**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120**

Pennsylvania Public Utility Commission, *et al.*
v.
Pennsylvania American Water Company

Public Meeting held July 16, 2026
Agenda No. 3057983-OSA
Docket Nos. R-2025-3057983, *et al.*

STATEMENT OF COMMISSIONER KATHRYN L. ZERFUSS

In evaluating this rate case, the Commission has a duty to ensure that the rates Pennsylvania American Water Company (PAWC or Company) proposes to charge its customers are just and reasonable and that PAWC can provide safe, reliable, and efficient service to its customers. While the law permits a public utility to recover costs for improving its infrastructure and running its operations, the size of the increase PAWC seeks in this case is more than I can support in light of the record developed in this proceeding and the affordability pressures facing ratepayers.

I am voting to approve a rate increase that is significantly lower than what PAWC requested—ultimately cutting their original proposal by more than half.

This case was fully litigated and heavily scrutinized. Seven parties participated, twelve public input hearings were held across the Commonwealth, approximately 217 people testified, and more than 730 formal and informal complaints were filed. I commend the individuals who came forward to testify on the record. I cannot stress enough the importance of public participation to help develop the record on which we are to review and decide. The resulting Opinion and Order reflects a rigorous, line-by-line review of each material component of the Company's revenue-requirement claim—everything from proposed acquisition premiums to operating expenses, and riders such as CAP. As the public utility seeking a rate increase, PAWC bore the burden of proving that its requested rates are just and reasonable. Based on the record, I do not believe that the Company carried that burden in full.

For example, PAWC sought transaction costs tied to a proposed municipal wastewater acquisition that ultimately did not close, meaning no municipal assets were transferred to PAWC, no new plant became used and useful, and customers received no corresponding service benefits. In that circumstance, I agree that those costs should remain a business risk borne by the Company rather than being placed on ratepayers.

Further, consistent with the Commission's recent decision in Columbia Gas where the Commission adjusted downward the company's requested return on equity to account for frequent rate case filings,[1] PAWC's filing history in this case warrants a similar downward

[1] *Pa. P.U.C. v. Columbia Gas of Pennsylvania, Inc.*, Docket Nos. R-2025-3053499, *et al.*, Opinion and Order entered December 24, 2025.

adjustment. After all, this is the Company's fourth request for higher rates in six years, which equates to a filing history that cuts against allowing a return on equity at the level PAWC requested.

At the same time, however, I believe some recognition is warranted for the Company's efforts to stabilize distressed systems such as East Dunkard, Winola, and Rock Spring, thereby resolving longstanding health and safety violations and helping restore service to communities where other providers struggled. I would also be remiss if I did not acknowledge that PAWC worked with the Office of Attorney General and local partners to bring safe public water to the residents of Dimock after roughly twenty years with no service. I would support an upward adjustment on the return on equity for these efforts.

I also believe that PAWC deserves kudos for seeking and utilizing low-cost financing tools such as PENNVEST loans and grants, securing roughly $100 million in customer savings by lowering the capital costs that would otherwise be recovered in rates.

Having roots in northeastern Pennsylvania, I am ever mindful of PAWC's service in Scranton and the greater Lackawanna County region, a region from which, in PAWC's last base rate case, brought a great deal of scrutiny. That is why in the last case, I supported a root cause analysis on service quality issues in that region.

In response, I recognize the Company's investments and improvements in the northeastern region and acknowledge that some legacy concerns cannot be resolved overnight. Work in this area is not complete, though I am encouraged by improvements made, such as a new baffled storage facility at Lake Scranton and a dedicated manganese removal facility at Blue Mountain Lakes. I expect PAWC to continue this path of meaningful and sincere outreach in the northeastern region to ensure additional and lasting improvements for all of its customers.

As I have said before, if we are asking our ratepayers to pay more (particularly seniors and families already struggling to afford essential goods and services) we must be extremely careful to ensure that we do so for good cause and only to the extent the record supports it.

In summary, my support of this final disposition is not to give a public utility carte blanche to raise rates with abandon. Rather, I believe this is a resolution that allows PAWC to continue vital water quality and infrastructure upgrades while giving meaningful weight to customer affordability. The outcome is a just, reasonable, and balanced regulatory result.

As we continue to weigh the need for investments and improvements that ensure the safe, reliable, and efficient delivery of critical utility service to Pennsylvanians, and the ability of ratepayers to afford the resulting bills, I implore all of our jurisdictional public utilities to heed the message and be strategic and judicious in deciding when to file a base rate case.

DATE: July 16, 2026

Kathryn L. Zerfuss, Commissioner