitting a Notice of Appearance on behalf of the OCA.

5. On March 3, 2026, the Pennsylvania Public Utility Commission ("PUC" or "Commission") conditionally accepted the Application. In its Secretarial Letter, the Commission indicated that it would not formally accept the Application until PAWC complied with certain service and notice requirements. The Commission further required that PAWC amend its Application to provide additional information as required in the Commission's 66 Pa. C.S. §1329 Application Filing Checklist – Water/Wastewater 2024 Final Supplemental Implementation Order.

6. On March 16, 2026, John J. Logue filed a Protest to the Application.

7. On March 25, 2026, Irene Mistick filed a Protest to the Application.

8. On March 26, 2026, the Borough of Ohiopyle filed a Petition to Intervene.

9. On April 16, 2026, PAWC notified the Commission that the Company had complied with all service and notice requirements set forth in the March 3, 2026, Secretarial Letter, and that PAWC had provided supplemental materials to satisfy the additional information requested therein. PAWC requested that the Commission accept the Application for filing purposes on May 5, 2026.

10. On April 28, 2026, the Commission formally accepted the Application for filing. The Commission notified PAWC that the notice of the Application would be

published in the Pennsylvania Bulletin on May 9, 2026, with a protest deadline of May 26, 2026.

11. On May 7, 2026, Charis Mincavage and Victoria A. Geddis filed a Notice of Appearance on behalf of PAWC.[3]

12. On May 15, 2026, ICVWA filed a Petition to Intervene.

13. On May 28, 2026, the ALJs convened a Prehearing Conference in this proceeding. On June 1, 2026, the ALJs issued a Prehearing Order, which memorialized the matters discussed at the Prehearing Conference and established the litigation schedule.

14. Pursuant to the litigation schedule, on June 1, 2026, PAWC received Direct Testimony from the OCA and the OSBA. On June 10, 2026, PAWC and ICVWA submitted Rebuttal Testimony. PAWC did not receive Rebuttal Testimony from any of the other parties.

15. A telephonic public input hearing was held at 1:00 p.m. on June 12, 2026. One witness testified at the public input hearing and another provided a statement concurring with the prior testimony.

16. Also on June 12, 2026, PAWC filed a Petition for Protective Order.

17. In-person public input hearings were held at 1:00 pm and 6:00 pm at the Saltlick Township Municipal Building in Melcroft, Pennsylvania, on June 15, 2026. Eight witnesses testified at the 1:00 pm hearing and nine witnesses testified at the 6:00 pm hearing.

[3] PAWC's Application initially identified Adeolu A. Bakare and Elizabeth Rose Triscari as counsel.

18. Also on June 15, 2026, PAWC received Surrebuttal Testimony from the OCA and the OSBA.

19. A telephonic evidentiary hearing was held in this proceeding on June 17, 2026, after which the ALJs issued a Post Hearing Order confirming the due dates for submitting briefs.

20. On June 22, 2026, the ALJs issued a Protective Order. The record also closed in this proceeding on June 22, 2026.

21. On June 26, 2026, counsel for PAWC notified the ALJs of a settlement-in-principle.

22. On June 29, 2026, the ALJs directed the parties to file a Joint Petition for Settlement by July 8, 2026.

23. Consistent with the ALJs' directive, the Joint Petitioners filed this Joint Petition on July 8, 2026.

III. SETTLEMENT TERMS

The Joint Petitioners agree as follows:

A. Approval of Application

24. The Joint Petitioners agree that the Commission should approve PAWC's acquisition of the System currently owned by ICVWA and PAWC's right to begin to offer, render, furnish, or supply water services in the areas served by the System, as well as any other necessary approvals or certificates for the Transaction, subject to approval of all of the following conditions and without modification.

B. Rates

25. The pro forma tariff submitted as Appendix A-12, including all rates, rules and regulations regarding conditions of PAWC's water service, shall be permitted to become effective immediately upon closing of the Transaction ("Closing").

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

27. In the first base rate case that includes System assets:

a. PAWC will propose to move ICVWA customers gradually towards their cost of service in PAWC's next base rate case, but to no more than PAWC's proposed Rate Zone 1 system average water rates in the next base rate case that includes the ICVWA system. The OCA and OSBA reserve their rights to address PAWC's proposals fully and to make other rate proposals.

b. PAWC may agree to rates other than those proposed for System customers in the context of a settlement of the base rate case.

c. OCA and OSBA reserve their rights to address PAWC's rate proposals fully, and to make other rate proposals. The Joint Petitioners expressly recognize the Commission's ultimate ratemaking authority to set just and reasonable rates and, notwithstanding anything to the contrary contained in this Paragraph 27, may enter into a settlement of the base rate case, whether full or partial and whether unanimous or non-unanimous, on reasonable terms and conditions.

C. Fair Market Value for Ratemaking Rate Base Purposes

28. Joint Petitioners agree that, pursuant to 66 Pa. C.S. § 1329, PAWC shall be permitted to use $32,800,000 as the ratemaking rate base for the acquired System.

29. The Joint Petitioners agree that PAWC may record the acquisition at the net value of the assets, consistent with generally accepted accounting principles.

D. Distribution System Improvement Charge

30. PAWC will not include System-related investments in its distribution system improvement charge ("DSIC") until PAWC collects a DSIC from System customers. PAWC shall be permitted to collect a DSIC from System customers upon (i) PAWC's filing of an amended water Long-Term Infrastructure Improvement Plan ("Amended LTIIP") including the System which shall not re-prioritize other existing commitments in other service areas, (ii) the Commission's approval of the Amended LTIIP, as may be modified in the discretion of the Commission, and (iii) PAWC's filing of a compliance tariff supplement which incorporates the System into PAWC's DSIC tariff, including all customer safeguards applicable thereto, after Commission approval of the Amended LTIIP.

E. Claims for Allowance for Funds Used During Construction and Deferred Depreciation

31. The Joint Petitioners acknowledge that the Application includes a request that PAWC be permitted to (i) accrue Allowance for Funds Used During Construction ("AFUDC") for post-acquisition improvements not recovered through the DSIC for book

and ratemaking purposes, and (ii) defer depreciation related to post acquisition improvements not recovered through the DSIC for book and ratemaking purposes. Any claims for AFUDC and deferred depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes will be addressed in PAWC's first base rate case that includes System assets. The Joint Petitioners reserve their rights to litigate their positions fully in future rate cases when these issues are ripe for review. The Joint Petitioners' assent to this term should not be construed to operate as their preapproval of PAWC's requests.

F. Closing

32. If PAWC and ICVWA decide to close on the Transaction in accordance with their respective contractual rights and obligations under the APA, the Closing will not take place sooner than the date of the existence of a final, unappealable order of the Commission approving the Application. In the event the Transaction does not close, the parties may address the recovery of costs in PAWC's next base rate case.

G. Transaction and Closing Costs

33. The Joint Petitioners acknowledge that the Application includes a request that PAWC be permitted to claim transaction and closing costs associated with the acquisition of the System. The Joint Petitioners agree that they will not contest these requests in this proceeding, but they reserve their rights to litigate their positions fully in future rate cases when this issue is ripe for review. The Joint Petitioners' assent to this term should not be construed to operate as their preapproval of PAWC's request. In a future rate

case when these costs are claimed, PAWC agrees that it will clearly set out and identify all transaction and closing costs associated with this matter.

34. The inclusion of outside legal fees, if any, in PAWC's transaction and closing costs under the APA shall be separately identified in PAWC's next base rate case, and OCA and OSBA reserve the right to challenge the reasonableness, prudency, and basis for such costs.

35. Any claim by PAWC to recover transaction and closing costs associated with the transaction will not include costs incurred by ICVWA.

H. Approval of Section 507 Agreements

36. Pursuant to 66 Pa. C.S. § 507, the Commission shall issue Certificates of Filing or approval for:

a. The Asset Purchase Agreement dated May 30, 2025, by and between the Indian Creek Valley Water Authority and Pennsylvania-American Water Company (submitted as Appendix A-24-a);

b. First Amendment to Asset Purchase Agreement, dated December 3, 2025, by and between the Indian Creek Valley Water Authority and Pennsylvania- American Water Company (submitted as Amended Appendix A-24-a);

c. Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Donegal, Westmoreland County, Pennsylvania, dated April 13, 1995 (submitted as Appendix A-25.1);

d. Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Mount Pleasant, Westmoreland County, Pennsylvania, dated April 17, 1995 (submitted as Appendix A-25.2);

e. Agreement for Water Service by and between Indian Creek Valley Water Authority and Borough of Donegal, Westmoreland County, Pennsylvania, dated May 2, 1995 (submitted as Appendix A-25.3);

f. Interconnect Agreement between Pleasant Valley Water Authority and Indian Creek Valley Water Authority Re Clinton Road, Saltlick Township/Bullskin Township and Quail Hill, Saltlick Township, Fayette County, dated September 28, 1998 (submitted as Appendix A-25.4);

g. Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Stewart, Fayette County, Pennsylvania, dated August 15, 2002 (submitted as Appendix A-25.5);

h. Services Agreement for ICVWA to act as billing and collection agent and provide water termination service by and between Indian Creek Valley Water Authority and the Borough of Ohiopyle, dated December 5, 2013 (submitted as Appendix A-25.7); and

i. Agreement for lease of land and granting rights and privileges by and between the Municipal Authority of Westmoreland County and Indian Creek Valley Water Authority, dated July 16, 2024 (submitted as Appendix A-25.8).

I. Cost of Service Studies

37. In the first base rate case that includes the System's assets, PAWC will submit a cost-of-service study ("COSS") that removes all costs and revenues associated with the operation of the System.

38. In the first base rate case that includes the System's assets, PAWC will also provide a separate COSS for the System.

J. Customer Assistance Programs

39. Immediately after Closing, the System's customers will become eligible for all of PAWC's payment options and customer programs.

40. Within the first billing cycle following Closing, PAWC shall include a bill insert to System customers regarding its low-income programs and shall include such information in a welcome letter to System customers. The bill insert and welcome letter shall include, at a minimum, a description of the available low-income programs, eligibility requirements for participation in the programs, and PAWC's, OCA's and OSBA's contact information. PAWC also agrees to conduct ongoing, targeted outreach to its ICVWA-area water customers regarding its low-income programs.

41. The welcome letter will be sent within the first 30 days of Closing and will also include information about payment options (including low-income programs, eligibility requirements, PAWC contact information) and in-person bill payment locations reasonably proximate to the areas served by the System. The welcome letter shall acknowledge that ICVWA customer rates will not be increasing at this time. The welcome letter shall also include notice language referring customers to PAWC's website (including

the link), where a customer can find the rate impact range. Unless PAWC and OCA agree to work together on a different timeline, within 15 days of a final order in this proceeding, PAWC will provide the OCA with a copy of the draft welcome letter; OCA will provide any suggestions to PAWC within 10 days of receipt; and PAWC, in good faith, will consider incorporation of OCA's suggestions.

42. Every six months for a period of two years following Closing, PAWC will track the number of ICVWA's customers that are (1) potentially eligible to enroll in PAWC's Customer Assistance Program ("CAP"); and (2) enrolled in PAWC's CAP. PAWC will provide and present this information on a timely basis to the regularly held meetings of PAWC's Customer Assistance Advisory Group. PAWC will also present this information, as available at the time, in its first base rate case in which the ICVWA's System is included. The information will be in a format showing the potential eligibility and enrollment data broken down by six-month increments starting from the time of Closing through and until the time of filing the rate case. Potential eligibility will be based on U.S. Census data.

43. PAWC will contribute an additional $20,000 annually to the H20 Help to Others hardship fund for five years following the close of the Transaction.

K. Line Extensions

44. Within 15 months of the Transaction closing, PAWC will submit a feasibility study regarding extension of new water mains in the ICVWA service territory. At least three months prior to the submission of the study, PAWC shall provide a draft study to Saltlick and Springfield Township Supervisors, the OCA, OSBA, and other stakeholders.

In addition, PAWC shall host a collaborative stakeholder meeting to solicit comments on the draft study, including comments regarding households, businesses and other areas of concern that may benefit from receiving public water. PAWC will also employ best efforts to commit to working with Saltlick and Springfield Township Supervisors to coordinate their funding portions of the water main extensions including contributions in aid of construction. The study will outline the feasibility, estimated cost, and need for water main extensions. The study will also identify potential opportunities through which PAWC could extend access to public water in the ICVWA area during the five-year period following the submission of the study.

45. PAWC will survey the ICVWA service territory and provide an assessment on whether there are public health needs that would make certain main extensions eligible under its Tariff section 27.1(f) within one year of the Transaction closing. PAWC shall provide the survey results to all parties in this proceeding, the Commission, and party stakeholders no later than the date on which the draft study in the preceding paragraph is provided to stakeholders.

L. Easements

46. Pursuant to the APA, ICVWA is to use commercially reasonable efforts to obtain all easements prior to Closing, so that they may be transferred to PAWC at Closing. The APA also requires ICVWA to commence condemnation proceedings to obtain all missing easements that it can, prior to Closing. Finally, the APA created a Missing Easement Escrow (funded in the amount of $2,000 per missing easement) to secure ICVWA's obligations concerning easements that were not obtained as of Closing. ICVWA

is required to diligently pursue the missing easements for two years after Closing. After two years, the portion of the Missing Easement Escrow Fund that compensates ICVWA for the missing easements obtained after Closing is to be released to ICVWA, with the balance being released to PAWC to compensate it for the missing easements not obtained after Closing.

M. Other Necessary Approvals

47. The Commission shall issue any other approvals or certificates appropriate, customary, or necessary under the Pennsylvania Public Utility Code to carry out the transactions contemplated in the Application in a lawful manner.

N. Standard Settlement Conditions

48. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in the Settlement without modification. If the Commission modifies the Settlement, any Petitioner may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an Order modifying the Settlement. The Joint Petitioners acknowledge and agree that the Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding.

49. The Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceedings. If the Commission does not approve the Settlement and the proceedings continue, the Joint Petitioners reserve their respective procedural rights,

including the right to present additional testimony and to conduct full cross-examination, briefing and argument. The Settlement is made without any admission against, or prejudice to, any position which any Petitioner may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

50. The Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any Petitioner's position with respect to any issues raised in these proceedings. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

51. The Joint Petitioners have jointly prepared and submitted Proposed Findings of Fact (attached as Appendix A), Proposed Conclusions of Law (attached as Appendix B), and Proposed Ordering Paragraphs (attached as Appendix C). The Joint Petitioners further agree that the facts agreed to in the Proposed Findings of Fact are sufficient to find that the Settlement is in the public interest.

52. Each Petitioner has prepared a Statement in Support of Settlement setting forth the bases upon which the Petitioner believes the Settlement to be in the public interest (attached as Appendices D-F).

53. If the ALJs recommend approval of the Settlement without modification, the Joint Petitioners will waive their rights to file Exceptions.

IV. REQUEST FOR RELIEF

WHEREFORE, Pennsylvania-American Water Company, the Indian Creek Valley Water Authority, and the Office of Consumer Advocate, by their respective counsel, respectfully request that:

(a) The Honorable Administrative Law Judges Katrina L. Dunderdale and Ann Quimby recommend approval of, and the Commission approve, this Joint Petition for Settlement of All Issues as submitted, including all terms and conditions thereof, without modification.

(b) The Commission approve the Application filed by PAWC in this matter on November 3, 2025, as amended, and as further amended by the Settlement.

(c) The Commission issue Certificates of Public Convenience under 66 Pa. C.S. § 1102(a) and 1103(a) evidencing Commission approval of (i) the transfer, by sale, of substantially all of the assets, properties and rights related to the System owned by ICVWA to PAWC, and (ii) the right of PAWC to begin to offer, render, furnish and supply water service in the areas served by the System owned by ICVWA.

(d) The Commission permit PAWC to issue compliance tariff supplements, consistent with Appendix A-12, including all rates, rules and regulations regarding conditions of PAWC's water service, to become effective immediately upon Closing.

[Signatures appear on next page.]

Dated: July 8, 2026

Respectfully submitted,

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Counsel for Indian Creek Valley Water Authority

LIST OF APPENDICES

A. Proposed Findings of Fact

B. Proposed Conclusions of Law

C. Proposed Ordering Paragraphs

D. Statement in Support of Pennsylvania-American Water Company

E. Statement in Support of the Indian Creek Valley Water Authority

F. Statement in Support of the Office of Consumer Advocate

Appendix A

Appendix A

Proposed Findings of Fact

The Parties

1. Pennsylvania-American Water Company ("PAWC"), a subsidiary of American Water Works Company, Inc. ("American Water"), is the largest regulated public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania engaged in the business of collecting, treating, storing, supplying, distributing, and selling water to the public, and collecting, treating, transporting and disposing of wastewater for the public. PAWC St. No. 1 at 14. As of September 30, 2025, PAWC furnished water service to approximately 695,001 residential, commercial, industrial, municipal, and bulk customers and provided wastewater services to approximately 116,427 customers in Pennsylvania. *Id.* at 15.

2. Indian Creek Valley Water Authority ("ICVWA" or "Authority") was established on September 20, 1965, under the Municipality Authorities Act of 1945, by Saltlick and Springfield Townships ("Townships"). ICVWA St. No. 1 at 3. The Authority is governed by a Board of Directors and is operated by one management employee, four administrative employees, and five operator and maintenance employees. *Id.*

3. The Office of Small Business Advocate ("OSBA") is a Commonwealth agency created by Act 181 of 1988 to represent the interests of small businesses before the Pennsylvania Public Utility Commission ("PUC" or "Commission"). 73 P.S. § 399.41.

4. The Office of Consumer Advocate ("OCA") is a Commonwealth agency created by Act 161 of 1976 to represent the interests of consumers before the Commission. 71 P.S. § 309-2.

5. The Borough of Ohiopyle ("Borough"), is a political subdivision and body politic of the Commonwealth of Pennsylvania properly organized and constituted pursuant to the Commonwealth of Pennsylvania Borough Code (8 P.S. § 101 et. seq.) and maintains its principal place of business at PO Box 83, Ohiopyle, Fayette County, Pennsylvania 15470.

6. Irene Mistick is a Pittsburgh, PA resident and current PAWC water customer appearing pro se in the proceeding.

7. John J. Logue is a Neshannock, PA resident and current PAWC water customer appearing pro se in the proceeding.

ICVWA and the Water System

8. ICVWA owns and operates the Indian Creek Valley Water Authority Water System (the "System"), which is a water treatment and distribution system. ICVWA St. No. 1 at 2. The System's service area is located northeast of and abuts PAWC's existing operations in the Connellsville and Uniontown Districts. PAWC St. No. 1 at 21.

9. The System provides water service to approximately 2,389 customers within nine municipalities covering an area of approximately 140 square miles. ICVWA, St. No. 1 at 4. The Authority operates and maintains the System and all associated billing. *Id.*

10. The System consists of four source water sites, four water treatment facilities, approximately 123 miles of water main, 486 fire hydrant installations, 11 water storage tanks, five pump stations, and seven pressure-reducing stations. ICVWA St. No. 1 at 2.

11. The System is classified by the Pennsylvania Department of Environmental Protection ("DEP") as a combined groundwater and surface water system, with the surface water sources including two springs, the Grimm Spring and the Pritts Spring, and a surface water supply known as the Mill Run Reservoir/Treatment Plant. PAWC St. No. 2 at 3.

12. The Authority purchases raw (untreated) water from the Municipal Authority of Westmoreland County at the Mill Run Reservoir and supplies treated water to three interconnections with the Pleasant Valley Water Authority and one connection with PAWC's Connellsville System. PAWC St. No. 2 at 4. An emergency connection is also in place that allows the Authority to serve the Ohiopyle State Park. *Id.*

13. Due to the size of the Authority, environmental and safety compliance requirements, and staffing requirements, the Authority's operations, including its financial position, have been and continue to be strained. ICVWA St. No. 1 at 4-5. The Authority has been forced to increase its water rates to address these financial concerns and, absent a sale, would be forced to continue to increase rates across its relatively small customer base. *Id.* at 5.

14. If the Transaction is not completed, considerable costs would need to be borne by the Authority, including increased capital improvement costs, additional project costs, increased general operating costs, and increased staff compensation. ICVWA St. No. 1-R at 5. The Authority has not experienced a meaningful decrease in costs in these categories over the past several years and a decline in the future is not anticipated. *Id.*

15. The Authority is becoming further challenged to meet more stringent environmental regulations due to the size of the System, the size of the Authority's operating staff, and the Authority's limited budget. ICVWA St. No. 1 at 5.

16. The Authority has numerous and persistent instances of non-compliance with the regulations promulgated under Pennsylvania's Safe Drinking Water Act ("SDWA"), including 57 individual violations in the System from October 21, 2021, through January 22, 2025. PAWC St. No. 2 at 8.

17. The Authority would eventually need to complete various long-term asset management, maintenance, security, and improvement plans, which will increase the stress on the Authority's limited finances and staff. ICVWA St. No. 1 at 5.

The Sale Process

18. In 2022, representatives from the Authority's Board and the Townships began evaluating the benefits of selling the System to other water service operators and providers. ICVWA St. No. 1 at 6. As part of those discussions, the Authority reached out to representatives of PAWC, the Municipal Authority of Westmoreland County and the North Fayette County Municipal Authority. *Id.* at 6-7.

19. Through deliberations with these entities, the Authority determined that PAWC's proposal provided superior benefits for the System's customers at a reasonable purchase price compared to the fair market value of the system. ICVWA St. No. 1 at 7.

20. After further discussions, several public meetings, the solicitation of written comments, and a special public meeting on March 27, 2025, the Authority approved the sale of the Authority's facilities to PAWC. PAWC St. No. 1 at 9-10.

The Transaction

21. After subsequent arms-length negotiations over a period of two years, on May 30, 2025, the Authority and PAWC entered into an Asset Purchase Agreement

("APA") for the sale of substantially all of the assets, properties, and rights of the Authority at an agreed-upon price of $32,800,000. PAWC St. No. 1 p. 9-10.

22. The APA sets forth the terms and conditions pursuant to which the Authority will sell, and PAWC will purchase, the System. PAWC St. No. 1 at 10.

23. Closing will occur after the receipt of all applicable governmental approvals, including approvals from this Commission, and after all applicable conditions have been met (or waived) by the parties. PAWC St. No. 1 at 10-11. Upon Closing, PAWC will take ownership of the System and begin rendering water services to the Authority's current customers, and the Authority will permanently discontinue providing or furnishing water service to the public. *Id.*

24. Upon Closing of the Transaction, PAWC will adopt the Authority's water rates in effect at the time of Closing and, immediately upon Closing, the Authority's customers will be subject to PAWC's prevailing water tariff on file with the Commission with respect to miscellaneous fees and charges and rules and regulations for water service. PAWC St. No. 1 at 13.

25. The Authority plans to dissolve on or shortly after closing. PAWC St. No. 1 at 13; ICVWA St. No. 1 at 3.

26. Following the closing of the Transaction, and subject to certain conditions, PAWC has committed to offer employment to all Authority employees involved in the operation of the System, as set forth in the APA. PAWC St. No. 1 p. 13.

27. As part of the Transaction, PAWC will negotiate a Consent Order and Agreement ("COA") with DEP that will establish a compliance schedule for the Grimm Spring plant violations and Mill Run plant design deficiencies, as well as others identified

by PAWC or DEP during negotiation of the COA. PAWC St. No. 2 at 15. PAWC will then assume responsibility for implementing the necessary projects upon the closing of this Transaction. *Id.*

28. PAWC has developed a five-year capital plan totaling $10.1 million that includes completing the compliance projects, as well as numerous other projects that will: (1) replace the System's aging infrastructure; (2) replace targeted areas of the distribution system components know to have unacceptable high non-revenue water; (3) make plant process improvements that will yield environmental, safety, and security benefits to customers and employees; and (4) improve the efficiency of operations. PAWC St. No. 1 p. 15.

29. Closing will occur after the receipt of all applicable governmental approvals, including Commission approvals, and after all applicable conditions have been met (or waived) by the parties. PAWC St. No. 1 p. 10.

PAWC's Fitness

30. PAWC is the Commonwealth's largest investor-owned provider of water and wastewater services. PAWC St. No. 2 at 16. As a leading water and wastewater provider in Pennsylvania, PAWC brings industry leading expertise and has extensive technical experience in upgrading, operating, and maintaining water and wastewater facilities. *Id.* PAWC has extensive local knowledge due to PAWC's decades of experience providing water and wastewater service to Fayette County and the surrounding area. *Id.*

31. PAWC's service and rates are subject to Commission regulation and oversight. If the Transaction is approved, future rate cases for customers of the Authority

will be evaluated by the Commission to ensure rates are just and reasonable. PAWC St. No. 2 at 29.

32. PAWC currently employs approximately 1,200 professionals with expertise in all areas of water and wastewater utility operations, including engineering, regulatory compliance, water treatment plant operation and maintenance, distribution system operations and maintenance, material management, risk management, human resources, legal, accounting, and customer service. PAWC St. No. 2 at 17.

33. PAWC has an ongoing program of capital investment focused on systematically replacing and adding new pipes, treatment and pumping facilities, and other water and wastewater infrastructure. PAWC St. No. 2 at 7. PAWC has funded $2.6 billion in capital construction over the past five years and future investments are expected to average $608 million per year for the next five years. *Id.*

34. PAWC has extensive experience in complying with current and emerging environmental regulations and being proactive with capital investments to maintain system integrity and reliability. PAWC St. No. 2 at 12.

35. PAWC has a dedicated Water Quality and Environmental Compliance department with professionals staffed to ensure that basic water utility operations are performed correctly. PAWC St. No. 2 at 13.

36. PAWC utilizes in-house laboratory resources with computerized laboratory information systems along with detailed sampling and report schedules under formal Environmental Management Plans to track these activities. PAWC St. No. 2 at 13.

37. PAWC has never been cited by DEP for chronic failures to monitor and report. PAWC St. No. 2 at 13.

38. PAWC maintains emergency response plans ("ERPs") and operations and maintenance manuals. PAWC St. No. 2 at 19.

39. PAWC's cybersecurity controls are consistent with the National Institute of Standards and Technology ("NIST") cyber security framework and the American Water Works Association ("AWWA") Process Control System Security Guidance for the Water Section. PAWC St. No. 2 at 20.

40. PAWC has total assets of $7.9 billion and annual revenues of $1.04 billion for 2024. PAWC St. No. 3 at 3. For 2024, PAWC had operating income of approximately $498 million and net income of approximately $314 million. *Id.* These operating results produced cash flows from operations of approximately $615 million. *Id.*

41. Given PAWC's size, access to capital, and recognized strength in system planning, capital budgeting and construction management, PAWC is well-positioned from a financial, managerial, and technical perspective to ensure that high quality water and wastewater service meeting all federal and state requirements is provided to the System's customers and maintained for PAWC's existing customers. PAWC St. No. 3 at 3.

42. PAWC presently has liquidity through a $495 million line of credit through American Water Capital Corp. ("AWCC"), a wholly owned subsidiary of American Water. PAWC St. No. 3 at 4.

43. PAWC carries a corporate credit rating of "A3" from Moody's Investors Services and an "A" rating from Standard and Poor's Rate services. PAWC St. No. 3 at 4.

44. PAWC obtains long-term debt financing through AWCC at favorable interest rates and payment terms. PAWC St. No. 3 at 4.

45. PAWC also uses low-cost financing through the Pennsylvania Infrastructure Investment Authority ("PENNVEST") and the Pennsylvania Economic Development Financing Authority ("PEDFA"). PAWC St. No. 3 at 4.

46. PAWC may obtain additional equity investments through American Water based on its strong operating performance. PAWC St. No. 3 at 4.

47. PAWC will initially fund the Transaction with short-term debt and will later replace it with a combination of long-term debt and equity capital. PAWC St. No. 3 at 4.

48. PAWC does not anticipate that the acquisition of the System will have a negative impact on PAWC's cash flows, credit ratings or access to capital and therefore will not deteriorate in any manner PAWC's ability to continue to provide safe, adequate, and reasonable service to its existing customers at just and reasonable rates. PAWC St. No. 3 p. 5.

Public Input Hearings

49. A telephonic public input hearing was held at 1:00 p.m. on June 12, 2026. One witness testified at the public input hearing and another provided a statement concurring with the prior testimony. The testimony did not oppose PAWC's Application, but addressed several considerations and proposed conditions, including requests for main extensions to new customers, commitments to capital projects, rate protections, potential for a rate freeze, and preservation of a local office. Tr. 31, 55-64, 66.

50. In-person public input hearings were held at 1:00 pm and 6:00 pm at the Saltlick Township Municipal Building in Melcroft, Pennsylvania, on June 15, 2026. Eight people testified at the 1:00 pm hearing and nine people testified at the 6:00 pm hearing. Tr. 72, 126.

51. Witnesses at the in-person public input hearings raised questions and concerns regarding the estimated rate increases set forth in the Customer Notices, underserved areas in the community and potential for post-sale main extensions, reasons for the sale, rate protections and potential for rate freezes. Tr. 93, 115, 157, 163.

52. Additionally, several witnesses at the in-person public input hearings testified in support of the Transaction, citing needs for infrastructural investment, sophisticated operational personnel, main extensions to underserved areas, and enhanced customer service. Tr. 52, 100, 113, 115, 119-120, 154, 165, 170.

53. PAWC representatives attended both in-person public input hearings and spoke extensively with the witnesses to address questions and explain the basis for the sale. Tr. 215.

Affirmative Public Benefits

54. Regionalization and consolidation have economic benefits for customers because they allow the use of better management practices and they allow greater economies of scale. PAWC St. No. 1 at 19.

55. Examples of economies of scale include:

- PAWC's ability to obtain supplies (such as mains, treatment chemicals and purchased power costs (electricity, natural gas and diesel fuel)) at lower rates because it is able to buy in bulk.
- PAWC's size gives it greater purchasing power, allowing it to negotiate better rates for purchases than the ICVWA.
- PAWC can move equipment (such as emergency generators, portable pumps, excavating equipment, and vacuum-jetter trucks) around its system, whereas the Authority currently must buy or rent any equipment it needs.
- PAWC's size allows it to spread fixed costs across a larger asset platform and customer base.

- PAWC's staffed engineering department allows it to perform planning, design, and construction management services internally rather than contracting the work out at higher cost to consulting engineers.

PAWC St. No. 1 at 19.

56. ICVWA's service territory is located northeast of and abuts PAWC's existing operations in the Connellsville and Uniontown Districts. PAWC St. No. 2 at 4. at 5.

57. The Authority's System is connected to PAWC's Connellsville District. PAWC St. No. 2 at 6.

58. The System will become part of PAWC's Uniontown/Connellsville operations area and be integrated overall into PAWC's Southwest PA regional operations. Employees in the Southwest operation districts support each other when appropriate and necessary, particularly in emergency situations. PAWC St. No. 2 at 5.

59. The Authority has numerous and persistent instances of non-compliance with the regulations promulgated under Pennsylvania's SDWA, 35 P.S. §§ 721.1-721.17. A recent web search for SDWA violations in DEP's Drinking Water Reporting System ("DWRS") found a total of 57 individual violations in the System from October 21, 2021 through January 22, 2025. PAWC St. No. 2 at 8.

60. ICVWA's recent DEP violations include monitoring/reporting and public notification activities, which are some of the most basic and most important functions of a public drinking water utility. PAWC St. No. 2 at 8.

61. PAWC has never been cited by DEP for chronic failures to monitor and report. PAWC St. No. 2 at 13.

62. PAWC operated 35 surface water treatment plants that were subject to DEP's new alarm/shutdown rules at the time they went into effect. PAWC was compliant with

the new rules at every one of its 35 plants by the August 18, 2019, deadline. PAWC St. No. 2 at 12.

63. Meanwhile, the Authority is still not compliant at its Grimm Spring facility more than six years after the deadline. PAWC St. No. 2 at 12.

64. The Authority continues to operate the Grimm Spring plant in a manner that presents a serious risk to its customers. If the treatment process was compromised while an operator was not present, the current facility would not shut down automatically and could introduce unsafe water into the distribution system, risking a waterborne disease outbreak. PAWC St. No. 2 at 11.

65. The Authority's failure to properly invest in their system to meet health-based DEP regulations at the Grimm Spring facility, repeated and chronic failures to monitor and report results to DEP, failure to issue proper public notification to customers, and failure to meet basic operating standards are evidence of the Authority's inability to operate and manage a water utility that is consistently compliant with today's regulatory standards. PAWC St. No. 2 at 12.

66. The Authority's record of noncompliance demonstrates that it does not have the dedicated resources needed to focus on even the basics of water utility operations, such as routine monitoring, reporting to DEP, and public notification. In contrast, PAWC has a dedicated Water Quality and Environmental Compliance department with professionals staffed to ensure that these basic and important functions are performed correctly. PAWC St. No. 2 at 13.

67. The Authority's compliance record reflects a consistently reactive approach to environmental compliance. An illustrative example is the current condition of the

Authority's Mill Run water treatment plant, which was built in the early 1970s and has had minimal investment ever since. The plant and its technology are aged and outdated, highly inefficient, dependent on manual operation, and deficient with respect to DEP's current design standards. PAWC St. No. 2 at 14.

68. DEP has repeatedly cited the Authority for failing to make necessary upgrades at Mill Run since 2008. PAWC St. No. 2 at 14.

69. ICVWA is often challenged to keep up with necessary capital projects because of the need to exercise restraint towards rate increases so as to not burden its residents. ICVWA St. No. 1 at 5. For example, the Authority recently had to table five compliance projects due to overall funding concerns. ICVWA St. No. 1-R at 3.

70. As part of this Transaction, PAWC will negotiate a Consent Order and Agreement ("COA") with DEP that will establish a compliance schedule for the Grimm Spring plant violations and Mill Run plant design deficiencies, as well as others identified by PAWC or DEP during negotiation of the COA. PAWC St. No. 2 at 15.

71. The Authority's customers will benefit from the dedicated staffing and focused attention that PAWC places on water quality, environmental compliance and prompt customer notification. PAWC St. No. 2 at 13.

72. By selling the System, ICVWA alleviates burdens such as the responsibility for complying with increasingly stringent environmental requirements. ICVWA St. No. 1 at 4.

73. ICVWA will receive $32,800,000 in proceeds from the Transaction. PAWC St. No. 1 at 12.

74. Proceeds from the sale of the assets will aid in stabilizing Saltlick Township's and Springfield Township's respective tax bases. PAWC St. No. 1 at 17; ICVWA St. No. 1 at 4.

75. While neither of Saltlick or Springfield Townships have definitively confirmed the areas for which the funds would be utilized, several areas of interest are water line extensions to unserved areas, equipment acquisition, and recreational improvements within each township. ICVWA St. No. 1 at 9.

76. The Transaction will eliminate ICVWA's long term debt liability ($2,300,000), saving thousands of dollars in public monies due to avoided interest charges. PAWC Exhibit TJB-1, Application, at 11; ICVWA St. No. 1 at 4.

77. All ICVWA employees involved in the operation of the System will be offered employment with PAWC, subject to PAWC's existing hiring policies and procedures. PAWC St. No. 1 p. 13.

78. PAWC will implement ICVWA's rates in effect as of Closing. ICVWA's customers will be subject to PAWC's prevailing water tariff with respect to miscellaneous fees and charges and rules and regulations for water service. PAWC St. No. 1 at 13; PAWC St. No. 3 at 7-8.

79. If the Transaction does not close, ICVWA would need to increase its monthly bill for an average residential customer utilizing 3,000 gallons by approximately $85.09 to fund reserves, make necessary capital improvements, and recover increased expenses. ICVWA St. No. 1-R at 5-6.

80. PAWC would propose moving ICVWA customer rates to or towards its then-current Rate Zone 1 water rates in its next base rate case. PAWC St. No. 3-R at 3.

81. PAWC is subject to the Commission's jurisdiction, whereas ICVWA is not. PAWC is therefore statutorily required to provide safe, adequate service at just and reasonable rates. PAWC St. No. 2 at 9.

82. The Transaction will improve the operation of the System due to the strong staffing numbers and depth of expertise that PAWC provides. PAWC will be better suited to engaging System customers because it has a large team, including 70 corporate engineers, that is devoted to customer service, while ICVWA has an administrative staff of four, as well as five operations employees. The Authority operates with limited resources and lacks access to the breadth of broad industry knowledge, project management expertise, and in-house subject matter experts that PAWC can bring into projects. PAWC St. No. 2 at 17-18; ICVWA St. No. 1 at 3.

83. ICVWA has no succession plan to replace its General Manager, Kerry Witt, who is nearing retirement. PAWC St. No. 3-R at 5; ICVWA St. 1-R at 4.

84. The Authority's repeated attempts to secure a replacement for Mr. Witt have been unsuccessful. Tr. 242-243.

85. Retaining a third-party consulting engineer is not a reasonable long-term solution due to the added costs and intermittent nature of consulting services, while also leading to administrative and operational challenges due to the Authority leadership being unfamiliar with a third-party model and the consulting engineering requiring time to acclimate to the system. ICVWA, St. No. 1-R at 4.

86. PAWC's customer call center is available for routine customer interactions from 7:00 a.m. to 7:00 p.m. Monday-Friday and 24/7/365 for emergencies. ICVWA customers can reach a live representative only during normal business hours and calls after

hours must rely on an automated service to transfer the call to a live person or to a recording system to leave a message. The Authority is not staffed 24 hours a day/7 days a week, which increases customer response time after hours, on weekends, and during holidays. PAWC St. No. 2 at 23.

87. PAWC offers a number of bill payment options. Customers have the option to receive paper or electronic bills and pay bills by mail, online, or over the phone with a debit or credit card. They can also pay in-person at a local office or authorized payment location. The Authority only accepts payments by cash, check, or money order. PAWC St. No. 2 at 23-24; ICVWA St. No. 1 at 10.

88. PAWC will maintain a local office in the Authority's service territory for two years after closing and customers will also be able to utilize various third-party bill pay locations within and approximate to ICVWA's service territory. Tr. 194.

89. During the course of this proceeding, the Authority was made aware of a cybersecurity incident whereby one or more third parties claimed to have breached Authority cybersecurity systems and accessed Authority electronic files and data. The Authority's investigation remains ongoing, and the Authority is unable to affirm or certify that it is presently in compliance with federal and state cybersecurity regulations. The seriousness of the cybersecurity incident and the resulting disruption in operations have made it difficult for the Authority to return to normal pre-incident operations. ICVWA St. No. 1-R at 7.

90. PAWC has cyber and physical security plans, emergency response plans and a business continuity plan. The Authority does not have a robust security program and has been cited by DEP for failing to adequately secure its facilities. PAWC St. No. 2 at 19-20.

91. PAWC is a member in good standing of the Pennsylvania Water/Wastewater Agency Response Network ("PaWARN"), whereas ICVWA is not a member of PaWARN. PAWC St. No. 2 at 21.

92. With regard to compliance with the requirements of the "One Call" system, PAWC achieved a 100 percent ticket completion rate in 2024. PAWC St. No. 2 at 21.

93. The Transaction will have no immediate rate impact on PAWC's existing customers. Any impacts on the rates of PAWC's existing customers would occur only after a Commission decision in a base rate proceeding. PAWC St. No. 3 at 8.

94. In the long term, the Transaction will benefit PAWC's existing water customers by expanding PAWC's customer base, allowing the costs of operating PAWC's system to be spread among a greater number of customers. PAWC St. No. 1 at 17.

Tariff and Rates

95. Because PAWC has committed to adopt, upon Closing, the Authority's rates in effect at the time of the Closing, there will be no immediate impact on the rates of the Authority's customers. PAWC St. No. 3 at 4.

96. PAWC provided notice of the acquisition to existing PAWC water customers and to ICVWA's water customers. These notices contained a non-binding estimate of the potential rate impact of the acquisition. PAWC St. No. 3 at 9.

97. These notices were prepared in accordance with the 2024 Final Supplemental Implementation Order ("2024 FSIO"). This Order prescribes the form and calculation of the notices for future Section 1329 acquisition proceedings. As required by the Order, the notices to ICVWA customers were calculated to show the impact as if the entire revenue requirement deficiency were allocated to System customers and the notices to PAWC

customers were calculated to show the impact as if the entire revenue requirement deficiency were allocated to existing PAWC water customers. PAWC St. No. 3 at 9; Tr. 213-214, 218-219.

98. Based on the formula required by the 2024 FSIO, the notice estimated that in the first base rate case in which the System is included: (a) allocating 100% of the System revenue deficiency to the ICVWA customers would increase their rates by 100.4%; and (b) allocating 100% of the System revenue deficiency to PAWC's existing water customers would increase their rates by 0.3%. PAWC St. No. 3 at 10.

99. Implementing a rate freeze or rate stabilization plan is not consistent with the infrastructural needs of the system and could exacerbate the impact of future rate increases. PAWC will seek to moderate the rate impacts to Indian Creek customers by spreading costs across its broader customer base. Tr. 214-215.

Fair Market Value for Ratemaking Purposes

100. Pursuant to 66 Pa. C.S. § 1329, PAWC is seeking to utilize the fair market value process to establish the ratemaking rate base of the System. PAWC St. No. 1 p. 4. The fair market value under Section 1329 is the lesser of the stated purchase price in the APA or the average of the appraisals of ICVWA's Utility Value Expert ("UVE") and PAWC's UVE. *Id.*

101. PAWC retained Weinert Appraisal and Depreciation Services, LLC ("WADS") to perform an appraisal of the System. PAWC St. No. 1 at 1.

102. WADS is registered with the Commission as a UVE. PAWC St. No. 1 at 2. WADS performed its appraisal in accordance with the Uniform Standards of Professional Appraisal Practice. *Id.*

103. The results of WADS appraisal are as shown below.

Appraisal Approach	Value Indicator	Weight	Wtd Val Indicator
Cost	$38,688,712	33%	$12,896,237
Income	$38,944,750	33%	$12,981,583
Market	$38,432,673	33%	$12,810,891
Appraisal Conclusion			$38,688,711

PAWC St. No. 4 p. 3.

104. ICVWA retained Gannett Fleming Valuation and Rate Consultants, LLC ("Gannett Fleming") to perform an appraisal of the System. ICVWA St. No. 2 at 2.

105. Gannett Fleming is registered with the Commission as a UVE. Gannett Fleming performed its appraisal in accordance with the Uniform Standards of Professional Appraisal Practice. ICVWA, St. No. 2 at 3, 8.

106. The results of Gannett Fleming's appraisal are as shown below:

Approach	Indicated Value	Weight	Weighted Value
Cost Approach	$53,547,750	33.33%	$17,849,250
Market Approach	30,233,575	33.33%	10,077,858
Income Approach	38,579,359	33.33%	12,858,787
		100%	$40,785,895
Conclusion			$40,785,895

ICVWA, St. No. 2 at 12.

107. The average of the appraisals of the Authority and PAWC's UVE witnesses is approximately $39.8 million. PAWC St. No. 3 at 5.

108. The APA includes a purchase price of $32,800,000. PAWC St. No. 3 at 5.

109. PAWC conducted a Reasonableness Review Ratio ("RRR") for the Transaction. PAWC St. No. 1 at 6. The RRR established by the Commission in the 2025 Annual Report on RRR is 1.63. *Id.* The average of the appraisals' depreciated original cost ("DOC") of the System is $22,860,688. *Id.* The RRR multiplied by the DOC is

$37,262,921. *Id.* This amount is approximately $4,462,921 higher than the purchase price in the APA of $32,800,000. *Id.*

DSIC/LTIIP

110. To protect PAWC's existing customers, OCA recommended that proposed projects reflected in an amended LTIIP should be in addition to, and not re-prioritize, any capital improvements that PAWC has already committed to undertaking for existing customers. Also, PAWC should not include the Authority's system-related investments in its DSIC until PAWC collects a DSIC from the Authority's customers. OCA St. No. 2 at 37.

111. The Authority's customers will not be charged a Distribution System Improvement Charge ("DSIC") until after PAWC's Long-Term Infrastructure Improvement Plan ("LTIIP") has been amended to include the System, or until the effective date of PAWC's next approved base rate increase, whichever occurs first. PAWC St. No. 1 at 13.

Claims for AFUDC and Deferred Distribution

112. PAWC intends to accrue Allowance for Funds Used During Construction WE ("AFUDC") for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes, and (ii) PAWC defer depreciation related to post acquisition improvements not recovered through the DSIC for book and ratemaking purposes. PAWC St. No. 2 at 14.

Closing

113. If PAWC and ICVWA decide to close on the Transaction in accordance with their respective contractual rights and obligations under the APA, the Closing will not take

place sooner than the date of the existence of a final, unappealable order of the Commission approving the Application. Joint Petition for Settlement ¶ 32.

Transaction and Closing Costs

114. OCA proposed that PAWC should separately identify and classify all transaction and closing costs for which it seeks recovery, including any outside legal fees. Furthermore, PAWC should not include in its ratemaking rate base any transaction or closing costs incurred by the Authority. Section 1329 does not provide for the recovery, through the acquiring utility rate base, of transaction or closing costs incurred by the selling utility. OCA St. No. 2 at 35.

Section 507 Agreements

115. PAWC seeks Commission approval of the APA, the First Amendment to the APA, and seven other contracts with municipalities. Commission approval of these contracts is necessary for PAWC, after Closing, to provide water service to the public as ICVWA has done. PAWC St. No. 1 at 22-23. PAWC is not seeking Commission approval of the Sewage System Right of First Refusal Agreement dated June 15, 2012 by and between Ohiopyle Borough and Indian Creek Valley Water Authority (attached to the Application as Appendix A-25.6). Joint Petition for Settlement ¶ 36.

Cost of Service Studies

116. OCA proposed that with its next base rate case, PAWC should submit a water cost-of-service study that removes all costs and revenues associated with the operation of the Authority system and should also provide a separate cost-of-service study ("COSS") for the Authority system. A COSS would provide the necessary information needed to establish rates that reflect the costs of the acquired system. Additionally, PAWC should

submit a COSS that removes all costs and revenues associated with the operation of the Authority system. OCA St. No. 2 at 35-36.

Customer Assistance Programs

117. After Closing, ICVWA's low-income customers will have access to PAWC's customer assistance programs. PAWC St. No. 2 at 24.

118. PAWC offers two customer assistance programs for water customers: (1) grants of up to $500 per year, and (2) a tiered discount on total water charges based on income levels. PAWC also offers payment arrangements and budget billing. ICVWA has no low-income customer service assistance program. PAWC St. No. 2 at 24-25.

119. OCA witness Wise recommended that "PAWC should provide a letter to the acquired customers that provides information regarding its low-income programs, including a description of the available programs, eligibility and requirements, and PAWC's contact information." OCA St. No. 2 at 32.

120. Ms. Wise recommended that the letter should be sent within 30 days after closing so that eligible customers can benefit from the programs as soon as possible and, importantly, before rates are increased. OCA St. No. 2 at 24.

121. OCA witness Wise also recommended that PAWC should include the same information regarding low-income programs in bills sent to ICVWA customers within 90 days after closing. OCA St. No. 1 at 24.

122. Ms. Wise recommended that PAWC should report the number of eligible customers from the former ICVWA's service area who are enrolled in PAWC's CAP. The report should be provided to the Commission and to the parties every six months until the conclusion of PAWC's next base rate case. OCA St. No. 1 at 32-33.

123. OCA witness Wise also recommended if the Commission were to approve the Transaction, it should be conditioned on the requirement that PAWC make an annual contribution of $80,000 to the hardship fund for five years following closing. OCA St. No. 1 at 33.

124. Ms. Wise recommended that these hardship fund contributions should not be included in rates and that all unspent funds at the end of the program year should be rolled over and added to the budget for the hardship grant program in the following year(s). OCA St. No. 1 at 33.

Line Extensions

125. At the public input hearings, participants requested that PAWC commit to extending line extensions to connect underserved areas in and around the ICVWA service territory to public water. Tr. 55-56, 104.

126. Participants complained that many customers in and around the service area are served by wells and experience water quality issues. Tr. 52, 104, 113, 164.

Easements

127. As of the Closing Date, the Authority will fund an easement escrow fund in the amount of Two Thousand Dollars ($2,000) for each missing easement as set forth in APA Section 10.4(a). Joint Petition for Settlement ¶ 46.

Appendix B

Appendix B

Proposed Conclusions of Law

1. The Commission has jurisdiction over the subject matter of, and the parties to, these application proceedings. 66 Pa. C.S. §§ 1102, 1103 and 1329.

2. Pennsylvania-American Water Company ("PAWC") has the burden of proof in these proceedings. 66 Pa. C.S § 332(a).

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

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

5. In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co*., Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C.S. Water & Sewer Assocs.*, 74 Pa. PUC 767 (1991). The instant settlement is in the public interest.

6. The Commission may issue a certificate of public convenience upon a finding that "the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public." 66 Pa. C.S. § 1103(a) ("Procedure to obtain certificates of public convenience").

7. A certificate of public convenience is required for "any public utility to begin to offer, render, furnish or supply within this Commonwealth service of a different nature or to a different territory than that authorized by" a certificate of public convenience. 66 Pa. C.S. § 1102(a)(1).

8. A certificate of public convenience is required for "any public utility… to acquire from… any person or corporation, including a municipal corporation, by any method or device whatsoever… the title to, or possession or use of, any tangible or intangible property used or useful in the public service." 66 Pa. C.S. § 1102(a)(3).

9. An applicant for a certificate of public convenience must demonstrate that it is technically, financially, and legally fit to own and operate the acquired public utility assets. *Seaboard Tank Lines v. Pa. Pub. Util. Comm'n*, 502 A.2d 762, 764 (Pa. Cmwlth. 1985); *Warminster Twp. Mun. Auth. v. Pa. Pub. Util. Comm'n*, 138 A.2d 240, 243 (Pa. Super. 1958). PAWC has demonstrated that it is technically, financially and legally fit.

10. The fitness of a currently certificated public utility is presumed. *See e.g., South Hills Movers, Inc. v. Pa. Pub. Util. Comm'n*, 601 A.2d 1308, 1310 (Pa. Cmwlth. 1992).

11. An applicant for a certificate of public convenience must demonstrate that the Transaction will "affirmatively promote the service, accommodation, convenience or safety of the public in some substantial way." *City of York v. Pa. Pub. Util. Comm'n*, 449 Pa. 136, 151, 295 A.2d 825, 828 (1972).

12. "Merely because certain benefits of a transaction derive from the acquiring utility's fitness to provide the proposed service does not automatically bar the Commission from considering those benefits in its affirmative benefits analysis." *Lawrence v. Pa. PUC,* 348 A.3d 108, 129-130 (2025).

13. "A transaction's impact on rates is just one of many factors the Commission is to consider in determining whether a transaction will result in affirmative public benefits." *Lawrence v. Pa. PUC*, 348 A.3d 108, 131 (2025).

14. The Commission must consider environmental impacts when adjudicating cases. *Township of Marple v. Pa. Pub. Util Comm'n,* 319 C.D. 2022 (Pa. Cmwlth. 2023) (citing the Environmental Rights Amendment, PA. CONST. art. I, § 27).

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

16. For an acquisition in which a municipal corporation and the acquiring public utility agree to use the valuation procedure delineated in 66 Pa. C.S. § 1329, the ratemaking rate base of the selling utility shall be the lesser of the purchase price negotiated by the parties or the fair market value of the selling utility. 66 Pa. C.S. § 1329(c)(2).

17. "Fair market value" is defined as "the average of the two utility valuation expert appraisals conducted under subsection (a)(2)." 66 Pa. C.S. § 1329(g).

18. For an acquisition in which a municipal corporation and the acquiring public utility agree to use the valuation procedure delineated in 66 Pa. C.S. § 1329, the application is to contain a tariff equal to the existing rates of the selling utility at the time of the acquisition and a rate stabilization plan, if applicable to the acquisition. 66 Pa. C.S. § 1329(d)(1)(v).

19. During the period that the *pro forma* tariff supplement is in effect, an acquiring public utility may collect a DSIC, as approved by the Commission. 66 Pa. C.S. § 1329(d)(4).

20. A water utility must submit a long-term infrastructure improvement plan to, and receive approval from, the Commission prior to collecting a DSIC. Implementation of Act 11 of 2012, Docket No. M-2012-2293611 (*Final Implementation Order* entered August 2, 2012).

21. Section 1329 permits an acquiring public utility's post-acquisition improvements, which are not included in a DSIC, to accrue allowance for funds used during construction after the date the cost was incurred until the asset has been in service for a period of four years or until the asset is included in the acquiring public utility's next base rate case, whichever is earlier. 66 Pa. C.S. § 1329(f)(1).

22. Section 1329 permits an acquiring public utility to defer depreciation on post-acquisition improvements, which are not included in a DSIC. 66 Pa. C.S. § 1329(f)(2).

23. Section 1329 permits an acquiring public utility to include transaction and closing costs in its rate base, during its next base rate proceeding.

66 Pa. C.S. § 1329(d)(2). The Commission will not approve these costs during the 1329 proceeding. *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 (Final Implementation Order entered October 27, 2016).

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

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

Appendix C

Appendix C

Proposed Ordering Paragraphs

(a) That the Honorable Administrative Law Judges Katrina L. Dunderdale and Ann Quimby recommend approval of, and the Commission approve, this Joint Petition for Unanimous Settlement of All Issues as submitted, including all terms and conditions thereof (described below), without modification.

(b) That the Commission approve the Application filed by PAWC in this matter on November 3, 2025, as amended, and as further amended by the Settlement.

(c) That the Commission issue Certificates of Public Convenience under 66 Pa. C.S. § 1102(a) and 1103(a) evidencing Commission approval of (i) the transfer, by sale, of substantially all of the assets, properties and rights related to the System owned by ICVWA to PAWC, and (ii) the right of PAWC to begin to offer, render, furnish and supply water service in the areas served by the System owned by ICVWA.

(d) That the Commission permit PAWC to issue compliance tariff supplements, consistent with Appendix A-12, including all rates, rules and regulations regarding conditions of PAWC's water service, to become effective immediately upon Closing.

(e) That, in the first base rate case that includes System assets:

1. PAWC will propose to gradually move the System to its cost of service, but to no more than PAWC's Rate Zone 1 system-average water rates.

2. PAWC may agree to rates other than those proposed for System customers in the context of a settlement of the base rate case.

3. The OCA and OSBA reserve their rights to address PAWC's rate proposals fully, and to make other rate proposals. The Commission has ultimate ratemaking authority to set just and reasonable rates and, notwithstanding anything to the contrary contained in this Paragraph (e), the Parties may enter into a settlement of the base rate case, whether full or partial and whether unanimous or non-unanimous, on reasonable terms and conditions.

(f) That PAWC will use $32,800,000 as the ratemaking rate base for the acquired System.

(g) That PAWC may record the acquisition at the net value of the assets (*i.e.,* the Commission-approved ratemaking rate base of the acquired assets), consistent with generally accepted accounting principles.

(h) That PAWC will not include System-related investments in its DSIC until PAWC collects a DSIC from System customers. PAWC shall be permitted to collect a DSIC from System customers upon (i) PAWC's filing of an amended water Long-Term Infrastructure Improvement Plan ("Amended LTIIP") including the System which shall not re-prioritize other existing commitments in other service areas, (ii) the Commission's approval of the Amended LTIIP, as may be modified in the discretion of the Commission, and (iii) PAWC's filing of a compliance tariff supplement which incorporates the System into PAWC's DSIC tariff, including all customer safeguards applicable thereto, after Commission approval of the Amended LTIIP.

(i) That the Application includes a request that (i) PAWC be permitted to accrue AFUDC for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes, and (ii) PAWC be permitted to defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes. Any claims for AFUDC and deferred depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes will be addressed in PAWC's first base rate case that includes System assets. The Joint Petitioners reserve their rights to litigate their positions fully in future rate cases when these issues are ripe for review. The Joint Petitioners' assent to this term should not be construed to operate as their preapproval of PAWC's requests.

(j) That, if PAWC and ICVWA decide to close on the Transaction in accordance with their respective contractual rights and obligations under the APA, the closing will not take place sooner than the date of the existence of a final, unappealable order of the Commission approving the Application. In the event the Transaction does not close, the parties may address the recovery of costs in PAWC's next base rate case.

(k) That the Application includes a request that PAWC be permitted to claim transaction and closing costs associated with the acquisition of the System.

The Joint Petitioners do not contest these requests in this proceeding, but they reserve their rights to litigate their positions fully in future rate cases when this issue is ripe for review. In a future rate case when these costs are claimed, PAWC will clearly set out and identify all transaction and closing costs associated with this matter.

(l) That outside legal fees, if any, included in PAWC's transaction and closing costs under the APA shall be separately identified in PAWC's next base rate case, and OCA and OSBA reserve the right to challenge the reasonableness, prudency, and basis for such costs.

(m) That any claim by PAWC to recover transaction and closing costs associated with the transaction will not include costs incurred by ICVWA.

(n) That the Commission issue Certificates of Filing or approval pursuant to 66 Pa. C.S. § 507 for:

1. The Asset Purchase Agreement dated May 30, 2025, by and between the Indian Creek Valley Water Authority and Pennsylvania-American Water Company (submitted as Appendix A-24-a);

2. First Amendment to Asset Purchase Agreement, dated December 3, 2025, by and between the Indian Creek Valley Water Authority and Pennsylvania- American Water Company (submitted as Amended Appendix A-24-a);

3. Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Donegal, Westmoreland County, Pennsylvania, dated April 13, 1995 (submitted as Appendix A-25.1);

4. Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Mount Pleasant, Westmoreland County, Pennsylvania, dated April 17, 1995 (submitted as Appendix A-25.2);

5. Agreement for Water Service by and between Indian Creek Valley Water Authority and Borough of Donegal, Westmoreland County, Pennsylvania, dated May 2, 1995 (submitted as Appendix A-25.3);

6. Interconnect Agreement between Pleasant Valley Water Authority and Indian Creek Valley Water Authority Re Clinton Road, Saltlick Township/Bullskin Township and Quail Hill, Saltlick Township, Fayette County, dated September 28, 1998 (submitted as Appendix A-25.4);

7. Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Stewart, Fayette County, Pennsylvania, dated August 15, 2002 (submitted as A-25.5);

8. Services Agreement for ICVWA to act as billing and collection agent and provide water termination service by and between Indian Creek Valley Water Authority and the Borough of Ohiopyle, dated December 5, 2013 (submitted as Appendix A-25.7); and

9. Agreement for lease of land and granting rights and privileges by and between the Municipal Authority of Westmoreland County and Indian Creek Valley Water Authority, dated July 16, 2024 (submitted as Appendix A-25.8).

(o) That, in the first base rate case that includes the System's assets, PAWC will submit a cost-of-service study that removes all costs and revenues associated with the operation of the System.

(p) That, in the first base rate case that includes the System's assets, PAWC will also provide a separate cost-of-service study for the System.

(q) That, immediately after closing, ICVWA's customers will become eligible for all PAWC payment options and customer programs.

(r) That, within the first billing cycle following Closing, PAWC shall include a bill insert to System customers regarding its low-income programs and shall include such information in a welcome letter to System customers. The bill insert and welcome letter shall include, at a minimum, a description of the available low-income programs, eligibility requirements for participation in the programs, and PAWC's, OCA's and OSBA's contact information. PAWC will also conduct ongoing, targeted outreach to its ICVWA-area water customers regarding its low-income programs.

(s) That the welcome letter will be sent within the first 30 days of Closing and will also include information about payment options (including low-income programs, eligibility requirements, PAWC contact information) and in-person bill payment locations reasonably proximate to the areas served by the System. The welcome letter shall acknowledge that ICVWA customer rates will not be increasing at this time. The welcome letter shall also include notice language referring customers to PAWC's website (including the link) where a customer can find the rate impact range. Unless PAWC and the OCA agree to work together on a different timeline, within 15 days of a final order in this proceeding, PAWC will provide the OCA with a copy of the draft welcome letter; OCA will provide any suggestions to PAWC within 10 days of receipt; and PAWC, in good faith, will consider incorporation of OCA's suggestions.

(t) That, every six months for a period of two years following Closing, PAWC will track the number of ICVWA's customers that are (1) potentially eligible to enroll in PAWC's CAP; and (2) who are enrolled in PAWC's CAP. PAWC will provide and present this information on a timely basis to the regularly held meetings of PAWC's Customer Assistance Advisory Group. PAWC will also present this information, as available at the time, in its first base rate case in which the ICVWA System is included. The information will be in a format showing the potential eligibility and enrollment data broken down by six-month increments starting from the time of Closing through and until the time of filing the rate case. Potential eligibility will be based on U.S. Census data.

(u) That PAWC, pursuant to its voluntary settlement commitment, contribute $20,000 annually to its Hardship Fund for five years following the close of the Transaction.

(v) That, within 15 months of the transaction closing, PAWC will submit a feasibility study regarding extension of new water mains in the ICVWA service territory. At least three months prior to the submission of the study, PAWC shall provide a draft study to the Saltlick and Springfield Township Supervisors, the OCA, OSBA, and other stakeholders. In addition, PAWC shall host a collaborative stakeholder meeting to solicit comments on the draft study, including comments regarding households, businesses and other areas of concern that may benefit from receiving public water. PAWC will also employ best efforts to commit to working with Saltlick and Springfield township supervisors to coordinate their funding portions of the water main extensions including contributions in aid of construction. The study will outline the feasibility, estimated cost, and need for water main extensions. The study will also identify potential opportunities through which PAWC could extend access to public water in the ICVWA area during the five-year period following the submission of the study.

(w) PAWC will survey the ICVWA service territory and provide an assessment on whether there are public health needs that would make certain main extensions eligible under its Tariff section 27.1(f) within one year of the transaction closing. PAWC shall provide the survey results to all parties in this proceeding, the Commission, and party stakeholders no later than the date on which the draft study in the preceding paragraph is provided to stakeholders.

(x) That, pursuant to the APA, ICVWA is to use commercially reasonable efforts to obtain all easements prior to Closing, so that they may be transferred to

PAWC at Closing. The APA also requires ICVWA to commence condemnation proceedings to obtain all missing easements that it can, prior to Closing. Finally, the APA created a Missing Easement Escrow (funded in the amount of $2,000 per missing easement) to secure ICVWA's obligations concerning easements that were not obtained as of Closing. ICVWA is required to diligently pursue the missing easements for two years after Closing. After two years, the portion of the Missing Easement Escrow Fund that compensates ICVWA for the missing easements obtained after Closing is to be released to ICVWA, with the balance being released to PAWC to compensate it for the missing easements not obtained after Closing.

(y) That the Commission issue any other approvals or certificates appropriate, customary or necessary under the Pennsylvania Public Utility Code to carry out the transactions contemplated in the Application, as modified by this Settlement, in a lawful manner.

Appendix D

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judges Katrina L. Dunderdale and Ann Quimby

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Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the water treatment and distribution system owned and operated by the Indian Creek Valley Water Authority, and (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish water service to the public in all of the Borough of Ohiopyle and portions of the Townships of Saltlick, Springfield, Bullskin, Connellsville and Stewart, Fayette County and all of the Borough of Donegal and portions of the Townships of Donegal and Mount Pleasant, Westmoreland County, Pennsylvania	:	Docket A-2025-3055741

STATEMENT IN SUPPORT OF
PENNSYLVANIA-AMERICAN WATER COMPANY

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Counsel for Pennsylvania-American Water Company

Dated: July 8, 2026

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TABLE OF AUTHORITIES

Pennsylvania-American Water Company ("PAWC" or the "Company") files this Statement in Support of the Joint Petition for Approval of Unanimous Settlement of All Issues ("Settlement") entered into by: PAWC; the Indian Creek Valley Water Authority ("ICVWA" or "Authority"); and the Office of Consumer Advocate ("OCA") (singularly, a "Petitioner" and collectively, the "Joint Petitioners").[1] PAWC respectfully requests that the Honorable Administrative Law Judges Katrina L. Dunderdale and Ann Quimby (the "ALJs") recommend approval of, and that the Pennsylvania Public Utility Commission ("Commission") approve, the Settlement, including all terms and conditions thereof, without modification.

I. INTRODUCTION

1. The Settlement pertains to the application (the "Application") filed by PAWC pursuant to Sections 507, 1102(a), 1103 and 1329 of the Pennsylvania Public Utility Code ("Code"), 66 Pa. C.S.§§ 507, 1102(a), 1103 and 1329, requesting (among other things) that the Commission issue Certificates of Public Convenience for PAWC's acquisition of the water treatment and distribution system (the "System") owned and operated by ICVWA (the "Transaction"), and to set the fair market value of the acquisition for rate-base ratemaking purposes.

[1] The Office of Small Business Advocate does not oppose the Settlement, meaning the Joint Petition is unanimous among the parties that submitted testimony in the proceeding and participated in the evidentiary hearings. The Borough of Ohiopyle has been informed of the Settlement, but has not responded to such outreach. Additionally, the OCA advised both pro se protestants of the Settlement.

2. The Settlement resolves all issues raised by the Joint Petitioners. Considering the diverse interests of the Joint Petitioners and the active roles that each has taken in this proceeding, this fact is itself strong evidence that the Settlement is reasonable and in the public interest. The Settlement was achieved through the hard work and perseverance of the Joint Petitioners. The Joint Petitioners have repeatedly demonstrated their good faith and willingness to cooperate to resolve this case within the six-month deadline mandated by the General Assembly in Section 1329 of the Code, 66 Pa. C.S. § 1329.

3. It should be noted that the Joint Petitioners, their counsel and experts have considerable experience in acquisition proceedings. Their knowledge, experience and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus on the issues. The Joint Petitioners, their counsel and experts fully explored the issues in this case and reached a carefully balanced compromise of the interests of the Joint Petitioners that satisfies the various requirements of the Code.

4. For the reasons discussed in detail below, the Settlement is in the public interest and should be approved.

II. PROCEDURAL BACKGROUND

5. PAWC incorporates by reference Paragraphs 1-23 of the Settlement.

III. THE TRANSACTION

A. LEGAL STANDARDS

6. Commission policy promotes settlements.[2] Settlements lessen the time and expense that the parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding.[3] In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest.[4]

B. RECORD EVIDENCE OF PUBLIC BENEFITS

7. The Settlement requests that the Commission approve the Application.[5] Among other things, the Application seeks certificates of public convenience ("Certificates") pursuant to 66 Pa. C.S. § 1102(a)(1) and 1102(a)(3). The Commission may issue a Certificate upon a finding that "the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public."[6] In granting a Certificate, the Commission may impose such conditions as it deems just and reasonable.[7]

8. Approving the Application, as modified by the Settlement, is in the public interest because it is consistent with Section 1103. Section 1103 requires that the Applicant demonstrate that it is technically, financially, and legally fit to own and operate the

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[2] *See* 52 Pa. Code § 5.231.
[3] *See* 52 Pa. Code § 69.401.
[4] *Pa. Pub. Ut/l. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Ut/l. Comm'n v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).
[5] Settlement ¶ 24.
[6] 66 Pa. C.S. § 1103(a).
[7] *Id.*

System.[8] As a certificated public utility, PAWC enjoys a rebuttable presumption that it possesses the requisite fitness.[9] No party attempted to rebut the presumption that PAWC is legally, technically and financially fit.[10]

9. In addition, Section 1103 requires that the Applicant demonstrate that the Transaction and PAWC's ownership/operation of the System will "affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way."[11] An acquisition provides an affirmative public benefit if the benefits of the transaction outweigh the adverse impacts of the transaction.[12] "Merely because certain benefits of a transaction derive from the acquiring utility's fitness to provide the proposed service does not automatically bar the Commission from considering those benefits in its affirmative benefits analysis."[13] "A transaction's impact on rates is just one of many factors the Commission is to consider in determining whether a transaction will result in affirmative public benefits."[14]

10. The record evidence clearly demonstrates that the Transaction affirmatively benefits the public. First, the Transaction achieves the General Assembly's goals when it

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[8] *Seaboard Tank Lines, Inc. v. Pa. Pub. Ut/l. Comm'n,* 502 A.2d 762, 764 (Pa. Cmwlth. 1985); *Warminster Township Mun. Auth. v. Pa. Pub. Ut/l. Comm'n*, 138 A.2d 240, 243 (Pa. Super. 1958).
[9] *South Hills Movers, Inc. v. Pa. Pub. Ut/l. Comm'n*, 601 A.2d 1308, 1310 (Pa. Cmwlth. 1992).
[10] Nevertheless, PAWC introduced extensive evidence of its legal, technical and financial fitness. *See, e.g.,* PAWC St. No. 1 at 14-15, 20-21; PAWC St. No. 2 at 16-18, 25-29; and PAWC St. No. 3 at 3-5.
[11] *City of York v. Pa. Pub. Ut/l. Comm'n,* 295 A.2d 825, 828 (Pa. 1972).
[12] *Application of CMV Sewage Co., Inc*., 2008 Pa. PUC LEXIS 950.
[13] *Lawrence v. Pa. PUC*, 348 A.3d 108, 129-130 (2025).
[14] *Id.* at 131.

enacted Section 1329.[15] The Commission has recognized that Section 1329 reflects a Legislative determination that fair market value acquisitions of municipal water and wastewater systems further the public interest.[16]

11. Second, the Transaction affirmatively benefits the public in a substantial way because it is consistent with the Commission's policy of promoting regionalization and consolidation of water and wastewater systems.[17] The Transaction promotes consolidation because the Transaction will result in one existing water provider acquiring another's system and the seller will cease to provide service. In this case, the seller will cease to exist because ICVWA will be dissolved at or shortly after closing on the Transaction ("Closing").[18]

12. The Authority's System is connected to PAWC's Connellsville District.[19] The System will become part of PAWC's Uniontown/Connellsville operations area and be integrated overall into PAWC's Southwest PA regional operations. This proximity to an affiliated water system will allow PAWC to share resources between the two systems and improve the economic efficiency of both systems.[20]

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[15] *Id.*
[16] *See Implementation of Section 1329 of the Public Utility Code – Tentative Implementation Order*, Docket No. M-2016-2543193 (Order entered Jul. 21, 2016) and *Implementation of Section 1329 of the Public Utility Code – Tentative Supplemental Implementation Order*, Docket No. M-2016-2543193 (Order entered Sept. 20, 2018). *See also*, *Application of Aqua Pennsylvania Wastewater, Inc. for Approval of the Acquisition of the Wastewater System Assets of the City of Beaver Falls*, Docket No. A-2022-3033138 (Opinion and Order entered June 18, 2025) p. 79.
[17] 52 Pa. Code § 69.721(a).
[18] PAWC St. No. 1 at 12; ICVWA St. No. 1 at 3.
[19] PAWC St. No. 2 at 6.
[20] *Id.* at 5.

13. Third, the Transaction affirmatively benefits the public in a substantial way by promoting the people's right to a clean environment. In pertinent part, Pennsylvania's Environmental Rights Amendment ("ERA"), Pa. Const. art. I, § 27, states: "The people have a right to clean air, pure water, and to the preservation of the natural, scenic, historic and esthetic values of the environment." This provision limits the Commonwealth's power to act contrary to the people's right to a clean environment.[21] The Transaction implicates this portion of the ERA because ICVWA has had environmental challenges for some time that it has been unable to rectify. The Transaction would rectify those challenges by transferring the System to an owner/operator who would address the environmental problems, thereby promoting the people's right to pure water and the preservation of the natural and esthetic values of the environment.

14. The Authority has numerous and persistent instances of non-compliance with the regulations promulgated under Pennsylvania's Safe Drinking Water Act ("SDWA").[22] A recent web search for SDWA violations in the Pennsylvania Department of Environment Protection's ("DEP") Drinking Water Reporting System ("DWRS") found a total of 57 individual violations in the System from October 21, 2021 through January 22, 2025.[23] These violations include monitoring/reporting and public notification activities, which are some of the most basic and most important functions of a public drinking water utility.[24]

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[21] *Pennsylvania Env'l Defense Foundation v. Comm.,* 161 A.3d 911, 931 (Pa. 2017) ("PEDF").
[22] 35 P.S. §§ 721.1-721.17
[23] PAWC St. No. 2 at 8. 60.
[24] PAWC St. No. 2 at 8.

In the months following that historical records search, the Authority received three Notices of Violation ("NOV") from DEP between May 11, 2025 and July 2, 2025.[25]

15. The Authority's record of environmental non-compliance and deferred maintenance spans decades and consists of significant deficiencies well beyond the standard maintenance on an aging system.[26] An illustrative example is the current condition of the Authority's Mill Run water treatment plant, which was built in the early 1970s and has had minimal investment ever since.[27] The plant and its technology are aged and outdated, highly inefficient, dependent on manual operation, and deficient with respect to DEP's current design standards.[28]

16. Another particularly concerning example of the Authority's persistent record of environmental noncompliance is the continued violations at the Grimm Spring treatment facility. On August 18, 2018, DEP promulgated revisions to its Chapter 109 regulations requiring facilities such as the Grimm Spring plant to install alarms and automatic shutdowns if the plant was ever operated without an operator present.[29] Public water systems were given one year to upgrade their facilities to comply with the new regulation.[30] ICVWA missed the compliance deadline, but eventually designed the necessary improvements and obtained a Water Supply Construction permit for the project on

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[25] *Id.*
[26] PAWC St. 2 at 10; PAWC St. 2-R at 2.
[27] PAWC St. No. 2 at 14
[28] *Id.*
[29] PAWC St. No. 2 at 11.
[30] *Id.*

February 9, 2022.[31] However, construction on the project was never initiated, and the system remains out of compliance.[32]

17. ICVWA's other environmental violations are also concerning. The Authority has received numerous "failure to monitor/report violations," including a recent serious violation for "Chronic Failure to Monitor."[33] This violation means that there is no way for the Authority to confirm the safety of the water supplied to customers during the relevant period, as regular routine monitoring is required to detect any increase in contaminants in the water system and allow the water utility to notify customers and take corrective actions to eliminate or mitigate the contaminants.[34] If the utility fails to perform the required routine monitoring, it has no idea what the levels of contaminants are and cannot take actions to protect the customers.

18. Furthermore, on top of the initial violations, the Authority has repeatedly been cited by DEP for failure to issue public notifications of violations.[35] Due to the Authority's failure to issue appropriate and required public notice in a timely manner, its customers, at times, are unaware of possible concerns with drinking water quality.[36]

19. Importantly, the Authority does not anticipate that its environmental compliance will substantially improve. Accumulated deferred maintenance obligations, increasing regulatory compliance obligations as well as increasing staffing, materials, and

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[31] *Id.*
[32] *Id.*
[33] PAWC St. No. 2 at 11.
[34] *Id.*
[35] PAWC St. No. 2 at 9; 12.
[36] PAWC St. No. 2 at 12.

contractor costs "make the provision of adequate water service difficult for the Authority now and likely impossible in the future."[37] These concerns become even more amplified when considering that the Authority has long relied on the operational expertise of general manager Kerry Witt, who is nearing retirement. The Authority has attempted to replace Mr. Witt multiple times, but failed to attract and retain a qualified successor.[38] Mr. Witt is concerned that an attempt to hire a third-party consulting engineer to assume the managerial duties would not be in the best interests of the customers for several reasons, including the added costs and intermittent nature of consultant services compared to the continuous oversight afforded by an employed general manager.[39]

20. Contrary to ICVWA's history of deferred maintenance and environmental violations, PAWC is developing a Consent Order and Agreement ("COA") with DEP that will establish a compliance schedule for the Grimm Spring plant violations and Mill Run plant design deficiencies, as well as other deficiencies identified by PAWC or DEP during negotiation of the COA.[40] Additionally, the record is clear that PAWC has a five-year capital plan that calls for investing $10.1 million in the System.[41]

21. Moreover, the record is clear that PAWC has a track record of successfully addressing DEP and EPA compliance orders requiring operational improvements and substantial capital investments in acquired water systems.[42]

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[37] ICVWA St. 1-R at 3-4; *see also* PAWC St. No. 2-R at 4-5.
[38] ICVWA St. No. 1-R at 4.
[39] *Id.*
[40] PAWC St. No. 2 at 15; Tr. 204.
[41] PAWC St. No. 1 p. 15.
[42] PAWC St. No. 2 at 12.

22. Fourth, the Transaction affirmatively benefits the public in a substantial way because it benefits the seller, area municipalities, and their residents. By selling the System, ICVWA will avoid burdening its small customer base with significant future costs, including the costs of implementing increasingly strict environmental requirements and upgrading the Grimm Spring and Mill Run treatment plants.[43] Instead, ICVWA will receive $32,800,000 from selling the System. ICVWA will use these funds to eliminate its existing long-term debt (approximately $2,300,000), thereby saving thousands of dollars in public funds by avoiding interest payments.[44]

23. After Closing, ICVWA will be dissolved and any remaining assets will be conveyed to Saltlick and Springfield Townships (the "Townships").[45] Proceeds from the sale of the assets will aid in stabilizing Saltlick Township's and Springfield Township's respective tax bases.[46] While neither Saltlick nor Springfield Township has definitively confirmed the areas for which the funds would be utilized, several areas of interest are funding customer contributions for water line extensions to unserved areas, equipment acquisition, and recreational improvements within each Township.[47]

24. Fifth, the Transaction affirmatively benefits the public in a substantial way because it benefits PAWC as the buyer of the System. PAWC is acquiring the System at a purchase price less than its fair market value, according to two appraisals by two different

[43] ICVWA St. No. 1 at 4.
[44] PAWC Exhibit TJB-1, Application, at 11; ICVWA St. No. 1 at 4.
[45] ICVWA St. No. 1 at 3.
[46] PAWC St. No. 1 at 17; ICVWA St. No. 1 at 4.
[47] ICVWA St. No. 1 at 9.

utility valuation experts ("UVE"). Purchasing the System for less than it is worth is a significant benefit for PAWC.

25. The Transaction makes PAWC a larger company, as PAWC would acquire about 2,389 customers.[48] The Transaction also allows PAWC to increase its efficiency. Because the System is near PAWC's existing Connellsville and Uniontown water systems, the three systems can readily share personnel and equipment, allowing all of the systems to operate more efficiently.[49]

26. Sixth, the Transaction affirmatively benefits the public in a substantial way because it benefits PAWC's water customers. It expands PAWC's water customer base, allowing the costs of operating PAWC's water system to be shared among more customers. This helps keep rates stable for all PAWC water customers.[50]

27. Seventh, the Transaction affirmatively benefits the public in a substantial way because it benefits ICVWA's customers. ICVWA's customers benefit in numerous ways, including:

- Customers will receive better service due to PAWC's strong staffing numbers and expertise. PAWC is better suited for engaging System customers because it has a large team devoted to customer service, while ICVWA has an administrative staff of four. When compared to the five facility employees ICVWA currently employs, PAWC is better able to quickly solve multiple issues that threaten environmental compliance that can range from identifying broken water mains to treatment facility breakdowns.[51]
- PAWC's customer call center is available for routine customer interactions from 7:00 a.m. to 7:00 p.m. Monday-Friday and 24/7/365 for

[48] ICVWA, St. No. 1 at 4.
[49] PAWC St. No. 2 at 4.
[50] PAWC St. No. 1 at 17.
[51] PAWC St. No. 2 at 17-18; ICVWA St. No. 1 at 3.

emergencies. PAWC also has field service crews available 24/7/365. ICVWA customers can reach a live representative only during normal business hours and calls after hours must rely on an automated service to transfer the call to a live person or to a recording system to leave a message. The Authority is not staffed 24 hours a day/7 days a week, which increases customer response time after hours, on weekends, and during holidays.[52]

- Addressing environmental violations, including the Grimm Spring Plant violations and the Mill Run plant design deficiencies, will protect customers' water quality. [53]
- After Closing, ICVWA's low-income customers will have access to PAWC's customer assistance programs ("CAPs").[54]
- ICVWA is not subject to Commission oversight. PAWC is subject to the Pennsylvania Public Utility Code and is statutorily required to provide reasonable and adequate service at just and reasonable rates.[55]
- PAWC has cyber and physical security plans, emergency response plans and a business continuity plan. ICVWA does not have similar plans in place.[56]
- PAWC is a member in good standing of the Pennsylvania Water/Wastewater Agency Response Network ("PaWARN"), whereas ICVWA is not a member of PaWARN. [57]

28. The above list of seven significant affirmative public benefits is not intended to be comprehensive, as the Transaction benefits the public in many additional ways. For example, PAWC offers more flexible payment methods for customers. Customers have the option to receive paper or electronic bills and pay bills by mail, online, or over the phone with a debit or credit card. They can also pay in-person at multiple local authorized payment locations. The Authority only accepts payments by cash, check, or money order.[58]

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[52] PAWC St. No. 2 at 23.
[53] *Id.* at 15.
[54] *Id.* at 24.
[55] *Id.* at 9.
[56] *Id.* at 19-20.
[57] *Id.* at 21.
[58] PAWC St. No. 2 at 23-24; ICVWA St. No. 1 at 10.

29. The Commission is required to consider, at least in a general way, the impact of the Transaction on rates.[59] The Transaction will have no immediate impact on rates. PAWC's customers' rates will not be affected by the Transaction until the first base rate case in which the System's assets are included.[60] Similarly, PAWC will implement ICVWA's rates in effect as of Closing.[61] After Closing, ICVWA's customers will be subject to PAWC's prevailing water tariff with respect to miscellaneous fees and charges and rules and regulations for water service.[62]

30. Future rate increases for ICVWA customers will be subject to Commission oversight, which would not be the case if the System remains under ICVWA ownership. The Commission is required to set rates that are "just and reasonable,"[63] and has many tools for achieving this objective that are unavailable to ICVWA, including allocating costs across its broad customer base.[64]

31. If the Transaction does not close, ICVWA would need to increase its monthly bill for an average residential customer utilizing 3,000 gallons by approximately $85.09 to fund reserves, make necessary capital improvements, and recover increased expenses.[65] By

[59] *City of York,* 295 A.2d at 829; *see also, McCloskey v. Pa. Pub. Util. Comm'n,* 195 A.3d 1055, 1066 (Pa. Cmwlth. 2018).
[60] PAWC St. No. 1 at 13; PAWC St. No. 3 at 7 8.
[61] *Id.*
[62] *Id.*
[63] 66 Pa. C.S. § 1301.
[64] PAWC St. No. 1 at 17.
[65] ICVWA St. No. 1-R at 5-6.

contrast, PAWC would propose moving ICVWA customer rates to or towards its then-current Rate Zone 1 water rates in its next base rate case.[66]

32. PAWC distributed a customer notice containing a non-binding estimate of the impact of the Transaction on ICVWA customers (*i.e.,* a potential rate increase of 100.4%).[67] As discussed in detail below, the Settlement includes provisions that will substantially reduce the aforementioned rate impact of the Transaction for ICVWA's customers. Among other things, PAWC does not intend to recover the System's costs solely from ICVWA customers and will instead spread these costs across its broader rate base.[68]

33. Rates for PAWC's existing customers will not be affected until the first base rate case in which the System's assets are included, at which time the Commission will set just and reasonable rates.[69] The customer notice distributed by PAWC also contained a non-binding estimate of the rate impact of the Transaction for PAWC's existing water customers (*i.e.,* a potential increase of 0.3%).[70] These estimates will be affected by the provisions of the Settlement, as discussed below. In any event, these rate impacts should not be considered a detriment to the Transaction because the rate increase flows directly from the valuation methodology contained in Section 1329. As a result, the General Assembly must have determined that rate increases due to the use of this methodology are acceptable as a matter

[66] PAWC St. No. 3-R at 3.
[67] PAWC St. No. 3 at 10.
[68] PAWC St. No. 1 at 17.
[69] 66 Pa. C.S. § 1301.
[70] PAWC St. No. 3 at 10.

of public policy. In the alternative, even if these rate impacts are considered a detriment, they are more than outweighed by all the benefits of the Transaction. as discussed above.

34. Considering all of the above, the record evidence clearly establishes that the Transaction, as modified by the Settlement, passes the affirmative public benefits test. The Transaction is therefore in the public interest because it complies with applicable law.

IV. TERMS OF SETTLEMENT ARE IN THE PUBLIC INTEREST AND SHOULD BE APPROVED

A. Tariff and Rates

35. The Settlement asks the Commission to approve the *pro forma* tariff found at Appendix A-12 of the Application. This request is in the public interest because it is consistent with 66 Pa. C.S. § 1329(d)(1)(v), which requires PAWC to charge rates after Closing that are equal to the seller's existing rates.

36. Additionally, the Settlement is in the public interest because it limits the rate increases that PAWC will propose for ICVWA customers in the first base rate case in which the System's assets and customers are included. The customer notice that was distributed when the Application was filed stated that PAWC estimated the rates for ICVWA customers would increase by approximately 100.4% if all costs of the Transaction were recovered solely from ICVWA customers.[71] In contrast, the Settlement provides that, in the first base rate cases that includes the System's assets, PAWC will propose to move the System's customers closer to cost of service, but to no more than PAWC's Rate Zone 1 system-wide

[71] PAWC St. No. 3 at 10.

average water rates.[72] While implementing a rate freeze or rate stabilization plan would not be consistent with the infrastructure needs of the System, the Settlement provides reasonable rate protections.[73] Furthermore, the Settlement permits PAWC to agree to rates other than those proposed for System customers in the context of a settlement of a base rate case.[74] The Settlement also permits any Joint Petitioners to assert any position or raise any issue in a future PAWC base rate proceeding.[75] These provisions are compliant with the Code, consistent with previous Commission decisions in Section 1329 proceedings, and represent a reasonable compromise among the Joint Petitioners. They are in the public interest and should be approved.

B. Fair Market Value for Ratemaking Rate Base Purposes

37. PAWC and ICVWA agreed to use the procedure in Section 1329 for the Transaction. Section 1329 created a voluntary procedure for valuing a water or wastewater system being sold by a municipality or municipal authority to a public utility or other entity. In such a procedure, the buyer and seller each obtain an appraisal of the system by a Commission-approved UVE. The seller's ratemaking rate base is determined by the lesser of: (1) the purchase price agreed-to by the parties, or (2) the fair market value of the selling utility (defined as the average of the two UVE appraisals). The seller's ratemaking rate base is then incorporated into the rate base of the acquiring public utility during the acquiring public utility's next base rate case.

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[72] Settlement ¶ 27a.
[73] Tr. 214.
[74] *Id.* at ¶ 27b.
[75] *Id.* at ¶ 27d.

38. In this case, the System's purchase price ($32,800,000) is almost $7 million lower than the average of the two UVE appraisals (($36,688,711 + $40,785,895)/2 = $39,737,303).[76] The Joint Petitioners fully and thoroughly evaluated the UVEs' appraisals through discovery, testimony, and exhibits. Parties raised challenges to the UVE valuations, which were addressed on the record.

39. OSBA witness Hashlamoun addressed the Company's proposed rate base and recommended that the Commission reserve determination on whether any acquisition premium should be included in rate base until the planned investments identified by PAWC have been completed.[77] As addressed on the record in this proceeding, Section 1327 of the Public Utility Code allows for acquisition premiums for sales of distressed water and wastewater systems; however, Section 1329, which is the Code section at issue, does not incorporate the concept of an acquisition premium at all.[78]

40. OCA witness David Garrett also proposed adjustments to PAWC and ICVWA's appraisals and recommended the Commission approve a ratemaking rate base in the amount of $27,036,188.[79] However, Mr. Garrett did not perform an appraisal of the ICVWA water system assets.[80] Rather, he proposed a new market approach to valuation, a new cost approach to valuation, and a new income approach to valuation, which he used to adjust the UVEs' fair market value appraisals.[81] The record in this proceeding amply

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[76] PAWC St. No. 3 at 5.
[77] OSBA St. No. 1 at 14.
[78] PAWC St. No. 3 at 6.
[79] OCA St. No. 1 at 29.
[80] Tr. at 260.
[81] *Id.*

demonstrates that the valuation methodologies applied by Mr. Garrett run contrary to Section 1329 and skew his valuation results towards the very Original Cost Less Depreciation ("OCLD") methodology that the Generally Assembly intended to supercede by authorizing the Fair Market Value ("FMV") framework defined in Section 1329.[82]

41. The Commission's Final Implementation Order, entered October 27, 2016 at Docket M-2016-2543191, specifically observes that, with respect to acquisitions of municipal systems, OCLD valuation "discourages these acquisitions because the value of the property is defined as the original cost of construction less accumulated depreciation rather than the acquisition cost."[83] The 2016 Final Implementation Order clarifies that Section 1329 remedies the historic undervaluing of municipal water and wastewater assets by authorizing FMV appraisals in lieu of OCLD appraisals.[84] Accordingly, the valuation methodologies proposed by Mr. Garrett in this proceeding have never been accepted by the Commission in a Section 1329 Proceeding.[85]

42. The rate base agreed to by the Joint Petitions meets the public interest because it complies with the FMV formula established by Section 1329 of the Code.

C. Distribution System Improvement Charge

43. Consistent with Section 1329, the Application requested permission for PAWC to collect a distribution system improvement charge ("DSIC") prior to the first base rate case

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[82] Tr. 264-266.
[83] *Implementation of Section 1329 of the Public Utility Code,* Docket No. M-2016-2543193 (Final Implementation Order entered October 27, 2016) at 2 ("2016 Final Implementation Order").
[84] *Id.*
[85] Tr. at 264.

in which the System's plant-in-service is incorporated into PAWC's rate base.[86] The Transaction, as modified by the Settlement, is in the public interest because the Settlement includes consumer safeguards with respect to DSIC implementation. First, the Settlement prohibits PAWC from including System-related investments in its DSIC until it starts collecting the DSIC from System customers.[87] This provision protects existing PAWC customers from fully funding System-related improvements; ICVWA customers will need to help pay for those improvements. Second, the Settlement prohibits PAWC from collecting a DSIC from System customers until (a) PAWC files an amended water Long Term Infrastructure Improvement Plan ("LTIIP") inclusive of the System but not in a manner that would prioritize System improvements over other existing commitments in other service areas, (b) the Commission approves the Amended LTIIP, and (c) PAWC files a compliance tariff supplement that incorporates the System into PAWC's DSIC tariff.[88] The Transaction, as modified by the DSIC provisions in the Settlement, is reasonable and in the public interest. Therefore, it should be approved.

D. Claims for Allowance for Funds Used During Construction and Deferred Depreciation

44. Section 1329(f)(1) of the Code, 66 Pa. C.S. § 1329(f)(1), permits an acquiring public utility to accrue an allowance for funds used during construction ("AFUDC") on post-acquisition improvements that are not included in a DSIC, from the date the cost was incurred until the earlier of the following events: the asset has been in service for four years, or the

[86] Application at 2-3.
[87] Settlement ¶ 30.
[88] *Id.*

asset is included in the acquiring utility's next base rate case. In the Application, PAWC requested permission to accrue AFUDC on post-acquisition improvements that are not included in a DSIC.[89] The Settlement makes clear that the other Joint Petitioners do not oppose this request, and they reserve their rights to fully litigate their positions in future rate cases.[90]

45. Similarly, Section 1329(f)(2) of the Code, 66 Pa. C.S. § 1329(f)(2), permits an acquiring public utility to defer depreciation on its post-acquisition improvements that are not included in a DSIC. In the Application, PAWC requested permission to defer depreciation on post-acquisition improvements that are not included in a DSIC. The Settlement makes clear that the other Joint Petitioners do not oppose this request, and they reserve their rights to fully litigate their positions in future rate cases.[91] These provisions are reasonable, in the public interest, and should be approved.

E. Closing

46. The Settlement prohibits PAWC and ICVWA from Closing until the Commission's order approving the Transaction is final and unappealable.[92] This provision recognizes that Commission approval of the Transaction is necessary for PAWC and ICVWA to Close. Further, PAWC and ICVWA commit not to Close until the Commission's order is considered unappealable.

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[89] Application at 2-3
[90] Settlement ¶ 31.
[91] *Id.* at ¶ 30.
[92] *Id.* at ¶ 32.

F. Transaction and Closing Costs

47. Section 1329(d)(1)(iv) of the Code, 66 Pa. C.S. § 1329(d)(1)(iv), permits an acquiring public utility to include, in its next base rate case, a claim for the transaction and closing costs incurred for the acquisition. In its 2016 Final Implementation Order, the Commission stated that there will be no Commission preapproval of the reasonableness of recovery of these costs in a Section 1329 proceeding.[93] Out of an abundance of caution, the Settlement acknowledges that PAWC may, in the first base rate case that includes the System, include the transaction and closing costs incurred in this proceeding.[94] The Commission will adjudicate the ratemaking treatment of PAWC's claimed transaction and closing costs at that time.

48. The Settlement clarifies that the other Joint Petitioners do not oppose this request and they reserve their rights to fully litigate their positions in future rate cases.[95] In addition, the Settlement makes clear that any claim by PAWC to recover transaction and closing costs: (a) will clearly identify all transaction and closing costs, (b) will separately identify any outside counsel legal fees, and (c) will not include any costs incurred by ICVWA.[96] These provisions are consistent with several previous Commission decisions approving settlements in Section 1329 acquisitions, are reasonable and in the public interest, and should be approved.

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[93] 2016 Final Implementation Order at 14.
[94] Settlement ¶ 33.
[95] *Id.*
[96] *Id.* ¶¶ 32-34

G. Approval of Section 507 Agreements

49. Section 507 of the Code, 66 Pa. C.S. § 507, requires that contracts between a public utility and a municipal corporation (except for contracts to furnish service at regular tariffed rates) be filed with the Commission at least thirty days before the effective date of the contract. The Commission approves the contract by issuing a certificate of filing, unless it decides to institute proceedings to determine whether there are any issues regarding the reasonableness, legality, or any other matter affecting the validity of the contract.

50. In this proceeding, PAWC seeks Commission approval, pursuant to Section 507, of:

- The Asset Purchase Agreement dated May 30, 2025, by and between the Indian Creek Valley Water Authority and Pennsylvania-American Water Company (submitted as Appendix A-24-a);
- First Amendment to Asset Purchase Agreement, dated December 3, 2025, by and between the Indian Creek Valley Water Authority and Pennsylvania-American Water Company (submitted as Amended Appendix A-24-a);
- Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Donegal, Westmoreland County, Pennsylvania, dated April 13, 1995 (submitted as Appendix A-25.1);
- Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Mount Pleasant, Westmoreland County, Pennsylvania, dated April 17, 1995 (submitted as Appendix A-25.2);
- Agreement for Water Service by and between Indian Creek Valley Water Authority and Borough of Donegal, Westmoreland County, Pennsylvania, dated May 2, 1995 (submitted as Appendix A-25.3);
- Interconnect Agreement between Pleasant Valley Water Authority and Indian Creek Valley Water Authority Re Clinton Road, Saltlick Township/Bullskin Township and Quail Hill, Saltlick Township,

Fayette County, dated September 28, 1998 (submitted as Appendix A-25.4);

- Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Stewart, Fayette County, Pennsylvania, dated August 15, 2002 (submitted as Appendix A-25.5);
- Services Agreement for ICVWA to act as billing and collection agent and provide water termination service by and between Indian Creek Valley Water Authority and the Borough of Ohiopyle, dated December 5, 2013 (submitted as Appendix A-25.7); and
- Agreement for lease of land and granting rights and privileges by and between the Municipal Authority of Westmoreland County and Indian Creek Valley Water Authority, dated July 16, 2024 (submitted as Appendix A-25.8).

51. These agreements are necessary to allow PAWC to provide service to the service territory currently served by the System. Consequently, the approval of these agreements is reasonable and in the public interest.

H. Cost of Service Studies

52. In the first base rate case that includes the System, PAWC will submit: (a) a cost of service study that removes all costs and revenues associated with the operation of the System; and (b) a cost of service study for the System.[97] These provisions are similar to provisions included in several other settlements of Section 1329 proceedings involving PAWC.[98] They are reasonable, in the public interest, and should be approved.

[97] Settlement ¶¶ 37 and 38.

[98] *See, e.g., Application of Pennsylvania-American Water Company to Acquire the Wastewater Collection and Treatment System of the Butler Area Sewer Authority*, Docket No. A-2022-3037047 (Opinion and Order entered Nov. 16, 2023).

I. Customer Assistance Programs

53. The Settlement provides that ICVWA's customers will become eligible for all PAWC payment options and customer programs immediately after Closing.[99] Currently, ICVWA has no low-income customer service programs.[100] This provision is in the public interest because it ensures that the Transaction will provide benefits currently unavailable to ICVWA customers.

54. In its Direct Testimony, OCA expressed concern that low-income customers might not take advantage of PAWC's CAP because they may not know about it.[101] The Settlement addresses this concern by requiring that PAWC: (a) provide a bill insert to System customers about PAWC's low-income programs in the first billing cycle following closing, and (b) a welcome letter including similar information.[102] The Settlement also requires that PAWC provide ongoing, targeted outreach to the ICVWA-area water customers regarding PAWC's CAP.[103] These provisions are in the public interest because they will help ensure that those customers who are eligible for assistance know about programs that might benefit them.

55. Additionally, OCA's Direct Testimony recommended a reporting requirement to help determine whether ICVWA's low-income customers are in fact

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[99] Settlement ¶ 39.
[100] PAWC St. No. 2 at 24-25
[101] OCA St. 2 at 32.
[102] Settlement ¶ 40.
[103] *Id. at* ¶ 41.

participating in PAWC's low-income programs.[104] The Settlement provides that, for the first two years after Closing, PAWC will track the number of ICVWA's customers that are potentially eligible for PAWC's CAP and the number of ICVWA's customers who are actually enrolled in PAWC's CAP. This information will be presented semi-annually to PAWC's Customer Assistance Advisory Group. This information, as available at the time, will also be presented in PAWC's first base rate case that includes the ICVWA System.[105] This provision is in the public interest because it will give the Customer Assistance Advisory Group information for measuring the extent to which low income customers of acquired systems actually take advantage of the programs that are available to them and discussing whether the Company should take additional steps to reach these customers. In addition, PAWC has a Hardship Fund to which it currently contributes a minimum of $1,450,000 annually.[106] Among other things, this fund provides grants to low-income water and wastewater customers.[107] In the Settlement, PAWC agrees to contribute an additional $20,000 to this fund annually over a five-year period.[108] This provision is in the public interest because it will assist PAWC's low-income customers, including PAWC's new System customers.

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[104] OCA St. No. 1 at 32-33. The welcome letter will also include information about payment options and information referring customers to PAWC’s website, where a customer can find information about the Transaction’s rate impact. Settlement ¶ 41.
[105] Settlement ¶ 42.
[106] PAWC St. No. 3-R p. 12.
[107] *Id.*
[108] Settlement ¶ 43.

J. Line Extensions

56. At the public input hearings held on July 12 and July 15, 2026, various witnesses lamented that ICVWA has been unable to connect many residents in and around the ICVWA service territory to public water.[109] As part of the Settlement, PAWC will voluntarily prepare and submit a feasibility study to assess the needs for water main extensions in the ICVWA area, including the estimated cost.[110] Over the course of fifteen months, beginning at Transaction closing, PAWC has committed to undertake this study, including providing the draft study within twelve months of Closing for review and comment by the Saltlick and Springfield Township Supervisors, the OCA, the OSBA, and other stakeholders.[111]

57. Along with the feasibility study, PAWC shall also survey the ICVWA service territory and provide an assessment of whether there are any public health needs that would make certain main extensions eligible under its Tariff Section 27.1(f).[112] The Settlement commitments to submit the feasibility study and the Tariff section 27.1(f) assessment are in the public interest because they affirm the Company is undertaking diligent efforts to ensure residents in and around the ICVWA area have access to safe and adequate public utility water service.

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[109] Tr. 56, 104 113, 115, 119-120, 154, 164-165.
[110] Settlement ¶ 44.
[111] *Id.*
[112] Settlement ¶ 45.

K. Easements

58. Finally, the Settlement addresses easements, which were a contested issue in this proceeding, by simply acknowledging the provisions in the APA regarding easements. For example, the APA requires ICVWA to attempt to obtain all easements prior to or after Closing and to create a Missing Easement Escrow Fund, which will be funded in the amount of $2,000 per missing easement.[113] These provisions are reasonable and in the public interest because the APA adequately protects consumers from incurring the cost of obtaining easements after Closing on the Transaction.

L. Other Necessary Approvals

59. The Joint Petitioners believe that they have requested all necessary approvals from the Commission. Nevertheless, as a safeguard, the Settlement includes a customary "safety valve" provision requesting that the Commission grant any necessary approvals that the Joint Petitioners might have inadvertently overlooked.[114] This provision is reasonable and in the public interest and should be approved.

M. Standard Settlement Conditions

60. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in the Settlement without modification. If the Commission modifies the Settlement, any Petitioner may elect to withdraw from the Settlement and may proceed with litigation. In such event, the Settlement shall be void and of no effect. The Joint

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[113] *Id.* at ¶ 46.
[114] Settlement ¶ 47.

Petitioners acknowledge and agree that the Settlement, if approved, will have the same force and effect as if the Joint Petitioners had fully litigated this proceeding.[115]

61. This provision is standard in settlements in Commission proceedings. It protects all of the Joint Petitioners by allowing them to withdraw from the Settlement if the Commission modifies the Settlement in a way they find unacceptable. This provision makes parties to a Commission proceeding more willing to settle than they otherwise might be. It is therefore in the public interest and should be approved.

V. CONCLUSION

62. Through cooperative efforts and the open exchange of information, the Joint Petitioners have arrived at a Settlement that resolves all of the issues in this proceeding in a fair and equitable manner. The Settlement is the result of detailed examinations of the Transaction, discovery responses, evidence that was entered into the record, and extensive settlement negotiations. A fair and reasonable compromise has been achieved in this case. PAWC fully supports the Settlement and urges the ALJs and the Commission to approve it without modification.

WHEREFORE, Pennsylvania-American Water Company respectfully requests that the Honorable Administrative Law Judges Katrina L. Dunderdale and Ann Quimby recommend approval of, and that the Commission approve, the Settlement, including all terms and conditions thereof, without modification, and enter an order consistent with the

[115] *Id.* at ¶ 48.

Settlement (including the Proposed Ordering Paragraphs) and the specific paragraphs set forth in the Settlement's "Request for Relief."

Respectfully submitted,

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July 8, 2026

Appendix E

Indian Creek Valley Water Authority's Statement in Support will be filed separately.

Appendix F

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Section 1329 Application of Pennsylvania American Water Company for the Acquisition of the Water System Assets of the Indian Creek Valley Water Authority	: : : :	Docket No. A-2025-3055741

OFFICE OF CONSUMER ADVOCATE
STATEMENT IN SUPPORT OF
JOINT PETITION FOR APPROVAL OF
UNANIMOUS SETTLEMENT OF ALL ISSUES

Table of Contents

I. Introduction/Procedural History

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Approval[DL1.1] of Unanimous Settlement of All Issues (Settlement) also joined by Pennsylvania American Water Company (PAWC, Applicant, or Company), the Indian Creek Valley Water Authority (ICVWA or the[DL2.1] Authority), the Office of Small Business Advocate (OSBA), and the Borough of Ohiopyle respectfully requests that the terms and conditions of the Settlement be approved by the Pennsylvania Public Utility Commission (Commission).

On November 03, 2025, PAWC filed an Application under Sections 1102, and 1329 of the Public Utility Code for the acquisition of the Indian Creek water treatment and distribution system (System). PAWC requested the Commission; (1) the transfer, by sale, to PAWC, substantially all of the assets, properties and rights related to the water treatment and distribution system owned and operated by ICVWA, and (2) the rights of PAWC to begin to offer or furnish water service to the public in all of Indian Creek's service territory including all of the Borough of Ohiopyle and portions of the Townships of Saltlick, Springfield, Bullskin, Connellsville, and Stewart, Fayette County and all of the Borough of Donegal and portions of the Townships of Donegal and Mount Pleasant, Westmoreland County, Pennsylvania.[1] PAWC also requested that the Commission include in its Order approving the acquisition, the *pro forma* tariff supplement including all rates, rules, and regulations regarding conditions of PAWC's water service as revised to become effective immediately upon closing; authorize PAWC to use for ratemaking purposes the lesser of the fair market value or negotiated purchase price of the assets to be purchased; permit PAWC to record acquisition at net value of the assets, and permit PAWC to recover a distribution system improvement charge (DSIC), accrue Allowance for Funds Used During Construction and defer depreciation related to/for post-acquisition improvements not recovered through the DSIC, and include, in its next base rate case, a claim for transaction and closing costs.[2] PAWC also requested approval

[1] Application at 18-20.
[2] Application at 18-20.

of the Asset Purchase Agreement (APA) dated January 30, 2025, as well as other municipal agreements pursuant to Section 507 of the Public Utility Code and requested that the Commission issue an Order and Certificate of Public Convenience approving and addressing the items requested in the Application.[3]

On November 21, 2025, the OSBA filed a Notice of Intervention. The OCA filed a Protest and Public Statement on February 3, 2026. On March 20, 2026, Mr. John Logue filed a Protest with the Commission and Ms. Irene Mistick filed a Protest on March 25, 2026. In addition, various other citizens filed opposition to rate increases with the Commission.

On April 28, 2026, the Secretary for the Commission informed PAWC that its Application was accepted and would be published in the *Pennsylvania Bulletin* on May 28, 2026. The same day, the Office of Administrative Law Judge assigned Administrative Law Judges Katrina L. Dunderdale and Ann Quimby (ALJs) to the instant matter, and scheduled a telephonic prehearing conference for May 28, 2026, directing the parties to submit a prehearing conference memorandum on or before May 27, 2026. On May 15, 2026, Indian Creek filed a Petition to Intervene. A prehearing conference was held on May 28, 2026.

On June 1, 2026, the OCA served the direct testimony of David Garrett and LeeAnn Wise on the parties in this matter. OCA did not file Rebuttal testimony in this matter but did serve the surrebuttal testimony of both Mr. Garrett and Ms. Wise on June 15, 2026. An evidentiary hearing was held on June 17, 2026, where the OCA and other parties submitted testimony and associated exhibits into the record.

Prior to and following the June 17, 2026, hearing, the parties negotiated a settlement of this matter. On June 26, 2026, the parties informed the ALJs that a settlement in principle had been reached between the parties. The ALJs maintained the current litigation schedule, though none of the parties filed main briefs in this matter. Pursuant to the litigation schedule and ALJs Dunderdale's June 29, 2026, email, the OCA files this Statement in Support of Settlement in lieu of a Reply Brief.

[3] Application at 19-20.

II. The Transaction

In accordance with Section 1102 of the Public Utility Code, PAWC is requesting a Certificate of Public Convenience to acquire all of Indian Creek's Water system assets.[4] PAWC proposes to pay $32,800,000 for Indian Creek's assets that were valued at a depreciated original cost of $37,262,921.[5] PAWC also chose to file its application under Section 1329 of the Public Utility Code. PAWC requests that the purchase price of $32,800,000 be approved as the rate base for ratemaking purposes.[6]

A. Legal Standards

The Commission's policy promotes settlements. 52 Pa. Code §§ 5.231, 69.401. In order to approve a Settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Philadelphia Electric Company*, 60 Pa. P.U.C. 1, 22 (1985); *Pa. PUC v. City of Bethlehem – Water Dept*., Docket No. R-2020-3020256 (Order entered April 15, 2021) (*City of Bethlehem*) at 13 *citing Pa. PUC v. York Water Co.*, Docket No. R-00049165 (Order entered October 4, 2004); *Pa. PUC v. C. S. Water and Sewer Assoc.*, 74 Pa. P.U.C. 767 (1991) (*CS Water and Sewer*). Under Section 1102 of the Public Utility Code, the Commission may grant a certificate of public convenience to a regulated public utility, permitting that utility to begin to offer service in an additional territory, and to acquire property used and useful in the public service, as is requested in this application.[7] Section 1103 provides that the Commission may only grant a certificate of public convenience "if the commission shall find or determine that the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public."[8]

Recently, in *Lawrence v. Pa. PUC,* 348 A.3d 108 (Pa. 2025), the Pennsylvania Supreme Court affirmed that the traditional affirmative public benefits test for Section 1102 and 1103 cases, established

[4] Application at 2.
[5] Depreciated original cost, as used in Section 1329(d)(5), does not reflect an offset for contributed plant or capital, as is done in ratemaking. *See* Application at 6, and 16. 66 Pa. C.S. § 1329(d)(5).
[6] Application at 16.
[7] 66 Pa. C.S. § 1102(a)(1), (3).
[8] 66 Pa. C.S. § 1103.

in *City of York v. Pa. PUC,* 295 A.2d. 825, 828*,* applies to Section 1329 cases. The PUC must therefore weigh both the public benefits and the detriments of the acquisition of ICVWA by PAWC in order to approve the transaction

In *City of York*, the Pennsylvania Supreme Court addressed the Commission's approval of the proposed merger of three telephone companies, where the Commission's approval was based on the absence of adverse effects.[9] Specifically, the Court held that:

> Section [1103] of the Public Utility Law requires that those seeking approval of a utility merger demonstrate more than the mere absence of any adverse effect upon the public. Section [1103] requires that the proponents of a merger demonstrate that the merger will affirmatively promote the "service, accommodation, convenience, or safety of the public" in some substantial way.[10]

This is the standard by which all acquisitions proposed by Commission-regulated utility companies must be judged. Recently, in *PA-American Water Co. v. Pa PUC*, 356 C.D. 2024, the Commonwealth Court reaffirmed the application of the *Lawrence* test to a PAWC acquisition of the Brentwood system. There the Court found that it was "constrained to vacate the Commission's Opinion and to remand this matter for further proceedings, through which the Commission must issue a new opinion and order that comports with *Lawrence* and the analytical guidance provided therein." [11]

The Commonwealth Court, in *Middletown*[12], clarified that *City of York* required weighing the impact of the proposed merger on all affected parties, not just certain groups. In that case, Middletown Township filed an application for a Certificate of Public Convenience to acquire part of the facilities of the Newtown Artesian Water Company.[13] After finding that the Commission's rejection of Middletown's application was supported by substantial evidence, the Commonwealth Court affirmed the Commission's decision, deciding that "when the 'public interest' is considered, it is contemplated that the benefits and

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[9] *City of York v. Pa PUC,* 295 A.2d 825, 828 (Pa. 1972).
[10] *Id.* (referring to Section 203, the predecessor statute to Section 1103) (quoted in *Application of Pennsylvania-American Water Co.*, Docket No. A-2016-2537209, Order at 11 (Oct. 19, 2016)).
[11] *PA- American Water Co. v. Pa PUC*, 356 C.D. 2024 at 10.
[12] *Middletown Township v. Pa. P.U.C.*, 482 A.2d 674 (Pa. Cmwlth. Ct. 1984) (*Middletown*),
[13] *Id.* at 678.

detriments of the acquisition be measured as they impact on *all affected parties*, and not merely on one particular group or geographic subdivision as might have occurred in this case."[14] The Court added that "the primary objective of the law in this area is to serve the interests of the public."[15]

Sections 1102 and 1103, as a result, require PAWC to demonstrate that the proposed acquisition of ICVWA provides an affirmative public benefit, meaning that the benefits of the transaction outweigh the adverse impacts of that transaction, when all affected parties are considered.[16] This is commonly referred to as the "affirmative public benefits test."[17] To determine whether benefits meet this standard, the Commission may consider: "(1) the legal and technical fitness of the purchasing entity to provide service; (2) the public need for service; (3) the inadequacy of the existing service; and (4) any other relevant evidence."[18]

Proponents of an order bear the burden of proof. 66 Pa.C.S. § 332(a). Since the Joint Petitioners request that the Commission enter an order adopting the settlement without modification, they share the burden of proof to show that the terms and conditions of the settlement are in the public interest. 66 Pa.C.S. § 332(a); *City of Bethlehem* at 13. It is well-established that the "degree of proof before administrative tribunals as well as before most civil proceedings is satisfied by establishing a preponderance of the evidence." *Lansberry v. Pa. PUC*, 578 A.2d 600, 602 (Pa. Cmwlth. Ct. 1990) (*Lansberry*). For a Commission decision to be supported by substantial evidence, it must be supported by such relevant evidence as a reasonable mind might accept as adequate to support a conclusion. *Dutchland Tours, Inc. v. Pa. PUC*, 337 A.2d 922, 925 (Pa. Cmwlth. 1975) (*Dutchland*). The evidence must be substantial and legally credible, not mere "suspicion" or a "scintilla" of evidence. *Lansberry*, 578 A.2d at 602.

[14] *Id.* at 682 (emphasis in original).
[15] *Id.*; *see also Popowsky*, 937 A.2d at 1057.
[16] *Application of CMV Sewage Co., Inc.*, 2008 PaPUC LEXIS 950, *30 (Dec. 18, 2008) (*CMV*).
[17] *See Popowsky* at 937 A.2d at 1052-53.
[18] *Application of North Heidelberg Water Co.*, 2010 PaPUC LEXIS 919, *20 (June 7, 2010).

1. Evidence of Affirmative Public Benefits

The OCA submits that the Settlement is supported by substantial evidence, in the public interest, and should be approved by the Commission without modification. The terms and conditions of the proposed settlement provide a reasonable resolution of issues raised by the OCA in its Protest as well as in the testimony of Ms. Wise and Mr. Garrett. PAWC has both the legal and technical fitness to provide service to the ICVWA customers. PAWC is one of largest water providers in the Commonwealth and has the technical and financial ability to improve the ICVWA System. Dr. Chard testified that "PAWC is the Commonwealth's largest water and wastewater provider, with total assets of $7.9 billion and annual revenues of $1.04 billion for 2024."[19] Furthermore, Dr. Chard testified that there would be "no immediate impact on the rates of PAWC's current customers."[20] The truncations "will not deteriorate in any manner PAWC's ability to continue to provide safe, adequate, and reasonable service to its existing customers at just and reasonable rates."[21] Finally, the transaction will benefit existing PAWC customers by adding an additional 2,389 water customers into the PAWC network creating economies of scale.[22] PAWC witness Baer testified to many benefits to larger scale operations including bulk purchasing of supplies and purchased power, intercompany equipment use and efficient recovery of costs.[23]

As provided by many citizens at the public input hearings, the public is desirous of this acquisition. Ms. Marshall of the Mountain Watershed Association testified that in 2020, ICVWA shared documentation it had received of around 300 consumers requesting additional areas be serviced by ICVWA.[24] Further, Ms. Marshall stated that many people in the community do not have potable water due to the abandoned mines in the area.[25] Additionally, at the in person public input hearing Mr. Mark Brown testified "…I am

[19] PAWC St. 3 at 3.
[20] *Id*. at 8.
[21] *Id*. at 5.
[22] PAWC St. 1-R at 3.
[23] *Id*.
[24] Tr. at 56.
[25] *Id*. at 56-57.

totally for the sale of the water company. I believe that's going to benefit all of us."[26] Mr. Kinner testified that when the Authority was first formed, the entire community believed they would be given service, however that was not the case and he hopes the system is expanded under PAWC. [27]The community voiced its approval and desire for ICVWA to be acquired by PAWC during the various public input hearings. The OCA submits that it would be a substantial public benefit for this acquisition to move forward as so many consumers have voiced support for the acquisition.

Several consumers also testified to the need to extend service lines and the inability of the current authority to provide much needed service. Mr. Miner a representative from Springfield Township, one of the communities serviced by ICVWA, stated that the reason the representatives agreed to sell ICVWA "was [for] to replace water lines and get new water lines in our townships."[28] PAWC, ICVWA and the community have all stated that the current Authority is unable to provide existing customers with adequate service. Mr. Miner testified that "And the current company cannot afford to replace the lines, 50 years, 60 years old. And we have not option but to sell and move on."[29] Mr. Miner further stated "[W]e have blacktop roads right now and people don't have water."[30] Mr. Kinner testified that "everyone has a water softener of some sort with a filter system. And I have to change mine every two months. And there's like half inch of orange - I don't know if its sulfur or iron…"[31] The OCA submits that there is a substantial public benefit to PAWC acquiring ICVWA as the Authority is currently not able to provide service to many residents in the community who are forced to contend with water subject to acid mine drainage contamination.[32] As discussed below, the Settlement provides that PAWC will examine the potential to serve additional customers to address some of the concerns of the community expressed at the public input hearings as well as to serve the existing customers.

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[26] *Id*. at 100.
[27] Tr. at 104.
[28] *Id*. at 88.
[29] Tr. at 89.
[30] *Id*. at 89.
[31] Tr. at 104.
[32] Tr. at 53-54.

As discussed more fully below, the OCA submits that many of the terms of the Settlement were negotiated to ensure that the substantial public benefit from this acquisition.

B. Settlement Terms

1. Tariff and Rates

OCA raised several issues in its direct testimony regarding the rates that ICVWA customers might be charged following an acquisition by PAWC. OCA witness Wise testified in her direct testimony that "Currently Authority customers are paying $69.92 per month for 3,201 gallons. PAWC's proposed rate would increase customers' bills to $139.52."[33] Further, future rate increases could lead to additionally increased rates.[34] PAWC witness Dr. Chard provided testimony clarifying the current residential Rate Zone 1 monthly bill stating that "An average monthly residential water bill for a PAWC Rate Zone 1 customer using 3,201 gallons is $78.89…"[35] The impact on ICVWA customers was further clarified by PAWC during the evidentiary hearing.[36] PAWC witness DeGrazia testified that there would be no immediate impact on ICVWA customers following the acquisition and further that the near doubling of rates noticed to consumers was due to requirements in the Public Utility Code.[37] Mr. DeGrazia also testified that "PAWC will seek to moderate the rate impact to Indian Creek customers."[38]

In Settlement of this matter, Joint Petitioners have agreed that the *pro forma* tariff submitted by PAWC in Appendix A-12 to the Application, including all the rates, rules and regulations regarding conditions of PAWC's water service, shall be permitted to become effective immediately upon closing.[39] Importantly, PAWC agreed to gradually move the ICVWA customers towards its cost of service in the next base rate case, but no further than its proposed Rate Zone 1 system average water rates.[40] This agreement

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[33] OCA St. 2 at 11.
[34] *Id*.
[35] PAWC St. 3-R at 3.
[36] See Tr. at 213-214.
[37] *Id*.
[38] *Id*. at 214.
[39] Settlement at ¶ 25.
[40] *Id at* ¶ 27.

alleviates concerns raised by OCA witness Wise in her direct testimony and supports PAWC's witness statements provide at the evidentiary hearing. [41] The Settlement also benefits the public as it endeavors to avoid rate shock to customers by gradually changing the rates currently paid to ICVWA.

The OCA believes these terms benefit consumers and serves the public interest because they limit rate increases. Accordingly, the OCA submits that these provisions provide a benefit to consumers and the public interest overall.

2. Fair Market Value for Ratemaking Purposes

OCA witness David Garrett provided testimony regarding the Fair Market Value of Indian Creek as conducted by both PAWC and Indian Creek. Mr. Garrett found that certain assumptions made by both PAWC and Indian Creek lead to unreasonably high valuations.[42] Mr. Garrett provided his own proposed adjustments which resulted in an appraisal of $27,036,188.[43] Pursuant to Section 1329, the Joint Petitioners have agreed that PAWC shall be permitted to use the $32,800,000 purchase price as the Fair Market Value for ratemaking purposes for the ICVWA System.[44] Further, PAWC may record the acquisition the net value of the assets, consistent with generally accepted accounting principles.[45]

The OCA asserts that the agreed upon Fair Market Value of the System is in the best interests of public. As discussed above, PAWC has agreed to gradually move ICVWA customers to the current PAWC Rate Zone 1 at the time of the next base rate case. Further, other elements of the Settlement provide the public with substantial benefits, including line extensions and low-income customer provisions. Further, consumers testified at the public input hearings to their desire to have the system acquired by PAWC.[46] Importantly, Township representatives from two of the townships serviced by ICVWA Springfield and Saltlick, stated that the proceeds of the sale are not the determining factor rather it was obtaining funds

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[41] OCA St. 2 at 11.
[42] OCA St. 1 at 28.
[43] *Id*. at 29.
[44] Settlement at ¶ 28.
[45] *Id at* ¶ 29.
[46] See Tr. at 56-57, 100, 104.

and ability to provide the community with water service. Specifically, Mr. Miner a Springfield Township Supervisor stated at the public input hearing “We didn't know money's involved in this sale. It was for to replace water lines and get new water lines in our townships.”[47] Also, the Mr. Bukovac, one of the Saltlick Township Supervisors testified “So the money with the proceeds from the sale, we plan on putting some of that money, investing it, and helping to get these people water.”[48]

The OCA submits that keeping the fair market value at $32,800,000 is in the benefit of the public because the proceeds of this sale will partially fund much needed water extension projects within the community.

3. DSIC/LTIIP

During direct testimony, OCA witness Wise testified to OCA’s concerns regarding the DSIC. Ms. Wise testified that 1329(d)(4) provides that the ICVWA rates will not increase until the new base rates are approved in a rate case following closing, but PAWC could collect a DSIC during that time.[49] OCA witness Wise testified that “PAWC does not commit to ***when*** it will file an amended LTIIP…” to incorporate the Indian Creek System into the larger PAWC system.[50] While PAWC’s proposal would benefit the existing PAWC customers in the short term, it is more beneficial for both the existing and acquired customers for PAWC to expedite amending its LTIIP, spreading the DSIC across its entire rate base.

In the Settlement agreement, PAWC committed to not include a DSIC until PAWC can collect a DSIC from System customers.[51] Collection of a DSIC from ICWVA customers will be permitted upon completion of the following by PAWC: upon (i) PAWC’s filing of an amended water Long-Term Infrastructure Improvement Plan (“Amended LTIIP”) including the System which shall not re-prioritize other existing commitments in other service areas, (ii) the Commission’s approval of the Amended LTIIP,

[47] Tr. at 88.
[48] Tr. at 119.
[49] OCA St. 2 at 36.
[50] OCA St. 2 at 36. (emphasis in the original).
[51] Settlement at ¶ 30.

as may be modified in the discretion of the Commission, and (iii) PAWC's filing of a compliance tariff supplement which incorporates the System into PAWC's DSIC tariff, including all customer safeguards applicable thereto, after Commission approval of the Amended LTIIP.[52] OCA submits that the Settlement will benefit both PAWC and ICVWA customers.

4. Claims for AFUDC and Deferred Depreciation

The OCA did not provide direct or surrebuttal testimony on this issue. Joint Petitioners acknowledged that PAWC seeks permission to accrue Allowance for Funds Used During Construction (AFUDC) for improvements made after acquisition of ICVWA which are not collected through a DSIC, for rate making purposes, as well as permission to defer depreciation related to post acquisition improvements not recovered from a DSIC.[53] These will both be addressed during the next base rates case.[54]

5. Closing

The OCA submits that there is a substantial public benefit for the closing of this transaction and the acquisition of the ICVWA by PAWC. Not only does the community desire this acquisition, ICVWA is not able to provide water service at the same level as PAWC to its customers. As previously stated allowing PAWC to acquire ICVWA would provide much needed water service in the community as well as funds for potential line expansions.[55] Therefore, OCA supports the closing provisions of the Settlement as they will allow the sale of this System to move forward providing the community with much needed services as well as providing regulatory certain prior to the sale being finalized. The closing will not take place sooner than the date of a final, unappealable, order of the Commission approving the application.[56] If the Transaction does not close, the parties may address the recovery of costs during the next base rate case.[57]

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[52] *Id*.
[53] Settlement at ¶ 31.
[54] *Id*.
[55] *See* Tr. at 56-57, 88-89, 100, 104, 119.
[56] Settlement at ¶ 32.
[57] *Id*.

The Settlement provision provides for regulatory certainty before the transaction is closed. This regulatory certainty is particularly important should PAWC file a base rate proceeding seeking to incorporate the System into its rates. The OCA submits that this provision should be approved as in the public interest.

6. Transaction and Closing Costs

Section 1329 permits only the transaction and closing costs incurred by the acquiring public utility to be included in the established ratemaking rate base. 66 Pa. C.S. § 1329(d)(1(iv). PAWC witness Chard stated that "The UVE fees for PAWC's appraisals received as of the date of the Application totaled approximately $930,000.90. The exact amount of these costs cannot be determined until after the closing of the transaction and depend on a number of variables including if the matter is fully litigated or settled."[58] OCA witness Wise provided recommendations regarding PAWC's transaction and closing costs in her direct testimony. Specifically, Ms. Wise recommended:

> To facilitate regulatory review, PAWC should separately identify and classify all transaction and closing costs for which it seeks recovery, including any outside legal fees. Furthermore, PAWC should not include in its ratemaking rate base any transaction or closing costs incurred by the Authority.[59]

Ms. Wise additionally recommended as follows:

> PAWC should also monitor and quantify capital improvement expenses across two categories: (1) essential capital improvements—those required to bring the system into compliance with Commission standards and environmental regulations; and (2) costs related to aligning the system with company-wide standards.[60]

While PAWC witness Chard disagreed with what she argues are additional compliance obligations, Dr. Chard stated, "[h]owever, PAWC agrees that Seller closing costs shall not be recovered from PAWC's ratepayers."[61] The OCA posits that the recommendations from Ms. Wise are not additional compliance

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[58] *See* Application at Appendix A-10 Buyer transaction and closing costs. *See also*, OCA St. 2 at 34.
[59] OCA St. 2 at 34.
[60] *Id*.
[61] PAWC St. 3-R at 7.

obligations but are meant as aids to PAWC in determining which transaction and closing costs are able to be recovered. Therefore, the OCA submits that its recommendations should be accepted by the Commission in any acquisition of Indian Creek by PAWC.

The Application contains a request from PAWC for permission to claim transaction and closing costs associated with acquiring the ICVWA System.[62] The Joint Petitioners are reserving the right to litigate their positions fully in future rate cases when this issue is ripe for review. By assenting to these terms, Joint Petitioners are not assenting to this term.[63] PAWC agrees to clearly identify all transactions and closing costs in the next base rate case, separately identifying any outside legal fees and not including any cost incurred by ICVWA.[64]

The above-referenced provisions ensure that ratepayers are not liable to pay unjustified costs without a full, transparent review, that cost recovery is only considered once sufficient evidence is presented on the record, maintains the integrity of future proceedings and ensures that past procedural positions aren't misrepresented, and allows for an evaluation of the rates being just and reasonable in the correct regulatory context. As such, these Settlement provisions are in the public interest and should be adopted by the Commission.

7. Section 507 Approvals

The OCA did not address these issues in testimony, but they comprise the agreements for how the settlement will be achieved. The OCA does not oppose the issuance of any of the following Certificates of Filing or approval by the Commission:

1. The Asset Purchase Agreement dated May 30, 2025 between ICVWA and PAWC;
2. First Amendment to Asset Purchase Agreement dated December 3, 2025 between ICVWA and PAWC;
3. Agreement for Water Service between ICVWA, PAWC and the Township of Donegal, Westmoreland County, Pennsylvania, dated April 13, 1995;
4. Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Mount Pleasant, Westmoreland County, Pennsylvania, dated April 17, 1995;

[62] Settlement at ¶ 33.
[63] *Id.*
[64] *Id.* at ¶ 33.

5. Agreement for Water Service by and between Indian Creek Valley Water Authority and Borough of Donegal, Westmoreland County, Pennsylvania, dated May 2, 1995;
6. Interconnect Agreement between Pleasant Valley Water Authority and Indian Creek Valley Water Authority Re Clinton Road, Saltlick Township/Bullskin Township and Quail Hill, Saltlick Township, Fayette County, dated September 28, 1998;
7. Agreement for Water Service by and between Indian Creek Valley Water Authority and Township of Stewart, Fayette County, Pennsylvania, dated August 15, 2002;
8. Services Agreement for ICVWA to act as billing and collection agent and provide water termination service by and between Indian Creek Valley Water Authority and the Borough of Ohiopyle, dated December 5, 2013;
9. Agreement for lease of land and granting rights and privileges by and between the Municipal Authority of Westmoreland County and Indian Creek Valley Water Authority, dated July 16, 2024.[65]

8. Cost of Service Studies

OCA Witness Wise testified that "the rate base valuation for the Authority is different than for acquisitions approved under the traditional regulatory framework, where assets are valued for ratemaking purposes at original cost net of accumulated depreciation and net of contributions."[66] Ms. Wise further recommends that in accordance with Section 1329(d)(5) PAWC should:

> At the time of filing its next base rate case, PAWC should submit a water cost-of-service study that removes all costs and revenues associated with the operation of the Authority system and will also provide a separate cost-of-service study (COSS) for the Authority system. A COSS would provide the necessary information needed to establish rates that reflect the costs of the acquired system. Additionally, PAWC should submit a COSS that removes all costs and revenues associated with the operation of the Authority system.[67]

In testimony from Dr. Chard, she states that PAWC will provide a separate cost of service study for the System as it has previously done with other 1329 acquisitions.[68] The OCA recommends that based on the above in any order to acquire Indian Creek the Commission should require that PAWC file a water cost of service study removing all costs and revenues from Indian Creek in its next base rate case. In the

[65] Settlement at ¶ 36, *see also* Appendices A-24-a; A-25.1; A-25.2; A-25.3; A-24.4; A-25.5; A-25.7; and A-25.8.
[66] OCA St. 2 at 35.
[67] OCA St. 2 at 35-36.
[68] PAWC St. 3-R at 8.

agreed Settlement, PAWC will submit a separate cost of service study that removes all costs and revenues associated with the operation of the System in its next base rate case.[69]

In the Settlement the Joint Petitioners agreed that in the first base rates case which includes ICVWA's assets, PAWC will submit a separate cost of service study for the System and remove all costs and revenues associated with the operation of this System from its general cost of service study.[70]

This Settlement provision is important to the OCA because the updated cost of service study serves as a baseline, allowing comparison with an integrated system and supporting informed rate design decisions, prevents cross-subsidization, promotes rate gradualism, and allows for valuation of whether full integration is fair and consistent with cost causation principles. The OCA submits that this provision of the Settlement should be approved as it is in the public interest.

9. Customer Assistance Programs

The OCA expressed several concerns with regard to assistance provided to the ICVWA current customers should they be acquired by PAWC. Specifically, OCA witness Wise testified, "Although PAWC offers bill discounts to qualifying low-income customers, those customers will nevertheless experience an increase in their rates based on PAWC's current average monthly consumption level of 3,201 gallons. Low-income customers in the 0%-50% FPL range would see an increase of $4.61 vs. their current bill."[71] PAWC has agreed that immediately following closing the System's customers will become eligible for all of PAWC's payment options and customer programs.[72] Additionally, within the first billing cycle PAWC shall provide a bill insert to ICVWA customers including information on its low-income programs, including descriptions, eligibility, and contact information for PAWC, OCA and OSBA.[73] Furthermore, PAWC has committed to ongoing targeted outreach to ICVWA customers. [74] The OCA asserts that the

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[69] Settlement at ¶ 37-38.
[70] *Id*.
[71] OCA St. 2 at 14.
[72] Settlement at¶ 39.
[73] *Id* at ¶ 40.
[74] *Id*.

Settlement terms and conditions as stated above provide benefits to the ICVWA customers. Ensuring that low-income customers have been sufficiently informed of the potential benefits available to them, especially given the current economic stress being felt by Pennsylvanians is essential.

In addition to the above, PAWC shall send a welcome letter to ICVWA customers informing them regarding, payment options (including low-income programs, eligibility requirements, PAWC contact information) and in-person bill payment locations reasonably proximate to the areas served by the System.[75] The welcome letter shall acknowledge that ICVWA customer rates will not be increasing at this time with references to PAWC's website where a range of rate impact can be found.[76] Unless PAWC and OCA agree to work together on a different timeline, within 15 days of a final order in this proceeding, PAWC will provide the OCA with a copy of the draft welcome letter; OCA will provide any suggestions to PAWC within 10 days of receipt; and PAWC, in good faith, will consider incorporation of OCA's suggestions.[77]

The information in the welcome letter will provide important information to the acquired customers as customers will be able to more easily determine the rate impact from the transaction at more individualized usage levels. These enhancements to PAWC's welcome letter are in the public interest and should be adopted by the Commission.

Finally, PAWC agreed to track the number of potentially eligible cap customers and those who are enrolled every six months for a period of two years.[78] And PAWC has agreed to contribute $20,000 annually to its H20 Help hardship fund for five years.[79] Tracking this important information regarding low-income customers will enhance interested stakeholders' overview of low-income customer participation in PAWC's CAP, increases transparency regarding important metrics, and is in the public interest.

[75] *Id* at ¶ 41.
[76] Settlement at ¶ 41.
[77] *Id*.
[78] Settlement at ¶ 42.
[79] *Id*. at ¶ 43.

10. Line Extensions

The OCA did not provide direct or surrebuttal testimony on the issue of line extensions. However, the OCA submits that substantial testimony was provided during the public input hearings regarding the need for line extensions.[80] Many consumers testified to their desire to have PAWC take the system and extend the service lines.[81] The terms of the Settlement will provide PAWC and the stakeholders with essential information to address the concerns expressed by the public at this input hearings. As stated above, both Saltlick Township and Springfield Township as well as various consumers provided testimony regarding the need for water line expansion in parts of community. Mr. Bukovac of Saltlick Township stated that consumers were drinking orange water, hard water, and he believed the source of orange water is from the old coal mines in the area.[82] Mr. Kinner discussed the need to replace water softener filters every two months and orange build up on his filters.[83] Despite his treatment system, Mr. Kinner stated "I still have doubts with the water going through that orange, you know, to drink it safely."[84] Finally, Ms. Marshall stated that her organization, Mountain Watershed Association, has provide services to remedy the legacy pollution in the area from historical coal mining operations. [85] Ms. Marshall stated that there is a history of acid mine drainage pollution in the area which leads to high levels of metals and really high Ph in the watershed serviced by ICVWA.[86] The OCA submits that to improve these conditions it would be beneficial for PAWC to acquire ICVWA.

In the Settlement the parties have agreed that "Within 15 months of the transaction closing, PAWC will submit a feasibility study regarding extension of new water mains in the ICVWA service territory, with drafts of OCA and OSBA three months prior."[87] PAWC further agreed to host a collaborative

[80] Tr. at 56; 88-89; 165-166; 168.
[81] *Id*.
[82] Tr. at 121.
[83] *Id*. at 104.
[84] *Id*.
[85] *See* Tr. at 53-54.
[86] *Id*.
[87] Settlement at ¶ 44.

stakeholder meeting to solicit comments on the draft study.[88] PAWC has agreed to work with Saltlick and Springfield township supervisors to coordinate their funding portions of the water main extensions including contributions in aid of construction.[89] PAWC will survey the ICVWA service territory and provide an assessment on whether there are public health needs that would make certain main extensions eligible under its Tariff section 27.1(f) within one year of the transaction closing.[90] Tariff Section 27.1 (f) allows PAWC to extend service to consumers in the event that there is a significant public health need without a contribution in aid of construction.[91] PAWC shall provide the survey results to all parties in this proceeding, the Commission, and party stakeholders no later than the date on which the draft study in the preceding paragraph is provided to stakeholders.[92]

The OCA submits that the proposed settlement provisions will provide PAWC, the Community and the Stakeholders will much needed information to determine the area and extent of the necessary line extensions to better serve the ICVWA community in the future.

11. Easements

OCA witness Wise stated in her direct testimony that "Securing land rights across the entire system is essential for timely maintenance and emergency response."[93] Ms. Wise went on to recommend that "PAWC should not include the Authority's assets in its rate base until all outstanding easements are secured. Otherwise, ratepayers could be required to pay for assets—and a return on them—that PAWC does not fully own, which would not be in the public interest."[94]

Pursuant to the Settlement terms, ICVWA is to use commercially reasonable efforts to obtain all easements prior to Closing, so that they may be transferred to PAWC at Closing.[95] The APA also requires

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[88] *Id*.
[89] *Id*.
[90] Settlement at ¶ 45.
[91] *See* PAWC Supp. No. 50 to Tariff Water- PA P.U.C. No. 5 at 89 available at https://www.amwater.com/paaw/Resources/PDF/Rates/pennsylvania-amwater-watertariff.pdf
[92] Settlement at ¶ 45.
[93] OCA St. 2 at 39.
[94] OCA St. 2 at 39.
[95] Settlement at ¶ 46.

ICVWA to commence condemnation proceedings to obtain all missing easements that it can, prior to Closing.[96] Finally, the APA created a Missing Easement Escrow (funded in the amount of $2,000 per missing easement) to secure ICVWA's obligations concerning easements that were not obtained as of Closing.[97] ICVWA is required to diligently pursue the missing easements for two years after Closing.[98] After two years, the portion of the Missing Easement Escrow Fund that compensates ICVWA for the missing easements obtained after Closing is to be released to ICVWA, with the balance being released to PAWC to compensate it for the missing easements not obtained after Closing.[99]

This Settlement provision ensures ratepayers are protected from paying for missing easements in rates and is a reasonable approach towards any potentially missing easements in this proceeding and is in the public interest.

[96] *Id.*
[97] *Id.*
[98] *Id.*
[99] Settlement at ¶ 46.

III. Conclusion

For the foregoing reasons, the Office of Consumer submits that the terms and conditions of the Settlement should be approved as in the public interest.

Respectfully Submitted,

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