BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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	:	A-2025-3055741

<u>RECOMMENDED DECISION</u>

Before
Katrina L. Dunderdale
Administrative Law Judge

And

Ann Quimby
Administrative Law Judge

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I. INTRODUCTION

This Recommended Decision recommends the Joint Petition for Approval of Unanimous Settlement of All Issues be adopted without modification, which proposes the Commission should approve the acquisition of the water system assets of the Indian Creek Valley Water Authority by Pennsylvania-American Water Company. The parties litigated the substantive issues and reached a full and unanimous settlement on all issues concerning the acquisition of a municipal water system and approval of a ratemaking rate base. The presiding officers recommend the Commission approve the Joint Petition for Approval of Unanimous Settlement of All Issues because the resolution outlined therein benefits the public interest and is consistent with the requirements of the Public Utility Code, 66 Pa.C.S. §§ 507, 1102, 1103 and 1329. The statutory deadline is October 28, 2026. The Commission's last reasonable Public Meeting before the end of the six-month statutory deadline is October 1, 2026.

II. HISTORY OF THE PROCEEDING

On November 3, 2025, the 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 (the Application) was filed with the Pennsylvania Public Utility Commission (Commission). The Application sought approval of (1) the transfer, by sale, to Pennsylvania-American Water Company (PAWC), 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 (ICVWA), 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.

PAWC also requested approval of the Asset Purchase Agreement (APA) dated May 30, 2025, as well as other municipal agreements pursuant to Section 507 of the Public Utility Code, 66 Pa.C.S. § 507, and requested that the Commission issue an Order and Certificate of Public Convenience approving and addressing the items requested in this Application.

On November 21, 2025, the Office of Small Business Advocate (OSBA) filed a Notice of Intervention.

On February 3, 2026, the Office of Consumer Advocate (OCA) filed a Protest.

Two individuals filed protests: John Logue on March 20, 2026; and Irene Mistick on March 25, 2026.

On March 27, 2026, the Borough of Ohiopyle filed a Petition to Intervene.

On April 28, 2026, the Secretary of the Commission issued a letter indicating that PAWC's Application was accepted for filing and noted the Commission would publish notice of the Application in the May 9, 2026 edition of the *Pennsylvania Bulletin* with a protest deadline of May 26, 2026.

The Application was assigned to Administrative Law Judges (ALJs), Katrina L. Dunderdale and Ann Quimby. On April 28, 2026, the Office of Administrative Law Judge (OALJ) issued the Prehearing Conference Notice, setting an Initial Telephonic Prehearing Conference for May 28, 2026. On May 14, 2026, the ALJs issued a Prehearing Conference Order outlining procedural matters and requiring the parties to file Prehearing Memorandum.

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

On May 28, 2026, Administrative Law Judge Ann Quimby, (ALJ Quimby) conducted the Prehearing Conference as scheduled, which was attended by: PAWC, ICVWA, OCA, OSBA and John Logue, *pro se* protestant. The parties discussed modifications to discovery rules, the scheduling of evidentiary hearings and public input hearings, and the litigation schedule.

On June 1, 2026, the presiding officers issued the Prehearing Order, which memorialized the matters decided and agreed upon by the parties attending the conference.[1] In addition, the presiding officers granted the petitions to intervene filed by ICVWA and the Borough of Ohiopyle.

Also, on June 1, 2026, written direct testimony was served on all parties by OCA and OSBA.

On June 4, 2026, the OALJ issued the In-Person Evidentiary Hearing Notice scheduling the in-person evidentiary hearings for June 17, 2026, and June 18, 2026, in the Keystone Building, Harrisburg, Pennsylvania.

On June 5, 2026, the OALJ issued the In-Person & Telephonic Public Input Hearings Notice, which scheduled one telephonic public input hearing to be conducted on June 12, 2026 at 1:00 p.m., and two in-person public input hearings to be conducted on June 15, 2026, at 1:00 p.m. and 6:00 p.m., at the Saltlick Township Municipal Building, Melcroft, Pennsylvania.

[1] The Borough of Ohiopyle and Protestor Irene Mistick, *pro se*, did not attend the conference. Counsel for all other parties attended.

On June 10, 2026, written rebuttal testimony was served on all the parties by PAWC and ICVWA.

On June 12, 2026, ALJ Quimby conducted the telephonic public input hearing at 1:00 p.m., at which one witness testified.

On June 12, 2026, PAWC filed its Petition for Protective Order.

On June 15, 2026, the presiding officers conducted the in-person public input hearing at 1:00 p.m. at the Saltlick Township Municipal Building, Melcroft, Pennsylvania, at which eight (8) witnesses testified. Also, on June 15, 2026, the presiding officers conducted the in-person public input hearing at 6:00 p.m. at the Saltlick Township Municipal Building, Melcroft, Pennsylvania, at which nine (9) witnesses testified, including two witnesses that testified at the 1:00 pm public input hearing.

Also, on June 15, 2026, written surrebuttal testimony was served on all the parties by OCA and OSBA.

On June 17, 2026, the presiding officers issued the Interim Order which: (1) denied a request from ICVWA (dated June 16, 2026) to be excused from attending the evidentiary hearing on June 17, 2026; granted leave for ICVWA to substitute counsel; denied the request of PAWC to substitute the written statement and discovery responses of two witnesses with sponsoring testimony from two other witnesses; and granted PAWC leave to submit the written statements and exhibits of two missing witnesses if the remaining parties waived cross-examination questions.

Also, on June 17, 2026, the presiding officers conducted the telephonic evidentiary hearing. At the evidentiary hearing, the parties sponsored evidence in the form of documents and written testimonies, including some evidence marked as proprietary and/or confidential. In addition, oral testimony and/or cross-examination testimony was received from nine (9) witnesses. The presiding officers admitted the evidence into the hearing record as marked, and the parties were ordered to submit the evidence in electronic form to the court reporter.

On June 18, 2026, the presiding officers issued the Post-Hearing Order which confirmed requirements for the filing of briefs and settlement documents, including providing electronic copies of the evidence admitted into the record to the court reporter and providing the presiding officers with a common brief outline.

On June 22, 2026, the presiding officers issued the Protective Order, in response to the Motion for Protective Order filed by PAWC on June 12, 2026.

On June 26, 2026, the parties notified the presiding officers that a settlement in principle had been reached between PAWC, ICVWA and OCA. Two parties – OSBA and the Borough of Ohiopyle – did not assert opposition with or agreement to the settlement-in-principle. Lastly, the parties asserted OCA would inform the two *pro se* protestants of the settlement-in-principle.

Thereafter, on July 8, 2026, the parties filed the Joint Petition for Approval of Unanimous Settlement (Settlement). Written Statements in Support of the Settlement were attached to the Settlement from PAWC and OCA.[2] Also, on July 8, 2026, OSBA filed a letter with the Commission indicating OSBA participated in settlement discussions with the other parties, it did not identify any issues that were unjust or unreasonable to small business customers, and it did not oppose the Settlement.

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[2] A Statement in Support from ICVWA was not attached to the Settlement, although it was referenced in the Settlement. The Statement was filed by ICVWA with the Commission, but not until after the deadline set by the presiding officers.

On July 21, 2026, the presiding officers issued the Order Closing the Hearing Record. This matter is now ready for disposition.

III. DESCRIPTION AND TERMS OF SETTLEMENT

In accordance with Rule 5.231 of the Commission's Rules of Practice and Procedure, 52 Pa.Code § 5.231, a settlement in principle was achieved between PAWC, ICVWA and OCA on all issues.[3] The Settlement is fully executed by PAWC, ICVWA[4] and OCA (collectively, the signatories or Joint Petitioners), and it consists of 17 pages with six Appendices. Appendices A through C set forth the proposed Findings of Fact, the proposed Conclusions of Law and the proposed Ordering Paragraphs, respectively. Appendices D and F set forth the Statements in Support of PAWC and OCA, respectively.

The signatories express their agreement with respect to eight (8) matters: (1) Tariff and Rates; (2) Fair Market Value for Ratemaking Purposes; (3) Distribution System Improvement Charge (DSIC) and Long Term Infrastructure Improvement Plan (LTIIP); (4) Claims for Allowance for Funds Used During Construction (AFUDC) and Deferred Depreciation; (5) Closing; (6) Transaction and Closing Costs; (7) Section 507 Approvals; and (8) Proposed Conditions for Approval to include Cost of Service Studies (COSS), Customer Assistance Programs (CAP), Line Extensions and Easements. The signatories specifically agreed to the following settlement terms, as provided in the Settlement at Section III, Numbered Paragraph Nos. 24 through 47, and as provided *verbatim* below.

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[3] OSBA did not join in the Settlement, but it did indicate it had no opposition to the Settlement. The Borough of Ohiopyle did not object to or join in the Settlement.

[4] While its Statement in Support was attached as Appendix E and Appendix E was not timely filed with the Commission, the Settlement was executed by ICVWA.

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").[5]

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

[5] As noted in Section IX, below, on January 13, 2026, PAWC filed an amended Appendix A-12 that included the rates that are recommended to be adopted.

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.

In addition to the provisions above, the signatories agreed to additional settlement terms concerning other miscellaneous provisions, as provided in the Settlement at Section III, Numbered Paragraph Nos. 48 through 53, and as provided *verbatim* below.

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. FINDINGS OF FACT

The signatories agreed to propose findings of fact, with citations to the record of admitted evidence. The signatories assert, in Section III, Numbered Paragraph No. 51 of the Settlement, that the proposed Findings of Fact, as set forth in Appendix A, provide the information necessary to support the "Findings of Fact," and to support the requested relief. The proposed findings, consisting of 127 numbered paragraphs, are adopted and set forth as stated *verbatim* below. Additionally, the presiding officers propose one additional Finding of Fact that is set forth below the verbatim proposed findings, at paragraph 128, related to Revenue Requirement.

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 operators 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 non-compliance 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.

98. 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.

99. 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.

100. 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

101. 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.*

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

103. 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.*

104. 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.

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

106. 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.

107. 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.

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

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

110. 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

111. 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.

112. 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

113. 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

114. 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

115. 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

116. 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

117. 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

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

119. 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.

120. 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.

121. 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.

122. 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.

123. 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.

124. 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.

125. 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

126. 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.

127. 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

128. 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.

ALJs' FINDING OF FACT

Revenue Requirement

128. The Transaction, based on the purchase price in the APA of $32,800,000, will yield a Revenue Requirement of $5,163,000, with Year-1 Revenues of $2,576,000 in the ICVWA service territory, and a Revenue Requirement Deficiency of $2,587,000. PAWC Exhibit CEC-1 p. 4.

V. PUBLIC INPUT HEARING

At the time of the prehearing conference, the parties discussed with the presiding officers the need for public input hearings which would permit the Commission to receive input from the public about the proposed sale of water system assets and expansion of PAWC's territory. Accordingly, one telephonic public input hearing was held on June 12, 2026, at which one person testified. In addition, two in-person public input hearings were held on June 15, 2026, at 1:00 p.m. and at 6:00 p.m., at the Saltlick Township Municipal Building, Melcroft, Pennsylvania. A total of fifteen (15) people testified on June 15, 2026.

Melissa Marshall testified[6] her address is in Melcroft, Pennsylvania and she is employed by the Mountain Watershed Association as a Senior Community Advocate. Ms. Marshall testified on behalf of the Mountain Watershed Association, and noted the organization is a customer of ICVWA. Ms. Marshall addressed the history of mining in the area, testifying that there are mine voids that pickup groundwater and later discharge it into watersheds with high levels of metal and high PH levels. Ms. Marshall stated there are six different abandoned mine treatment systems to address these mine-related issues. Ms. Marshall testified that the Mountain Watershed Association surveyed customers of ICVWA, and only 26 of 367 respondents supported the proposed acquisition. Ms. Marshall testified if the acquisition addresses the historic pollution legacy that mining left behind, the Mountain Watershed Association "absolutely" supports it. Ms. Marshall further testified that there are various conditions that need to be met for the agreement to serve the best interest of customers or future customers. She testified regarding the need for the provision of service to potential customers who don't have potable water. Ms. Marshall also testified she felt it was important to ensure that the Company does what they say they will do and asked that the Commission condition the approval of the acquisition on an explicit agreement regarding the completion of capital improvement projects. Ms. Marshall testified that she believed portions of the sale money would go to proposed water service extensions to be constructed by the townships themselves, which she felt was strange, and she stated there should be commitments from PAWC to complete the extension projects. Ms. Marshall also testified that rate protection was needed due to the age and income levels of ICVWA customers, and the inability of the customers to absorb a rate increase. Ms. Marshall testified a commitment to continue local customer service and a supportive transition program for the community was needed.

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6 Tr. 51-64.

Ross Miner testified[7] he resides in Mill Run, Pennsylvania and is a water customer of ICVWA. He reported he is employed as a Township Supervisor for Springfield Township, and he testified as a representative of the Springfield Township Supervisors. Mr. Miner testified the Township leadership is in favor of the proposed acquisition, including all six Supervisors and five Board Members. Mr. Miner testified ICVWA cannot afford to replace the water lines, and it has no option but to sell the system. Mr. Miner testified he believes the acquisition would be positive for the Township.

Linda Brown testified[8] she resides in Acme, Pennsylvania and has a business in Donegal, Pennsylvania. Ms. Brown stated both she and her business are water customers of ICVWA. Ms. Brown testified she does not wish to stop the sale in any way but wants to make sure there are benefits included for the community. Ms. Brown testified she proposes a three-year rate freeze with a three-percent cap for five years.

Mark Brown testified twice, initially at the 1:00 p.m. hearing.[9] Mr. Brown testified he resides in Jones Mills, Pennsylvania and is a water customer of ICVWA. Mr. Brown testified he is self-employed. Mr. Brown testified he agreed completely with Ms. Linda Brown's testimony. Mr. Brown testified that people don't take the time or have the time to understand the proposed acquisition. Mr. Brown also testified he is sixth generation from Jones Mills, and the area is supported by tourism. He testified the quality of ICVWA's water is some of the best in the country, and he wants to ensure the water is provided to the community, rather than being "piped out of here" for a data center or "somewhere off the mountain" such that the community is left without water. Mr. Brown stated clarification of what would occur would be helpful.

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[7] Tr. 86-90.

[8] Tr. 91-96.

[9] Tr. 98-101.

Mr. Brown testified a second time, at the 6:00 p.m. hearing,[10] stating that he researched the issue and determined that without the acquisition, residents would be subject to major increases because of poor maintenance and upkeep of the system. Mr. Brown testified there are people who do not tap into the water line but still pay a water bill. Mr. Brown testified he was initially against the acquisition but now believes the acquisition is needed.

Neil Kinneer testified[11] he resides in Saltlick Township, Acme, Pennsylvania, is not employed, and is not a customer of ICVWA, although he hoped to become one. Mr. Kinneer testified he hoped PAWC would expand their service. He testified that the quality of his water (which is well water) is poor, and he and others in the same circumstances use filtration systems. Mr. Kinneer noted he has to change his water filter every two months, and the water contains orange sediment. Mr. Kinneer testified he and his neighbors "need the good water." Mr. Kinneer testified he has neighbors who live about a mile and a quarter away from him who are customers of ICVWA.

James Stambaugh testified[12] he resides in Uniontown, Pennsylvania and has several residential addresses and a restaurant in Donegal that are water customers of ICVWA. Mr. Stambaugh testified he supports the proposed acquisition. He noted he is also a customer of PAWC for other businesses he owns in Fayette County. Mr. Stambaugh questioned fees he is being charged by ICVWA and questioned whether charges will be consistent if the acquisition is approved.

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10 Tr. 168-170.
11 Tr. 102-106.
12 Tr. 107-110.

Matthew Dumbauld testified[13] he resides in Jones Mills, Pennsylvania, and is employed by an animal park where he also resides. Mr. Dumbauld testified both he and his employer are water customers of ICVWA. Mr. Dumbauld testified in favor of the proposed acquisition, noting that having a larger, more dependable water company would be beneficial for the community. Mr. Dumbauld testified the reviews for PAWC are glowing. Mr. Dumbauld testified water quality with ICVWA is "not always that great" and there are lots of billing issues and "weird charges" with ICWVA.

Randy Work testified[14] he resides in Mill Run, Pennsylvania and is a water customer of ICVWA. Mr. Work testified he is self-employed and owns a park that offers parking for recreational vehicles (RVs), tent camping and cabin rentals; and the park provides entertainment for customers. Mr. Work testified the park is approximately 80 acres, but he has a couple-hundred acres total, and if the water service could be expanded, the park could be expanded. Mr. Work testified the area is heavily supported by tourism. Mr. Work testified he is in favor of the proposed sale of ICVWA and agrees with other testimony that was provided. Mr. Work testified that the provision of water is necessary to support tourism, and he would like to see a bulk rate imposed. Mr. Work also testified he previously paid to expand an ICVWA line in order to expand his service at the park, the waterline expansion was quite expensive, and he does not own the waterline.

Ed Bukovac testified twice, initially at the 1:00 p.m. hearing.[15] Mr. Bukovac testified he resides in White, Pennsylvania, and is employed as a Supervisor of Saltlick Township. He testified he does not have water service at his house from ICVWA, but his business in Melcroft, Pennsylvania, is a water customer. Mr. Bukovac testified on behalf of Saltlick Township. Mr. Bukovac testified he is in favor of the

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13 Tr. 111-113.
14 Tr. 113-117.
15 Tr. 117-121.

proposed acquisition, noting that the main reason for support of the sale was to help more people in the Township obtain water service. He testified that he has lived in his home for 45 years, and every day people have water hauled to their houses, even though the water line is a thousand yards away. Mr. Bukovac opined that nobody should have to haul water to his or her home. Mr. Bukovac testified the Township plans on investing some of the proceeds from the acquisition so that it can be used to help people obtain water service.

Mr. Bukovac provided additional testimony at the 6:00 p.m. hearing.[16] Mr. Bukovac indicated that in his 23 years at the Township, every year more people approach the township regarding obtaining water service, and the people without service have orange water and drink bottled water. Mr. Bukovac testified that even if ICVWA is not acquired by PAWC, there would still be a raise in rates, noting the treatment plant is "in shambles." He noted the acquisition proceeds would be used to help "put in water lines for people that need them." Mr. Bukovac testified that without the acquisition, there will still be people without water for years.

Alicia Hissem testified[17] she resides in Acme, Pennsylvania and is a water customer of ICVWA. Ms. Hissem testified she found it concerning that residents received a letter saying their rates would increase drastically, and that the letter did not provide an explanation of what benefits would be received. Ms. Hissem questioned the history of infrastructure improvements, noted that others, like Pittsburgh residents, have "no control over their water" and PAWC has "full control of whatever they want to charge these people."

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[16] Tr. 164-168.
[17] Tr. 141-146.

Ariel Schurg testified[18] she resides in Indian Head, Pennsylvania and is a water customer of ICVWA. Ms. Schurg testified she is a new customer and received her first water bill and it was for more than $86. She testified it was difficult receiving a letter immediately after moving in that indicated her bills would nearly double. Ms. Schurg testified she does not have access to assistance programs and is "scraping by every day as it is." Ms. Schurg testified that she is concerned about water quality in the future, especially considering data centers moving into the state.

Martie Caine testified[19] she resides in Normalville, Pennsylvania and is the Secretary/Treasurer of Saltlick Township. Ms. Caine testified she is not a water customer of ICVWA. Ms. Caine testified the letter that was sent out caused confusion, and made it look as though bills will double, but they will not, and she noted people did not make phone calls to the Township to inquire about the letter. Ms. Caine testified she has spring water, but she has run out of water at times and had to go to her parents' house to bathe, wash clothes, and get water to flush her toilet. Ms. Caine testified she has heard that many people have bad water due to the mines. Ms. Caine testified that the Township recently provided for a water extension to some residents who could not drink their water or wash clothes with the water they had been using. Ms. Caine testified there are many people in the community that are struggling to get clean water and it is important to help them.

William Dezort testified[20] he resides in Normalville, Pennsylvania, and is a water customer of ICVWA. Mr. Dezort testified he agreed with the testimony so far. Mr. Dezort testified he had no idea that ICVWA was "in such shambles." Mr. Dezort testified ICVWA was being sold to a for-profit organization because it needs work done to the system. Mr. Dezort testified he has four properties that are customers of ICVWA.

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18 Tr. 148-151.

19 Tr. 152-155.

20 Tr. 158-161.

Kim Reed testified[21] she resides in Indian Head, Pennsylvania and is a water customer of ICVWA. Ms. Reed testified she agreed with Mr. Dezort's testimony. Ms. Reed testified the community does not know why this is happening or understand what is going on. She testified that "more information would be nice." Ms. Reed questioned what the community would receive in return from the proposed acquisition.

Lonnie Ritenour testified[22] he resides in White, Pennsylvania and works as a Saltlick Township Supervisor. He testified he is not a customer of ICVWA. Mr. Ritenour testified he agreed with Mr. Bukovac's and Ms. Caine's testimony. Mr. Ritenour testified the proposed acquisition will be very helpful for the community, and that people do not realize Saltlick Township residents do not have water. Mr. Ritenour testified that water is frequently hauled into the community. Mr. Ritenour testified that ICVWA may not be able to provide water in ten years from now, and if they do, rates will have increased greatly.

Jerry Gearhart testified[23] he resides in Acme, Pennsylvania and is a water customer of ICVWA. Mr. Gearhart testified the Mountain Watershed [Association]'s input is important and should be considered.

VI. LEGAL STANDARDS

In this case, PAWC requests approval, under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 102(a) and 1329, 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

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[21] Tr. 161-164.
[22] Tr. 171-173.
[23] Tr. 173-175.

Indian Creek Valley Water Authority, pursuant to Section 1329(c)(2) of the Public Utility Code[24]; 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, pursuant to Section 1102 of the Public Utility Code.[25]

Further, PAWC requested approval of the Asset Purchase Agreement (APA) dated May 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 this Application.[26]

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[24] "The ratemaking rate base of the selling utility shall be the lesser of the purchase price negotiated by the acquiring public utility or entity and selling utility or the fair market value of the selling utility." 66 Pa.C.S. § 1329(c)(2).

[25] "Upon the application of any public utility and the approval of such application by the commission, evidenced by its certificate of public convenience first had and obtained, and upon compliance with existing laws, it shall be lawful: (1) 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 (2) For any public utility to abandon or surrender, in whole or in part, any service, (3) For any public utility or an affiliated interest of a public utility as defined in section 2101, to acquire from, or to transfer to, any person or corporation, including a municipal corporation, by any method or device whatsoever, including the sale or transfer of stock and including a consolidation, merger, sale or lease, the title to, or the possession or use of, any tangible or intangible property used or useful in the public service…." 66 Pa.C.S. § 1102(a).

[26] "Except for a contract between a public utility and a municipal corporation to furnish service at the regularly filed and published tariff rates, no contract or agreement between any public utility and any municipal corporation shall be valid unless filed with the commission at least 30 days prior to its effective date. Upon notice to the municipal authorities, and the public utility concerned, the commission may, prior to the effective date of such contract or agreement, institute proceedings to determine the reasonableness, legality or any other matter affecting the validity thereof. Upon the

Accordingly, PAWC has the burden of proof as it is the applicant requesting the Commission take actions on these requests, pursuant to Section 332 of the Public Utility Code.[27] Before PAWC can acquire the water system assets owned by the Indian Creek Valley Water Authority, the Commission must approve the acquisition and approve the issuance of a certificate of public convenience.[28] However, before the Commission may issue a certificate of public convenience, the Commission must find that granting PAWC a certificate is necessary or proper for the service, accommodation, convenience, or safety of the public.[29] Accordingly, PAWC must demonstrate through admitted evidence that the proposed acquisition will "affirmatively promote the 'service, accommodation, convenience, or safety of the public' in some substantial way."[30]

In the Settlement, the signatories noted these legal standards apply to this Section 1329 proceeding:

1. PAWC

Commission policy promotes settlements.[31] 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.[32] In

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institution of such proceedings, such contract or agreement shall not be effective until the commission grants its approval thereof." 66 Pa.C.S. § 507.

27 "Except as may be otherwise provided in section 315 (relating to burden of proof) or other provisions of this part or other relevant statute, the proponent of a rule or order has the burden of proof." 66 Pa.C.S. § 332(a).

28 66 Pa.C.S. § 1102(a)(3).

29 66 Pa.C.S. § 1103(a).

30 *City of York v. Pa. Pub. Util. Comm'n*, 295 A.2d 825 (Pa. 1972).

31 *See* 52 Pa. Code § 5.231.

32 *See* 52 Pa. Code § 69.401.

order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest.[33]

2. Indian Creek Valley Water Authority

ICVWA did not list legal standards in its Statement in Support.

3. OCA

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.

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

[33] *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).

affected parties are considered.[34] This is commonly referred to as the "affirmative public benefits test."[35] 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."[36]

OCA noted a recent Pennsylvania Supreme Court decision, in *Lawrence v. Pa. Pub. Util. Comm'n,* 348 A.3d 108 (Pa. 2025), in which the Supreme Court affirmed that the traditional affirmative public benefits test for Section 1102 and 1103 cases, established in *City of York v. Pa. Pub. Util. Comm'n,* 295 A.2d. 825, 828*,* applies to Section 1329 cases. The Commission must 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.[37] 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.[38]

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34 *Application of CMV Sewage Co., Inc.*, 2008 PaPUC LEXIS 950, *30 (Dec. 18, 2008) (*CMV*).

35 *See Popowsky* at 937 A.2d at 1052-53.

36 *Application of North Heidelberg Water Co.*, 2010 PaPUC LEXIS 919, *20 (June 7, 2010).

37 *City of York v. Pa. Pub. Util. Comm'n,* 295 A.2d 825, 828 (Pa. 1972).

38 *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)).

OCA asserted this judicial standard must be met in all acquisitions proposed by Commission-regulated utility companies. Recently, in *PA-American Water Co. v. Pa. Pub. Util. Comm'n*, 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." [39]

The Commonwealth Court, in *Middletown*[40], 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.[41] 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 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."[42] The Court added that "the primary objective of the law in this area is to serve the interests of the public."[43]

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[39] *PA- American Water Co. v. Pa. Pub. Util. Comm'n*, 356 C.D. 2024 at 10.

[40] *Middletown Township v. Pa. Pub. Util. Comm'n*, 482 A.2d 674 (Pa. Cmwlth. Ct. 1984) (*Middletown*),

[41] *Id.* at 678.

[42] *Id.* at 682 (emphasis in original).

[43] *Id.*; *see also Popowsky*, 937 A.2d at 1057.

VII. DISCUSSION OF ISSUES BY JOINT PETITIONERS

A. Evidence of Affirmative Public Benefits

1. PAWC

PAWC acknowledges the Joint Petitioners request, as part of the Settlement, that the Commission approve the Application.[44] PAWC reports that among other things, the Application seeks certificates of public convenience ("Certificates") pursuant to 66 Pa. C.S. § 1102(a)(1) and 1102(a)(3). PAWC notes 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."[45] PAWC reports that in granting a Certificate, the Commission may impose such conditions as it deems just and reasonable.[46]

PAWC states that approval of the Application, as modified by the Settlement, by the Commission is in the public interest because it is consistent with Section 1103, 66 Pa.C.S. § 1103. PAWC notes Section 1103 requires that the Applicant demonstrate that it is technically, financially, and legally fit to own and operate the System.[47] PAWC reports that as a certificated public utility, it enjoys a rebuttable

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[44] Settlement ¶ 24.

[45] 66 Pa. C.S. § 1103(a).

[46] *Id.*

[47] *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).

presumption that it possesses the requisite fitness,[48] and no party attempted to rebut the presumption that PAWC is legally, technically and financially fit.[49]

PAWC further notes that Section 1103, 66 Pa.C.S. § 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."[50] PAWC states an acquisition provides an affirmative public benefit if the benefits of the transaction outweigh the adverse impacts of the transaction,[51] and notes that "[m]erely 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."[52] PAWC further asserts that "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."[53]

PAWC argues the evidence of record clearly demonstrates that the Transaction affirmatively benefits the public and provides several arguments in support of its argument. First, PAWC asserts the Transaction achieves the General Assembly's goals when it enacted Section 1329,[54] and notes that the Commission has recognized that

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48 *South Hills Movers, Inc. v. Pa. Pub. Ut/l. Comm'n*, 601 A.2d 1308, 1310 (Pa. Cmwlth. 1992).

49 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.

50 *City of York v. Pa. Pub. Ut/l. Comm'n,* 295 A.2d 825, 828 (Pa. 1972).

51 *Application of CMV Sewage Co., Inc*., 2008 Pa. PUC LEXIS 950.

52 *Lawrence v. Pa. PUC*, 348 A.3d 108, 129-130 (2025).

53 *Id.* at 131.

54 *Id.*

Section 1329 reflects a legislative determination that fair market value acquisitions of municipal water and wastewater systems further the public interest.[55]

Second, PAWC avers 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.[56] PAWC asserts 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. PAWC notes that in this case, the seller will cease to exist because ICVWA will be dissolved at or shortly after closing on the Transaction ("Closing").[57]

PAWC states the Authority's System is connected to PAWC's Connellsville District.[58] PAWC notes the System will become part of PAWC's Uniontown/Connellsville operations area and be integrated overall into PAWC's Southwest PA regional operations. PAWC asserts 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.[59]

Third, PAWC submits that the Transaction affirmatively benefits the public in a substantial way by promoting the people's right to a clean environment. PAWC notes

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55 *See Implementation of Section 1329 of the Public Utility Code – Tentative Implementation Order*, Docket No. M-2016-2543193 (Order entered July 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.

56 52 Pa. Code § 69.721(a).

57 PAWC St. No. 1 at 12; ICVWA St. No. 1 at 3.

58 PAWC St. No. 2 at 6.

59 *Id.* at 5.

that 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." PAWC asserts this provision limits the Commonwealth's power to act contrary to the people's right to a clean environment.[60] PAWC argues the Transaction implicates this portion of the ERA because ICVWA has had environmental challenges for some time that it has been unable to rectify. PAWC notes 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.

PAWC asserts the Authority has numerous and persistent instances of non-compliance with the regulations promulgated under Pennsylvania's Safe Drinking Water Act ("SDWA").[61] PAWC reports 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.[62] PAWC states 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.[63] PAWC avers 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.[64]

PAWC avers the Authority's record of environmental non-compliance and deferred maintenance spans decades and consists of significant deficiencies well beyond

[60] *Pennsylvania Env'l Defense Foundation v. Comm.,* 161 A.3d 911, 931 (Pa. 2017) ("PEDF").

[61] 35 P.S. §§ 721.1-721.17

[62] PAWC St. No. 2 at 8. 60.

[63] PAWC St. No. 2 at 8.

[64] *Id.*

the standard maintenance on an aging system.[65] PAWC states 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.[66] PAWC reports 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.[67]

Another particularly concerning example of the Authority's persistent record of environmental non-compliance, according to PAWC, is the continued violations at the Grimm Spring treatment facility. PAWC notes that 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.[68] PAWC asserts public water systems were given one year to upgrade their facilities to comply with the new regulation.[69] PAWC notes ICVWA missed the compliance deadline, but eventually designed the necessary improvements and obtained a Water Supply Construction permit for the project on February 9, 2022.[70] However, PAWC reports, construction on the project was never initiated, and the system remains out of compliance.[71]

PAWC submits ICVWA's other environmental violations are also concerning. PAWC states the Authority has received numerous "failure to monitor/report violations," including a recent serious violation for "Chronic Failure to Monitor."[72] PAWC states this violation means that there is no way for the Authority to confirm the

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65 PAWC St. 2 at 10; PAWC St. 2-R at 2.

66 PAWC St. No. 2 at 14

67 *Id.*

68 PAWC St. No. 2 at 11.

69 *Id.*

70 *Id.*

71 *Id.*

72 PAWC St. No. 2 at 11.

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.[73] PAWC notes that 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.

Furthermore, PAWC avers that on top of the initial violations, the Authority has repeatedly been cited by DEP for failure to issue public notifications of violations.[74] PAWC states that 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.[75]

PAWC asserts the Authority does not anticipate that its environmental compliance will substantially improve. PAWC states accumulated deferred maintenance obligations, increasing regulatory compliance obligations as well as increasing staffing, materials, and contractor costs "make the provision of adequate water service difficult for the Authority now and likely impossible in the future."[76] PAWC argues 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. PAWC notes the Authority has attempted to replace Mr. Witt multiple times but failed to attract and retain a qualified successor.[77] PAWC asserts 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

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73 *Id.*
74 PAWC St. No. 2 at 9; 12.
75 PAWC St. No. 2 at 12.
76 ICVWA St. 1-R at 3-4; *see also* PAWC St. No. 2-R at 4-5.
77 ICVWA St. No. 1-R at 4.

intermittent nature of consultant services compared to the continuous oversight afforded by an employed general manager.[78]

PAWC reports that contrary to ICVWA's history of deferred maintenance and environmental violations, it 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.[79] PAWC asserts the record is clear that PAWC has a five-year capital plan that calls for investing $10.1 million in the System.[80] PAWC also argues 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.[81]

Fourth, PAWC asserts the Transaction affirmatively benefits the public in a substantial way because it benefits the seller, area municipalities, and their residents. PAWC avers that 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.[82] PAWC states that instead, ICVWA will receive $32,800,000 from selling the System. PAWC notes 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.[83]

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78 *Id.*
79 PAWC St. No. 2 at 15; Tr. 204.
80 PAWC St. No. 1 p. 15.
81 PAWC St. No. 2 at 12.
82 ICVWA St. No. 1 at 4.
83 PAWC Exhibit TJB-1, Application, at 11; ICVWA St. No. 1 at 4.

PAWC states that after Closing, ICVWA will be dissolved and any remaining assets will be conveyed to Saltlick and Springfield Townships (the "Townships").[84] PAWC reports proceeds from the sale of the assets will aid in stabilizing Saltlick Township's and Springfield Township's respective tax bases.[85] PAWC asserts that 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.[86]

Fifth, PAWC argues the Transaction affirmatively benefits the public in a substantial way because it benefits PAWC as the buyer of the System. PAWC notes it is acquiring the System at a purchase price less than its fair market value, according to two appraisals by two different utility valuation experts ("UVE"). PAWC argues purchasing the System for less than it is worth is a significant benefit for PAWC.

PAWC avers the Transaction makes PAWC a larger company, as PAWC would acquire about 2,389 customers,[87] and the Transaction also allows PAWC to increase its efficiency. PAWC states that because the System is near its existing Connellsville and Uniontown water systems, the three systems can readily share personnel and equipment, allowing all of the systems to operate more efficiently.[88]

Sixth, PAWC asserts the Transaction affirmatively benefits the public in a substantial way because it benefits PAWC's water customers, and expands PAWC's water customer base, allowing the costs of operating PAWC's water system to be shared among

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84 ICVWA St. No. 1 at 3.
85 PAWC St. No. 1 at 17; ICVWA St. No. 1 at 4.
86 ICVWA St. No. 1 at 9.
87 ICVWA, St. No. 1 at 4.
88 PAWC St. No. 2 at 4.

more customers. PAWC avers this helps keep rates stable for all PAWC water customers.[89]

Seventh, PAWC reports the Transaction affirmatively benefits the public in a substantial way because it benefits ICVWA's customers. According to PAWC, ICVWA's customers benefit in the following ways:

- 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.[90]

- 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. 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 day a week, which increases customer response time after hours, on weekends, and during holidays.[91]

- Addressing environmental violations, including the Grimm Spring Plant violations and the Mill Run plant design deficiencies, will protect customers' water quality. [92]

- After Closing, ICVWA's low-income customers will have access to PAWC's customer assistance programs ("CAPs").[93]

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89 PAWC St. No. 1 at 17.
90 PAWC St. No. 2 at 17-18; ICVWA St. No. 1 at 3.
91 PAWC St. No. 2 at 23.
92 *Id.* at 15.
93 *Id.* at 24.

- 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.[94]

- PAWC has cyber and physical security plans, emergency response plans and a business continuity plan. ICVWA does not have similar plans in place.[95]

- PAWC is a member in good standing of the Pennsylvania Water/Wastewater Agency Response Network ("PaWARN"), whereas ICVWA is not a member of PaWARN. [96]

PAWC notes its above list of seven significant affirmative public benefits is not intended to be comprehensive, as the Transaction benefits the public in many additional ways. PAWC gives the example that it offers more flexible payment methods for customers. PAWC notes 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. PAWC asserts they can also pay in-person at multiple local authorized payment locations. PAWC reports the Authority only accepts payments by cash, check, or money order.[97]

PAWC states the Commission is required to consider, at least in a general way, the impact of the Transaction on rates.[98] PAWC avers the Transaction will have no immediate impact on rates. PAWC notes that its customers' rates will not be affected by the Transaction until the first base rate case in which the System's assets are included,[99] and PAWC will implement ICVWA's rates in effect as of Closing.[100] PAWC states that

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94 *Id.* at 9.
95 *Id.* at 19-20.
96 *Id.* at 21.
97 PAWC St. No. 2 at 23-24; ICVWA St. No. 1 at 10.
98 *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).
99 PAWC St. No. 1 at 13; PAWC St. No. 3 at 7 8.
100 *Id.*

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. [101] PAWC asserts 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. PAWC emphasizes that the Commission is required to set rates that are "just and reasonable,"[102] and has many tools for achieving this objective that are unavailable to ICVWA, including allocating costs across its broad customer base.[103]

PAWC avers that 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.[104] PAWC reports that by 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.[105]

PAWC acknowledges it 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%).[106] PAWC reports that as discussed in detail below, the Settlement includes provisions that will substantially reduce the aforementioned rate impact of the Transaction for ICVWA's customers. PAWC argues that among other things, it does not intend to recover the System's costs solely from ICVWA customers and will instead spread these costs across its broader rate base.[107]

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101 *Id.*
102 66 Pa. C.S. § 1301.
103 PAWC St. No. 1 at 17.
104 ICVWA St. No. 1-R at 5-6.
105 PAWC St. No. 3-R at 3.
106 PAWC St. No. 3 at 10.
107 PAWC St. No. 1 at 17.

PAWC submits that 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.[108] PAWC notes 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%).[109] PAWC asserts these estimates will be affected by the provisions of the Settlement, as discussed below. PAWC argues that 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, 66 Pa.C.S. § 1329. PAWC further reports that the General Assembly must have determined that rate increases due to the use of this methodology are acceptable as a matter of public policy. PAWC avers that 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.

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

2. Indian Creek Valley Water Authority

ICVWA reported that the Joint Petition is supported by affirmative public benefits for the following reasons:

> a. As a result of the Joint Petition, expenses incurred by the Joint Petitioners and the Commission for completing this proceeding will be substantially less than they would have been if the proceeding had been fully litigated.

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108 66 Pa. C.S. § 1301.

109 PAWC St. No. 3 at 10.

> b. Uncertainties regarding further expenses associated with possible appeals from the final order of the Commission are avoided as a result of the Joint Petition.
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> c. The Joint Petition reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding.
>
> d. The Joint Petition is presented without prejudice to any position any party may advance in future proceedings involving the Authority.

ICVWA further noted it adopted the provisions of PAWC's Statement in Support regarding public interest benefits resulting from approval of the Settlement.

3. OCA

OCA submits the Settlement is supported by substantial evidence, in the public interest, and should be approved by the Commission without modification. OCA avers 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. OCA asserts PAWC has both the legal and technical fitness to provide service to the ICVWA customers. OCA further notes PAWC is one of largest water providers in the Commonwealth and has the technical and financial ability to improve the ICVWA System. OCA states that 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."[110] OCA further reports Dr. Chard testified that there would be "no immediate impact on the rates of PAWC's current customers"[111] and the transaction "will not deteriorate in any manner PAWC's ability to continue to provide safe, adequate, and reasonable service to its existing customers at just

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[110] PAWC St. 3 at 3.
[111] *Id*. at 8.

and reasonable rates."[112] Finally, OCA asserts the transaction will benefit existing PAWC customers by adding an additional 2,389 water customers into the PAWC network creating economies of scale.[113] OCA avers 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.[114]

OCA asserts the public is desirous of this acquisition. OCA submits that 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.[115] OCA further notes that Ms. Marshall stated that many people in the community do not have potable water due to the abandoned mines in the area.[116] OCA also reports that at the in person public input hearing Mr. Mark Brown testified "…I am totally for the sale of the water company. I believe that's going to benefit all of us."[117] OCA notes 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. [118] OCA states the community voiced its approval and desire for ICVWA to be acquired by PAWC during the various public input hearings. 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.

OCA reports that several consumers also testified to the need to extend service lines and the inability of the current authority to provide much needed service.

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112 *Id*. at 5.
113 PAWC St. 1-R at 3.
114 *Id*.
115 Tr. at 56.
116 *Id*. at 56-57.
117 *Id*. at 100.
118 Tr. at 104.

OCA states Mr. Miner, a representative from Springfield Township, which is one of the communities serviced by ICVWA, stated that the reason the representatives agreed to sell ICVWA "was to replace water lines and get new water lines in our townships."[119] OCA notes 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 no option but to sell and move on."[120] Mr. Miner further stated "[W]e have blacktop roads right now and people don't have water."[121] 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…"[122]

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.[123] OCA reports 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. OCA

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119 *Id*. at 88.
120 Tr. at 89.
121 *Id*. at 89.
122 Tr. at 104.
123 Tr. at 53-54.

submits that many of the terms of the Settlement were negotiated to ensure that the public benefit from this acquisition.

B. Settlement Terms

1. PAWC

PAWC asserts the Commission should approve the acquisition request and explains its positions on specific terms of the Settlement as set forth below.

a. Tariff and Rates

PAWC notes the Joint Petitioners request that the Commission approve the *pro forma* tariff found at Appendix A-12 of the Application as part of the Settlement. PAWC asserts 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.

Additionally, PAWC states 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. PAWC asserts 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.[124] PAWC avers that in contrast, the Settlement provides that, in the first base rate case 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 average water

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

rates.[125] PAWC argues that 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.[126] Furthermore, PAWC notes 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.[127] PAWC avers the Settlement also permits any Joint Petitioners to assert any position or raise any issue in a future PAWC base rate proceeding.[128] PAWC notes these provisions are compliant with the Public Utility Code, consistent with previous Commission decisions in Section 1329 proceedings, and represent a reasonable compromise among the Joint Petitioners. PAWC asserts they are in the public interest and should be approved.

b. Fair Market Value for Ratemaking Purposes

PAWC notes that PAWC and ICVWA agreed to use the procedure in Section 1329 for the Transaction. PAWC submits that 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. PAWC explains that in such a procedure, the buyer and seller each obtain an appraisal of the system by a Commission-approved UVE. PAWC states 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). PAWC further

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125 Settlement ¶ 27a.
126 Tr. 214.
127 *Id.* at ¶ 27b.
128 *Id.* at ¶ 27d.

notes 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.

PAWC argues that 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).[129] PAWC asserts that the Joint Petitioners fully and thoroughly evaluated the UVEs' appraisals through discovery, testimony, and exhibits, and notes that parties raised challenges to the UVE valuations, which were addressed on the record.

PAWC reports that 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.[130] PAWC states that as addressed on the record in this proceeding, Section 1327 of the Public Utility Code, 66 Pa.C.S. § 1327, allows for acquisition premiums for sales of distressed water and wastewater systems; however, Section 1329, which is the Public Utility Code section at issue, does not incorporate the concept of an acquisition premium at all.[131]

PAWC also reports that OCA witness David Garrett proposed adjustments to PAWC and ICVWA's appraisals and recommended the Commission approve a ratemaking rate base in the amount of $27,036,188.[132] PAWC notes Mr. Garrett did not perform an appraisal of the ICVWA water system assets,[133] and instead he proposed a new market approach to valuation, a new cost approach to valuation, and a new income

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129 PAWC St. No. 3 at 5.
130 OSBA St. No. 1 at 14.
131 PAWC St. No. 3 at 6.
132 OCA St. No. 1 at 29.
133 Tr. at 260.

approach to valuation, which he used to adjust the UVEs' fair market value appraisals.[134] PAWC argues the record in this proceeding amply 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 supersede by authorizing the Fair Market Value ("FMV") framework defined in Section 1329.[135]

PAWC reports 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."[136] PAWC asserts 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.[137] Accordingly, PAWC states the valuation methodologies proposed by Mr. Garrett in this proceeding have never been accepted by the Commission in a Section 1329 Proceeding.[138]

PAWC avers the rate base agreed to by the Joint Petitioners meets the public interest because it complies with the FMV formula established by Section 1329 of the Code.

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134 *Id.*

135 Tr. 264-266.

136 *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").

137 *Id.*

138 Tr. at 264.

c. DSIC/LTIIP

PAWC notes that 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 in which the System's plant-in-service is incorporated into PAWC's rate base.[139] PAWC argues that the Transaction, as modified by the Settlement, is in the public interest because the Settlement includes consumer safeguards with respect to DSIC implementation. PAWC lists multiple purported safeguards in relation to this argument. First, PAWC states the Settlement prohibits PAWC from including System-related investments in its DSIC until it starts collecting the DSIC from System customers.[140] PAWC notes this provision protects existing PAWC customers from fully funding System-related improvements; ICVWA customers will need to help pay for those improvements. Second, PAWC states 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.[141] PAWC argues the Transaction, as modified by the DSIC provisions in the Settlement, is reasonable and in the public interest and should, therefore, be approved.

d. Claims for AFUDC and Deferred Depreciation

PAWC notes that section 1329(f)(1) of the Public Utility 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

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[139] Application at 2-3.
[140] Settlement ¶ 30.
[141] *Id.*

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 asset is included in the acquiring utility's next base rate case. PAWC reports that in the Application, PAWC requested permission to accrue AFUDC on post-acquisition improvements that are not included in a DSIC.[142] PAWC asserts 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.[143]

PAWC further reports that Section 1329(f)(2) of the Public Utility 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. PAWC avers that in the Application, PAWC requested permission to defer depreciation on post-acquisition improvements that are not included in a DSIC. PAWC argues 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.[144] PAWC asserts these provisions are reasonable, in the public interest, and should be approved.

e. Closing

PAWC notes the Settlement prohibits PAWC and ICVWA from Closing until the Commission's order approving the Transaction is final and unappealable.[145] PAWC argues that this provision recognizes that Commission approval of the Transaction is necessary for PAWC and ICVWA to Close. PAWC also reports PAWC and ICVWA commit not to Close until the Commission's order is considered unappealable.

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142 Application at 2-3

143 Settlement ¶ 31.

144 *Id.* at ¶ 30.

145 *Id.* at ¶ 32.

f. Transaction and Closing Costs

PAWC notes Section 1329(d)(1)(iv) of the Public Utility 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. PAWC asserts that 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.[146] PAWC states that 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.[147] PAWC notes the Commission will adjudicate the ratemaking treatment of PAWC's claimed transaction and closing costs at that time.

PAWC reports 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.[148] PAWC further reports that 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.[149] PAWC argues 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.

[146] 2016 Final Implementation Order at 14.
[147] Settlement ¶ 33.
[148] *Id.*
[149] *Id.* ¶¶ 32-34

g. Section 507 Approvals

PAWC notes Section 507 of the Public Utility 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. PAWC asserts 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.

PAWC asserts that 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).

PAWC asserts these agreements are necessary to allow PAWC to provide service to the service territory currently served by the System. PAWC argues that as a result, the approval of these agreements is reasonable and in the public interest.

h. Proposed Conditions for Approval

i. Cost of Service Studies

PAWC asserts that 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.[150] PAWC argues these provisions are similar to provisions included in several

[150] Settlement ¶¶ 37 and 38.

other settlements of Section 1329 proceedings involving PAWC.[151] PAWC avers they are reasonable, in the public interest, and should be approved.

ii. Customer Assistance Programs

PAWC notes the Settlement provides that ICVWA's customers will become eligible for all PAWC payment options and customer programs immediately after Closing.[152] PAWC reports that currently, ICVWA has no low-income customer service programs.[153] PAWC avers this provision is in the public interest because it ensures that the Transaction will provide benefits currently unavailable to ICVWA customers.

PAWC reports that 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.[154] PAWC asserts 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.[155] PAWC states that the Settlement also requires that PAWC provide ongoing, targeted outreach to the ICVWA-area water customers regarding PAWC's CAP.[156] PAWC argues 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.

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151 *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).

152 Settlement ¶ 39.

153 PAWC St. No. 2 at 24-25

154 OCA St. 2 at 32.

155 Settlement ¶ 40.

156 *Id. at* ¶ 41.

PAWC further notes that OCA's Direct Testimony recommended a reporting requirement to help determine whether ICVWA's low-income customers are in fact participating in PAWC's low-income programs.[157] PAWC reports 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. PAWC states this information will be presented semi-annually to PAWC's Customer Assistance Advisory Group. PAWC avers this information, as available at the time, will also be presented in PAWC's first base rate case that includes the ICVWA System.[158] PAWC argues 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. PAWC further notes that PAWC has a Hardship Fund to which it currently contributes a minimum of $1,450,000 annually.[159] PAWC reports that among other things, this fund provides grants to low-income water and wastewater customers.[160] PAWC states that in the Settlement, it agrees to contribute an additional $20,000 to this fund annually over a five-year period.[161] PAWC argues 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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[157] 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.

[158] Settlement ¶ 42.

[159] PAWC St. No. 3-R p. 12.

[160] *Id.*

[161] Settlement ¶ 43.

iii. Line Extensions

PAWC reports that 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.[162] PAWC notes that 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.[163] PAWC asserts that 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.[164]

PAWC further notes that 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).[165] PAWC states 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.

iv. Easements

PAWC reports the Settlement addresses easements, which it states were a contested issue in this proceeding, by simply acknowledging the provisions in the APA

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[162] Tr. 56, 104 113, 115, 119-120, 154, 164-165.
[163] Settlement ¶ 44.
[164] *Id.*
[165] Settlement ¶ 45.

regarding easements. PAWC gives the example that 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.[166] PAWC argues 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.

2. Indian Creek Valley Water Authority

ICVWA provided no independent statements in support in relation to specific settlement terms but stated it joins and incorporates by reference the portions of PAWC's Statement in Support related to the specific Settlement terms.[167]

3. OCA

OCA asserts the Commission should approve the acquisition request, and its positions on specific terms of the Settlement are set forth below.

a. Tariff and Rates

OCA notes that it raised several issues in its direct testimony regarding the rates that ICVWA customers might be charged following an acquisition by PAWC. OCA states its 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."[168] OCA asserts that future rate increases could lead

166 *Id.* at ¶ 46.
167 ICVWA St. 4 at 11.
168 OCA St. 2 at 11.

to additionally increased rates.[169] OCA reports 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…"[170] OCA avers the impact on ICVWA customers was further clarified by PAWC during the evidentiary hearing.[171] OCA asserts 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.[172] OCA notes Mr. DeGrazia also testified that "PAWC will seek to moderate the rate impact to Indian Creek Valley Water Authority customers."[173]

OCA submits that 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.[174] OCA emphasizes that 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.[175] OCA asserts this agreement alleviates concerns raised by OCA witness Wise in her direct testimony and supports PAWC's witness statements provided at the evidentiary hearing.[176] OCA notes the Settlement also benefits the public as it endeavors to avoid rate shock to customers by gradually changing the rates currently paid to ICVWA. OCA argues these terms benefit consumers and serve the public interest

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169 *Id*.
170 PAWC St. 3-R at 3.
171 See Tr. at 213-214.
172 *Id*.
173 *Id*. at 214.
174 Settlement at ¶ 25.
175 *Id at* ¶ 27.
176 OCA St. 2 at 11.

because they limit rate increases. OCA submits that these provisions provide a benefit to consumers and the public interest overall.

b. Fair Market Value for Ratemaking Purposes

OCA notes that its witness David Garrett provided testimony regarding the Fair Market Value of Indian Creek Valley Water Authority as conducted by both PAWC and Indian Creek Valley Water Authority. OCA reports Mr. Garrett found that certain assumptions made by both PAWC and Indian Creek Valley Water Authority lead to unreasonably high valuations.[177] OCA states Mr. Garrett provided his own proposed adjustments which resulted in an appraisal of $27,036,188.[178] OCA avers that 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.[179] OCA asserts PAWC may record the acquisition of the net value of the assets, consistent with generally accepted accounting principles.[180]

OCA argues that the agreed upon Fair Market Value of the System is in the best interests of public. OCA notes that 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. OCA further states that other elements of the Settlement provide the public with substantial benefits, including line extensions and low-income customer provisions. OCA reports consumers testified at the public input hearings to their desire to have the system acquired by PAWC.[181] OCA avers Township representatives from two of the townships serviced by ICVWA Springfield and Saltlick, stated that the

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177 OCA St. 1 at 28.
178 *Id*. at 29.
179 Settlement at ¶ 28.
180 *Id at* ¶ 29.
181 See Tr. at 56-57, 100, 104.

proceeds of the sale are not the determining factor rather it was obtaining funds and ability to provide the community with water service. OCA emphasizes that 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."[182] Also, OCA notes 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."[183]

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.

c. DSIC/LTIIP

OCA notes that during direct testimony, its witness, Ms. Wise, testified to OCA's concerns regarding the DSIC. OCA states 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.[184] OCA further reports Ms. Wise testified that "PAWC does not commit to ***when*** it will file an amended LTIIP…" to incorporate the Indian Creek Valley Water Authority System into the larger PAWC system.[185] OCA states that 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. OCA reports that in the Settlement agreement, PAWC committed to not include a DSIC until PAWC can collect a DSIC from System

182 Tr. at 88.
183 Tr. at 119.
184 OCA St. 2 at 36.
185 OCA St. 2 at 36. (emphasis in the original).

customers.[186] OCA notes 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, 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.[187] OCA submits that the Settlement will benefit both PAWC and ICVWA customers.

d. Claims for AFUDC and Deferred Depreciation

OCA notes it did not provide direct or surrebuttal testimony on this issue. OCA asserts 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.[188] OCA states these will both be addressed during the next base rates case.[189]

e. Closing

OCA submits that there is a substantial public benefit for the closing of this transaction and the acquisition of the ICVWA by PAWC. OCA notes that not only does

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[186] Settlement at ¶ 30.
[187] *Id*.
[188] Settlement at ¶ 31.
[189]. *Id*.

the community desire this acquisition, ICVWA is not able to provide water service at the same level as PAWC to its customers. OCA further asserts that allowing PAWC to acquire ICVWA would provide much needed water service in the community as well as funds for potential line expansions.[190] OCA states the closing will not take place sooner than the date of a final, unappealable, order of the Commission approving the application.[191] OCA clarifies that if the Transaction does not close, the parties may address the recovery of costs during the next base rate case.[192]

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

f. Transaction and Closing Costs

OCA notes 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). OCA avers 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. OCA states 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."[193] OCA reports its witness Wise

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190 *See* Tr. at 56-57, 88-89, 100, 104, 119.

191 Settlement at ¶ 32.

192 *Id*.

193 *See* Application at Appendix A-10 Buyer transaction and closing costs. *See also*, OCA St. 2 at 34.

provided recommendations regarding PAWC's transaction and closing costs in her direct testimony.

OCA asserts that 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.[194]

OCA reports Ms. Wise also 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.[195]

OCA notes that 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."[196] The OCA posits that the recommendations from Ms. Wise are not additional compliance obligations but are meant as aids to PAWC in determining which transaction and closing costs are able to be recovered. OCA submits that its recommendations should be accepted by the Commission in any acquisition of Indian Creek Valley Water Authority by PAWC.

OCA states the Application contains a request from PAWC for permission to claim transaction and closing costs associated with acquiring the ICVWA System.[197]

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194 OCA St. 2 at 34.
195 *Id*.
196 PAWC St. 3-R at 7.
197 Settlement at ¶ 33.

OCA notes the Joint Petitioners are reserving the right to litigate their positions fully in future rate cases when this issue is ripe for review. OCA reports that by assenting to these terms, Joint Petitioners are not assenting to this term.[198] OCA states 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.[199]

OCA argues 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. OCA notes these Settlement provisions are in the public interest and should be adopted by the Commission.

g. Section 507 Approvals

OCA notes it did not address these issues in testimony, but they comprise the agreements for how the settlement will be achieved. OCA reports it 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;

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198 *Id*.

199 *Id.* at ¶ 33.

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;

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.[200]

[200] 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.

h. Proposed Conditions for Approval

i. Cost of Service Studies

OCA notes its 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."[201] OCA states 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.[202]

OCA reports that Dr. Chard's testimony indicates PAWC will provide a separate cost of service study for the System as it has previously done with other 1329 acquisitions.[203] OCA notes it recommends that based on the above, in order to acquire Indian Creek Valley Water Authority, the Commission should require that PAWC file a water cost of service study removing all costs and revenues from Indian Creek Valley Water Authority in its next base rate case. OCA states that in the agreed Settlement,

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201 OCA St. 2 at 35.
202 OCA St. 2 at 35-36.
203 PAWC St. 3-R at 8.

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.[204]

OCA further notes that 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.[205]

OCA asserts 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. OCA submits that this provision of the Settlement should be approved as it is in the public interest.

ii. 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 notes its 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."[206] OCA reports PAWC has agreed that immediately following closing the System's customers will become eligible for all of PAWC's payment options and

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204 Settlement at ¶ 37-38.
205 *Id.*
206 OCA St. 2 at 14.

customer programs.[207] OCA further notes that 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.[208] OCA avers PAWC has committed to ongoing targeted outreach to ICVWA customers.[209] OCA asserts that the Settlement terms and conditions as stated above provide benefits to the ICVWA customers. OCA argues that 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.

OCA further states that 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.[210] OCA reports 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.[211] OCA notes that 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.[212]

OCA avers 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. OCA further

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207 Settlement at¶ 39.
208 *Id* at ¶ 40.
209 *Id*.
210 *Id* at ¶ 41.
211 Settlement at ¶ 41.
212 *Id*.

argues these enhancements to PAWC's welcome letter are in the public interest and should be adopted by the Commission.

OCA also notes 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.[213] OCA asserts PAWC has agreed to contribute $20,000 annually to its H20 Help hardship fund for five years.[214] OCA argues that 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.

iii. Line Extensions

OCA notes it did not provide direct or surrebuttal testimony on the issue of line extensions. OCA submits, however, that substantial testimony was provided during the public input hearings regarding the need for line extensions.[215] OCA reports many consumers testified to their desire to have PAWC take the system and extend the service lines.[216] OCA argues 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. OCA reiterates that both Saltlick Township and Springfield Township as well as various consumers provided testimony regarding the need for water line expansion in parts of community. OCA avers 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.[217] OCA reports Mr. Kinner

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213 Settlement at ¶ 42.
214 *Id*. at ¶ 43.
215 Tr. at 56; 88-89; 165-166; 168.
216 *Id*.
217 Tr. at 121.

discussed the need to replace water softener filters every two months and orange build up on his filters.[218] OCA further reports Mr. Kinner stated that despite his treatment system "I still have doubts with the water going through that orange, you know, to drink it safely."[219] OCA notes 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. [220] OCA further asserts 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.[221] OCA submits that to improve these conditions it would be beneficial for PAWC to acquire ICVWA.

OCA reports that 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."[222] OCA notes PAWC further agreed to host a collaborative stakeholder meeting to solicit comments on the draft study.[223] OCA asserts 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.[224] OCA states 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.[225] OCA reports 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

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218 *Id*. at 104.
219 *Id*.
220 *See* Tr. at 53-54.
221 *Id*.
222 Settlement at ¶ 44.
223 *Id*.
224 *Id*.
225 Settlement at ¶ 45.

contribution in aid of construction.[226] OCA further states 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.[227]

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

iv. Easements

OCA reports its witness Wise stated in her direct testimony that "Securing land rights across the entire system is essential for timely maintenance and emergency response."[228] OCA notes 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."[229]

OCA notes that 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.[230] OCA reports the APA also requires ICVWA to commence condemnation proceedings to obtain all missing easements that it can, prior to

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226 *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

227 Settlement at ¶ 45.

228 OCA St. 2 at 39.

229 OCA St. 2 at 39.

230 Settlement at ¶ 46.

Closing.[231] OCA asserts 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.[232] OCA avers ICVWA is required to diligently pursue the missing easements for two years after Closing.[233] OCA states that 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.[234]

OCA argues 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.

C. Conclusions

1. PAWC

PAWC reports that 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. PAWC submits the Settlement is the result of detailed examinations of the Transaction, discovery responses, evidence that was entered into the record, and extensive settlement negotiations. PAWC states that a fair and reasonable compromise has been achieved in this case. PAWC submits that it fully supports the Settlement and urges the ALJs and the Commission to approve it without modification.

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[231] *Id.*
[232] *Id.*
[233] *Id.*
[234] Settlement at ¶ 46.

2. Indian Creek Valley Water Authority

ICVWA requests that the Administrative Law Judges and the Pennsylvania Public Utility Commission approve the Joint Petition for Approval of Unanimous Settlement of All Issues without modification.

3. OCA

OCA submits that the terms and conditions of the Settlement should be approved as in the public interest.

VIII. DISCUSSION OF ISSUES BY PRESIDING OFFICERS

PAWC requests approval[235] 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, pursuant to Section 1329(c)(2) of the Public Utility Code[236]; 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, pursuant to Section 1102 of the Public Utility Code.[237]

Further, PAWC requests approval of the Asset Purchase Agreement (APA) dated May 30, 2025, as well as other municipal agreements pursuant to Section 507 of

[235] 66 Pa.C.S. §§ 102(a) and 1329.
[236] 66 Pa.C.S. § 1329(c)(2).
[237] 66 Pa.C.S. § 1102(a).

the Public Utility Code and requested that the Commission issue an Order and Certificate of Public Convenience approving and addressing the items requested in this Application.[238]

The signatories request the Commission take action on four specific and related requests: (1) approve PAWC's acquisition of the Indian Creek Valley Water Authority's water system assets; (2) approve PAWC's request for a Certificate of Public Convenience permitting PAWC to offer, render, furnish and supply water service 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; (3) approve the acquisition that includes the ratemaking rate base of the water system assets; and (4) grant PAWC's request for certificates of filing or approval of certain contracts.

The Commission must issue a Certificate of Public Convenience as a prerequisite to offering service, abandoning service, and certain property transfers by public utilities or their affiliated interests, and the standards for issuance are set forth in Sections 1102 and 1103 of the Public Utility Code. A Certificate of Public Convenience can be granted only if the Commission determines the grant of a certificate is necessary or proper for the service, accommodation, convenience or safety of the public, which standard requires an applicant to establish that a proposed transaction benefits the public, by promoting affirmatively, the service, accommodation, convenience or safety of the public in some substantial way with respect to the impact on all affected parties including existing customers.[239]

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[238] 66 Pa.C.S. § 507.
[239] *City of York v. Pa. Pub. Util. Comm'n*, 295 A.2d 825, 828 (Pa. 1972).

Further, an applicant for a Certificate of Public Convenience must demonstrate more than that the proposed transaction benefits the public, by promoting affirmatively, the service, accommodation, convenience or safety of the public in some substantial way – the applicant must show it is technically, financially, and legally fit to own and operate the acquired public utility assets.[240]

The law in Pennsylvania has been refined recently concerning applications brought pursuant to Section 1329 of the Public Utility Code. The Pennsylvania Supreme Court addressed the Commission's review under Section 1103 in *City of York*, where it considered a proposed merger of three telephone companies. Citing Section 203, the predecessor statute to Section 1103, the appellate court set forth the standard as follows:

> [s]ection [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.[241]

The objective of the law in this area is to serve the interests of the public."[242] To determine if an acquisition or merger is in the public interest, our Supreme Court has explained:

> [T]he Commission is not required to secure legally binding commitments or to quantify benefits where this may be impractical, burdensome, or impossible; rather, the PUC properly applies a preponderance of the evidence standard

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240 *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).

241 295 A.2d at 828.

242 *Id.*; *see also Popowsky*, 937 A.2d at 1057.

> to make factually-based determinations (including predictive ones informed by expert judgment) concerning certification matters.[243]

Even where the Commission finds sufficient public benefit to find that the granting of a certificate of public convenience is necessary or proper for the service, accommodation, convenience, or safety of the public without imposing any conditions, the Commission, nevertheless, has discretion to impose conditions which it deems to be just and reasonable. In an acquisition context when the Commission considers the public interest, it is contemplated that the benefits and detriments of the acquisition will be measured as they impact on all affected parties and not merely on one particular group or geographic subdivision.[244]

This standard was addressed by the Commonwealth Court in *Middletown Township v. Pennsylvania Public Utility Commission*, 482 A.2d 674 (Pa. Cmwlth. 1984) (*Middletown*). In *Middletown*, to acquire part of the facilities of the Newtown Artesian Water Company, Middletown Township filed an application for a Certificate of Public Convenience. In denying the application, the Commission concluded the acquisition would benefit some customers but would have an adverse impact on other customers. Middletown Township appealed to Commonwealth Court, which affirmed the Commission's decision rejecting the application stating, *inter alia*, that "when the 'public interest' is considered, it is contemplated that the benefits and 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."[245] The

243 *Popowsky v. Pa. Pub. Util. Comm'n*, 937 A.2d 1040, 1057 (Pa. 2007) (*Popowsky*); *see also*, 66 Pa.C.S. §1103(a).

244 *Middletown Twp. v. Pa. Pub. Util. Comm'n*, 482 A.2d 674 (Pa. Cmwlth. 1984).

245 482 A.2d at 682.

Court added that "the primary objective of the law in this area is to serve the interests of the public."[246]

Further, pursuant to Section 1103 of the Public Utility Code,[247] PAWC must show it possesses the technical, legal and financial capability to own and operate the assets it seeks to purchase from ICVWA.[248] However, it should be noted that, as a certificated public utility, PAWC benefits from a rebuttable presumption that it possesses such requisite fitness.[249]

Accordingly, the Commission can determine an acquisition provides an affirmative benefit if the benefits of the transaction outweigh the adverse impacts of that transaction.[250] To determine whether benefits meet this standard, the Commission may consider: "(1) the legal and technical fitness of the purchasing entity to provide service;

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246 *Middletown*; *see also Popowsky.*

247 "Every application for a certificate of public convenience shall be made to the commission in writing, be verified by oath or affirmation, and be in such form, and contain such information, as the commission may require by its regulations. A certificate of public convenience shall be granted by order of the commission, only 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. The commission, in granting such certificate, may impose such conditions as it may deem to be just and reasonable. In every case, the commission shall make a finding or determination in writing, stating whether or not its approval is granted. Any holder of a certificate of public convenience, exercising the authority conferred by such certificate, shall be deemed to have waived any and all objections to the terms and conditions of such certificate." 66 Pa.C.S. § 1103(a).

248 *Seaboard Tank Lines v. Pa. Pub. Util. Comm'n*, 502 A.2d 762 (Pa. Cmwlth. 1985); *Warminster Twp. Mun. Auth. v. Pa. Pub. Util. Comm'n*, 138 A.2d 240 (Pa. Super. 1958).

249 S*outh Hills Movers, Inc. v. Pa. Pub. Util. Comm'n*, 601 A.2d 1308 (Pa. Cmwlth. 1992).

250 *Application of CMV Sewage Co., Inc.*, 2008 Pa.P.U.C. LEXIS 950, *30 (2008) (CMV).

(2) the public need for service; (3) the inadequacy of the existing service; and (4) any other relevant evidence."[251]

Section 1329 sets forth a procedure which permits a public utility to utilize fair market valuation for ratemaking purposes instead of the original cost of construction of the acquired facilities minus the accumulated depreciation. Section 1329 addresses the valuation of the assets of municipal or authority-owned water and wastewater systems that are acquired by investor-owned water and wastewater utilities or entities. The acquiring utility is authorized to collect a Distribution System Improvement Charge (DSIC) and Section 1329 also enables a public utility or other acquiring entity's post-acquisition improvement costs not recovered through a DSIC to be deferred for book and ratemaking purposes. In sum, Section 1329 helps mitigate the risk that a utility will not be able to fully recover its investment when water or wastewater assets are acquired from a municipality or authority.

If the parties (i.e., the buyer, or the acquiring public utility, and seller) agree to the Section 1329 process, an "acquiring public utility" and the seller of the municipal system must each select a Utility Valuation Expert (UVE) from a list of such experts established and maintained by the Commission. The selected UVEs perform independent appraisals of the system to establish the fair market value of the assets and/or facilities to be acquired. Also, the acquiring public utility and the seller must select one licensed engineer who will conduct an assessment of the tangible assets of the seller which assessment is incorporated into the valuations of the UVEs.

After receiving the valuations, the acquiring public utility must apply for a certificate of public convenience under Section 1102 of the Public Utility Code and include the following as an attachment to the Section 1102 application: copies of the

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[251] *App. of N. Heidelberg Water Co.*, 2010 Pa.P.U.C. LEXIS 919, *20 (2010).

UVE appraisals; the agreed purchase price; the ratemaking rate base; the transaction and closing costs incurred by the acquiring public utility that will be included in its rate base; and a tariff containing a rate equal to the existing rates of the selling utility at the time of the acquisition and a rate stabilization plan, if applicable.[252] For applications involving an acquiring public entity under Section 1329(d)(1), the Commission has a six-month deadline for issuing a determination.

Herein, PAWC seeks additional approval of an Asset Purchase Agreement (APA) and other connected agreements pursuant to Section 507 of the Public Utility Code.[253] Section 507 requires that contracts between a public utility and a municipal corporation (except for contracts 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 allow the contract to take effect by operation of law as evidenced by issuing a certificate of filing, unless it decides to institute proceedings to determine whether there are any issues with the reasonableness, legality, or any other matter affecting the validity of the contract. Should the Commission initiate proceedings, the contract or agreement is not effective until the Commission grants its approval. Section 507 is a filing requirement and does not require service of the filing on any potentially interested party.

IX. RECOMMENDATION

The presiding officers recommend the Commission approve the Amended Application, except as modified by the Settlement, because PAWC presented sufficient evidence to sustain its burden of proving a substantial public benefit will result from the acquisition of the ICVWA system and the issuance of Certificates of Public Convenience,

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[252] 66 Pa.C.S. § 1329(d)(1).
[253] 66 Pa.C.S. § 507.

pursuant to 66 Pa.C.S. §§ 1102, 1103 and 1329. Further, the presiding officers recommend the Commission provide certificates of filing or approval for certain agreements, including the Asset Purchase Agreement, pursuant to 66 Pa.C.S. § 507.

a. Tariff and Rates (¶¶ 25-27)

PAWC notes the Joint Petitioners request that the Commission approve the pro forma tariff found at Appendix A-12 of the Application as part of the Settlement. PAWC asserts 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.

On January 13, 2026, PAWC filed at this docket an Amended Appendix A-12 that included, *inter alia*, revised Special Rates for Bulk Water Sales and for Pleasant Valley Water Authority. The same day, PAWC filed a response to a Commission Application Completeness Review Secretarial Letter that specified that the revised Special Rate for Bulk Water Sales clarifies that this rate is $19.00 per 1,000 gallons with a 2,000-gallon minimum. PAWC's response also identified that the revised Special Rate for Pleasant Valley Water Authority is equal to ICVWA's existing rates. This special rate includes a service charge that is equal to 32% of the standard service charge based on meter size and a usage charge of $1.70 per 100 gallons.

Since PAWC must charge rates after Closing that are equal to the seller's existing rates, the presiding officers recommend that the Settlement be modified so that the rates found in Amended Appendix A-12 are permitted to become effective.

b. Fair Market Value for Ratemaking Purposes (¶¶ 28-29)

PAWC and ICVWA elected to use the valuation procedure set forth in Section 1329 of the Public Utility Code for their transaction. PAWC's UVE determined an appraisal value of $38,688,711, and ICVWA's UVE determined an appraisal value of $40,785,895. The average of these appraisals is $39,737,303.[254] OCA witness Garrett proposed adjustments to PAWC and ICVWA appraisals and recommended the Commission approve a ratemaking rate base of $27,036,188. Under the Settlement, the parties agree that PAWC shall be permitted to use $32,800,000 as the ratemaking rate base, which is equal to the APA purchase price.

However, the presiding officers note that in comparing the depreciated original cost of $22,911,559 to the APA purchase price of $32,800,000, the purchase price represents a 43% fair market premium (FMP) over the depreciated original cost.[255,] Although the FMP appears to be reasonable when considering the reproduction or replacement valuations for the ICVWA system presented by both UVEs in this case, the purchase price concurrently appears misaligned based on the totality of the system's current condition and revenue requirement deficiency. Specifically, PAWC projected the need to invest $10,100,000 in its capital plan over the first five years following the acquisition to address numerous areas of the ICVWA system.[256]

Additionally, PAWC indicated that the Revenue Requirement based on the acquisition price of $32,800,000 using a 7.38% Rate of Return including O&M, Taxes Other, Depreciation, Taxes is approximately $5,163,000 and that the ICVWA Year 1 Revenues are projected to be $2,576,000, which would yield a $2,587,000 revenue

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254 ($38,688,711 + $40,785,895) / 2 = $39,737,303.

255 ($32,800,000 - $22,911,559)/$22,911,559 = 43%; PAWC Statement No. 4, pg. 13.

256 PAWC Exhibit JAF-2.

deficiency.[257] Based on a 7.38% Rate of Return and the purchase price of $32,800,000, the Rate of Return requires $2,421,000 in revenue alone which is almost equivalent to the ICVWA Year 1 Revenues.[258] Conversely, PAWC conducted a Reasonable Review Ratio (RRR) assessment for the proposed ICVWA acquisition. The RRR established by the Commission in the 2025 Annual Report was 1.63 and PAWC calculated the RRR to be $37,262,921, or approximately $4,462,921 higher than the purchase price of $32,800,000.[259] In the Settlement, the Joint Petitioners acknowledged that the Settlement reflects a comprise of competing positions and agreed that PAWC should be permitted to use $32,800,000 as the ratemaking rate base for the ICVWA system.[260]

Therefore, the presiding officers recommend that PAWC be permitted to use $32,800,000 as the ratemaking rate base. This amount appears to be a result that is within the range of likely outcomes in the event of full litigation of the case. As a result, this provision of the Settlement is supported by substantial evidence in the record and is consistent with the requirement that rates be just and reasonable.

c. DSIC/LTIIP (¶ 30)

The Settlement provides PAWC will collect a distribution system improvement charge (DSIC) prior to the first base rate case in which the System's plant-in-service is incorporated into PAWC's rate base.[261] The terms of the Settlement provide safeguards that protect customers in relation to this provision. The Settlement prohibits PAWC from including System-related investments in its DSIC until it starts collecting the DSIC from System customers.[262] This provision protects existing PAWC customers

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[257] PAWC Exhibit CEC-1, pg 4.
[258] *Id.*
[259] PAWC Statement No. 1, pg 6.
[260] Settlement at 7 and 15.
[261] Application at 2-3.
[262] Settlement ¶ 30.

from fully funding System-related improvements; rather, System customers will help fund their own improvements. Additionally, the Settlement only allows PAWC to collect a DSIC from System customers after specific conditions are met. Specifically, PAWC must first file an amended water Long Term Infrastructure Improvement Plan ("LTIIP") that includes the System (without prioritizing the System over commitments in other service areas). Further, the Commission must approve the Amended LTIIP, and PAWC must file a compliance tariff supplement incorporating ICVWA into PAWC's DSIC tariff.

The presiding officers recommend approval of the Settlement provisions relating to collection of the DSIC and amending the LTIIP. The provisions allow for collection of the DSIC, while protecting both the interests of System and PAWC customers. PAWC customers will be protected from fully funding System Improvements; rather, System improvements will only be included in the DSIC after System Customers being charged a DSIC charge. Further, System customers will not pay a DSIC charge until the LTIIP is amended to include the System, is approved by the Commission, and the tariff supplement that incorporates the System into the DSIC tariff is filed. These provisions benefit both PAWC and System customers and therefore benefit the public interest. Therefore, the presiding officers recommend the Commission approve this portion of the Settlement.

d. Claims for AFUDC and Deferred Depreciation (¶ 31)

Section 1329(f)(1) of the Public Utility Code[263] 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

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[263] 66 Pa. C.S. § 1329(f)(1)

years, or the asset is included in the acquiring utility's next base rate case. Section 1329(f)(2) of the Public Utility Code[264] permits the acquiring public utility to defer depreciation on its post-acquisition improvements that are not included in a DSIC.

As part of the settlement, PAWC proposes it will be subject to these provisions, and the other Joint Petitioners do not oppose this proposal. The other Joint Petitioners also reserve the right to litigate their positions in future rate cases,[265] and OCA has indicated it plans to address this during the next base rates case.[266]

The issue is a prospective issue, such that it addresses funds used during construction on post-acquisition improvements and the deferral of depreciation on such post-acquisition improvements. Further, PAWC's proposed course of action is permitted by the Public Utility Code sections set forth above. Therefore, the proposed course of action protects the interests of the parties and is reasonable. The presiding officers recommended the Commission approve the Settlement provisions related to claims for AFUDC and deferred depreciation.

e. Closing (¶ 32)

The Settlement prohibits PAWC and ICVWA from closing until the Commission's order approving the Transaction is final and unappealable,[267] so Commission approval of the Transaction (that is no longer subject to appeal) is necessary for PAWC and ICVWA to close. This provision of the Settlement provides for certainty and finality. The presiding officers therefore recommend this provision of the Settlement

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264 66 Pa. C.S. § 1329(f)(2)
265 Settlement ¶ 31.
266 *Id.*
267 *Id.* at ¶ 32.

is approved, as it is in the public interest to provide for complete finalization of the Transaction for closing to be effectuated.

f. Transaction and Closing Costs (¶¶ 33-35)

The presiding officers recommend that PAWC be permitted to make claims for the transaction and closing costs for the acquisition in its next base rate case. Section 1329(d)(1)(iv) of the Public Utility 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. The Commission has previously stated there will be no Commission preapproval of the reasonableness of recovery of these costs in a Section 1329 proceeding.[268] The Settlement allows PAWC to include claims related to the transaction and closing costs incurred in this proceeding in its first base rate case including the System, and the ratemaking treatment of the transaction and closing costs will be adjudicated at that time. The Joint Petitioners aside from PAWC will have the right to litigate their positions in future rate cases.[269] Further, the Settlement provides that claims 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.[270]

As no Joint Petitioners oppose these provisions of the Settlement, and such provisions are consistent with several previous Commission decisions approving settlements in Section 1329 acquisitions, the presiding officers recommend approval of these provisions of the Settlement by the Commission. They allow for adjudication of the issues when they are ripe and allow for an evaluation of rates in the correct regulatory

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268 2016 Final Implementation Order at 14.
269 Settlement ¶ 32.
270 *Id.* ¶¶ 32-34

context. Based on the foregoing, the presiding officers recommend these provisions be approved as they are reasonable and in the public interest.

g. Section 507 Approvals (¶ 36)

The presiding officers recommend, if the Commission grants approval of PAWC's request to acquire the assets of ICVWA, that the assignment of the municipal contracts included in the APA, and all appropriate and necessary certificates and contracts needed to effectuate the acquisition be approved. Specifically, the presiding officers recommend the Commission accept the following contracts as valid, pursuant to Section 507 of the Public Utility Code:

- 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).

These agreements are necessary to allow PAWC to provide service to the service territory currently served by the System. The Joint Petitioners do not oppose the approval of these agreements or issuance of any Certifications of Filing for these agreements. The presiding officers recommend approval of these agreements so service can be provided for System customers. Such approval is reasonable and in the public interest.

h. Proposed Conditions for Approval

i. Cost of Service Studies (¶¶ 37-38)

In the first base rate case that includes the System, PAWC has agreed to submit a cost of service study that removes all costs and revenues associated with the operation of the System, and also a cost of service study for the System alone.[271] The updated cost of service study can serve as a baseline, allowing comparison with an integrated system. The presiding officers recommend these agreed-upon provisions be

[271] Settlement ¶ 37 and 38.

approved, as the provision of separate cost of service studies promotes more informed decisions by PAWC in relation to the integration of the System, which is in the public interest.

ii. Customer Assistance Programs (¶¶ 39-43)

The presiding officers recommend the Commission approve the Settlement provisions regarding customer assistance. The Settlement provides that ICVWA's customers will become eligible for all PAWC payment options and customer programs immediately after Closing.[272] ICVWA currently has no low-income customer service programs, so to provide these customers with options and programs positively benefits them.[273]

The Settlement further requires that PAWC take various actions in relation to customer assistance. PAWC is to provide a bill insert and welcome letter to System customers about PAWC's low-income programs in the first billing cycle following closing,[274] and provide ongoing, targeted outreach to the System customers regarding PAWC's CAP.[275] Additionally, 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, and will also be presented in PAWC's first base rate case that includes the ICVWA System.[276] PAWC agrees to contribute an additional $20,000 to its hardship fund annually over a five-year period.[277] These additional actions are all beneficial to

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272 Settlement ¶ 39.
273 PAWC St. No. 2 at 24-25
274 Settlement ¶ 40.
275 *Id. at* ¶ 41.
276 Settlement ¶ 42.
277 Settlement ¶ 43.

low-income customers and allow for outreach, assistance, and the provision of information that can allow for improvement. The presiding officers believe these provisions are reasonable and benefit the public interest. As such, the presiding officers recommend approval of these provisions by the Commission.

iii. Line Extensions (¶¶ 44-45)

The presiding officers note that substantial testimony was provided during the public input hearings regarding the need for line extensions.[278] Multiple community members relayed issues with wells providing insufficient or poor-quality water[279]. As part of the Settlement, PAWC agreed to prepare and submit a feasibility study to assess the needs for water main extensions in the ICVWA area, including the estimated cost.[280] PAWC is to provide a draft study within twelve months for review and comment by the Saltlick and Springfield Township Supervisors, the OCA, the OSBA, and other stakeholders.[281] 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).[282]

These actions are in the public interest because they are initial steps toward the possible expansion of water service to residents in and around the ICVWA. However, the presiding officers acknowledge the settlement provides no assurance of line extensions. The possibility of line extensions was a major talking point at the public interest hearings, and the lack of any commitment to more than a feasibility study and a survey is disappointing. Nonetheless, in the context of the totality of the settlement, the

278 Tr. at 56; 88-89; 165-166; 168.
279 *Id.*
280 Settlement ¶ 44.
281 *Id.*
282 Settlement ¶ 45.

presiding officers recommend these provisions be approved by the Commission. The additional information provided by the study and survey will serve the community, and these provisions are ultimately in the public interest overall.

iv. Easements (¶ 46)

The presiding officers agree with the signatories that PAWC should not include easement land rights in its rate base until after PAWC acquires an easement. This settlement term ensures the ratepayers are protected from paying for missing or as-yet-unacquired easements in rates, and it presents a reasonable approach towards any potentially missing easements.

i. Utility Valuation Expert

Section 1329 sets forth a procedure which permits a public utility to utilize fair market valuation for ratemaking purposes instead of the original cost of construction of the acquired facilities minus the accumulated depreciation. Section 1329 addresses the valuation of the assets of municipal or authority-owned water and wastewater systems that are acquired by investor-owned water and wastewater utilities or entities. The acquiring utility is authorized to collect a Distribution System Improvement Charge (DSIC), and Section 1329 also enables a public utility or other acquiring entity's post-acquisition improvement costs not recovered through a DSIC to be deferred for book and ratemaking purposes. In sum, Section 1329 helps mitigate the risk that a utility will not be able to fully recover its investment when water or wastewater assets are acquired from a municipality or authority.

If the parties (i.e., the buyer, or the acquiring public utility, and seller) agree to the Section 1329 process, an "acquiring public utility" and the seller of the municipal system must each select a Utility Valuation Expert (UVE) from a list of such experts established and maintained by the Commission. The selected UVEs perform independent appraisals of the system to establish the fair market value of the assets and/or facilities to be acquired. Also, the acquiring public utility and the seller must select one licensed engineer to conduct an assessment of the tangible assets of the seller which assessment is to be incorporated into the valuations of the UVEs.

After receiving the valuations, the acquiring public utility must apply for a certificate of public convenience under Section 1102 of the Public Utility Code and include the following as an attachment to the Section 1102 application: copies of the UVE appraisals; the agreed purchase price; the ratemaking rate base; the transaction and closing costs incurred by the acquiring public utility that will be included in its rate base; and a tariff containing a rate equal to the existing rates of the selling utility at the time of the acquisition and a rate stabilization plan, if applicable.[283] For applications involving an acquiring public entity under Section 1329(d)(1), the Commission has a six-month deadline for issuing a determination.

When determining whether to approve an acquisition, pursuant to Section 1329 of the Public Utility Code, the Commission must determine valuation for the utility to be acquired, for ratemaking purposes. Applicants may use either the fair market valuation for ratemaking purposes or use the original cost of construction of the acquired facilities minus the accumulated depreciation. Further, if an application is approved, the applicant may be permitted to collect a DSIC and may defer post-acquisition improvement costs, not recovered through a DSIC, for book and ratemaking purposes. An applicant and any affected ratepayers can benefit from the use of Section 1329, to mitigate the risk the applicant will not be able to recover fully its investment when water assets have been acquired from a municipality or authority.

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[283] 66 Pa.C.S. § 1329(d)(1).

Herein, PAWC and ICVWA became willing parties to the sale/acquisition of ICVWA's water assets, pursuant to the Section 1329 process. Each entity obtained an independent appraisal charged with determining the fair market value of the assets and/or facilities to be acquired, in addition to obtaining an assessment of the tangible assets by a licensed engineer. Having obtained the appraisals/assessment, PAWC and ICVWA entered into an APA and other connected agreements necessary to effectuate an acquisition, pursuant to Section 507 of the Public Utility Code.[284]

X. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the parties and the subject matter of this proceeding. 66 Pa.C.S. §§ 1102, 1103 and 1329.

2. The Public Utility Code requires Commission approval in the form of a certificate of public convenience before a public utility may offer, render, furnish or supply service in a new service territory, of a different nature or to acquire title, possession or use of any property, tangible or intangible, that is used or useful in the public service, from any corporate entity, including a municipal corporation. 66 Pa.C.S. § 1102(a)(1), (3).

3. A Certificate of Public Convenience shall be granted only 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, and that a proposed transaction benefits the public in some substantial way. 66 Pa.C.S. §§ 1102, 1103; *City of York v. Pa. Pub. Util. Comm'n*, 295 A.2d 825 (Pa. 1972).

[284] 66 Pa.C.S. § 507.

4. Pennsylvania-American Water Company is a public utility as defined in Section 102 of the Public Utility Code. 66 Pa.C.S. § 102.

5. Pennsylvania-American Water Company, as the proponent of the Application, bears the burden of proof to establish, by a preponderance of the evidence, that the proposed transaction complies with Sections 507, 1102, 1103, and 1329 of the Public Utility Code, and that Pennsylvania-American Water Company is entitled to receive the approvals being sought in the Application. 66 Pa.C.S. §§ 332(a), 507, 1102, 1103, 1329; *Se-Ling Hosiery v. Margulies,* 70 A.3d 854 (Pa. 1950); *Samuel J. Lansberry, Inc. v. Pa. Pub. Util. Comm'n*, 578 A.2d 600 (Pa. Cmwlth. 1990).

6. Any finding of fact necessary to support an adjudication of the Commission must be based upon substantial evidence, which is such relevant evidence as a reasonable mind might accept as adequate to support a conclusion. *Mill v. Pa. Pub. Util. Comm'n*, 447 A.2d 1100 (Pa. Cmwlth. 1982); *Edan Transp. Corp. v. Pa. Pub. Util. Comm'n*, 623 A.2d 6 (Pa. Cmwlth. 1993); 2 Pa.C.S. § 704. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established. *Norfolk & W. Ry. v. Pa. Pub. Util. Comm'n*, 413 A.2d 1037 (Pa. 1980); *Erie Resistor Corp. v. Unemployment Com. Bd. of Rev.*, 166 A.2d 96 (Pa. Super. 1960); *Murphy v. Comm., Dep't of Pub. Welfare, White Haven Ctr.*, 480 A.2d 382 (Pa. Cmwlth. 1984).

7. In assessing the Application of Pennsylvania-American Water Company, the Commission must consider the benefits and detriments of the transaction "with respect to the impact on all affected parties" including existing customers. *Middletown Twp. v. Pa. Pub. Util. Comm'n*, 482 A.2d 674, 682 (Pa. Cmwlth. 1984).

8. To ensure that a transaction is in the public interest, the Commission may impose conditions on granting a certificate of public convenience as it may deem to be just and reasonable. 66 Pa.C.S. § 1103(a).

9. Pennsylvania-American Water Company, as the applicant for a certificate of public convenience, has the burden of proof to show that it is technically, financially, and legally fit to own and operate the acquired public utility assets of the Indian Creek Valley Water Authority. 66 Pa.C.S. § 315(c); *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).

10. An existing provider of public utility service, such as Pennsylvania-American Water Company, is presumed fit and the burden of proof to rebut the presumption is on any protestant. *South Hills Movers, Inc. v. Pa. Pub. Util. Comm'n*, 601 A.2d 1308, 1310 (Pa. Cmwlth. 1992); *Re Pa.-Am. Water Co.*, 85 Pa.P.U.C. 548 (1995); *Re: Byerly*, 270 A.2d 186 (Pa. 1970); *Morgan Drive-Away, Inc., v. Pa. Pub. Util. Comm'n*, 293 A.2d 895 (Pa. Cmwlth. 1972).

11. Pennsylvania-American Water Company, as the applicant for a certificate of public convenience, has the burden of proof to show that its proposed purchase of the Indian Creek Valley Water Authority system would provide substantial affirmative benefits that will "affirmatively promote the service, accommodation, convenience or safety of the public in some substantial way." 66 Pa.C.S. § 1102; *City of York v. Pa. Pub. Util. Comm'n*, 449 Pa. 136, 151, 295 A.2d 825, 828 (1972).

12. Pennsylvania-American Water Company has established that the proposed transaction would provide the required substantial affirmative benefits to existing Pennsylvania-American Water Company customers and to the acquired Indian Creek Valley Water Authority customers. 66 Pa.C.S. § 1102.

13. Pennsylvania-American Water Company established that the proposed transaction is necessary or proper for the service, accommodation, convenience, or safety of the public. 66 Pa.C.S. § 1103(a).

14. Section 1329 provides a framework for valuing, for ratemaking purposes, the water and wastewater systems that are owned by a municipal corporation or authority and that an investor-owned water or wastewater utility under the Commission's jurisdiction seeks to acquire and that allows the rate base of the municipal system to be incorporated into the rate base of the purchasing investor-owned utility at the lesser of either the purchase price or the fair market value as established by two independent appraisals conducted by two utility valuation experts. 66 Pa.C.S. § 1329.

15. The General Assembly gave the following directions for ratemaking rate base involving acquisitions proceeding under Section 1329:

> (c) Ratemaking rate base. – The following apply:
>
> (2) The ratemaking rate base of the selling utility shall be the lesser of the purchase price negotiated by the acquiring public utility or entity and selling utility or the fair market value of the selling utility.

66 Pa.C.S. § 1329(c)(2).

16. A fair market valuation approach dictates that once the buyer and the seller agree to its use, they must engage the services of a licensed engineer to assess the tangible assets of the seller and present that assessment to two Utility Valuation Experts. 66 Pa.C.S. § 1329.

17. If the parties agree to the Section 1329 process, the acquiring public utility and the selling municipality each select a Utility Valuation Expert from a list of

experts established and maintained by the Commission, and the Utility Valuation Experts are to perform independent fair market value appraisals of the system in compliance with Uniform Standards of Professional Appraisal Practice, employing the cost, market, and income approaches. 66 Pa.C.S. § 1329(a).

18. One Utility Valuation Expert represents the buyer and one Utility Valuation Expert represents the seller, and separately the Utility Valuation Experts conduct independent analyses based on the Uniform Standards of Professional Appraisal Practice, employing the cost, market and income approaches. 66 Pa.C.S. § 1329.

19. 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).

20. Fair market value" is "[t]he average of the two utility valuation expert appraisals conducted under [66 Pa.C.S. 1329(a)(2)]." 66 Pa.C.S. §§ 1329(a)(2), 1329(g).

21. For 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).

22. 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).

23. 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).

24. 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).

25. 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).

26. 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).

27. 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.

28. No contract or agreement between a public utility and a municipal corporation shall be valid unless filed with the Commission at least 30 days prior to its effective date, except for contracts between a public utility and a municipal corporation to furnish service at tariff rates. 66 Pa.C.S. § 507.

29. "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).

30. "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).

31. 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).

32. Commission policy promotes a settlement, which lessens the time and expense the parties must expend to litigate a case, can conserve administrative resources and often achieves a result preferable to the result achieved at the conclusion of a fully-litigated proceeding. 52 Pa. Code §§ 5.231 and 69.401.

33. Before the Commission may 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).

34. The Joint Petition for Unanimous Settlement of All Issues sets forth terms and conditions that are in the public interest.

XI. ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Approval of Unanimous Settlement of All Issues, submitted by Pennsylvania-American Water Company, the Indian Creek Valley Water Authority and the Office of Consumer Advocate, filed on July 8, 2026, at Docket No. A-2025-3055741, including all terms and conditions, be approved without modification.

2. That the Application filed by Pennsylvania-American Water Company pursuant to Sections 507, 1102, 1103, and 1329 of the Pennsylvania Public Utility Code for Approval of its Acquisition of the water system assets of the Indian Creek Valley Water Authority, filed on November 3, 2025, at Docket No. A-2025-3055741, should be approved, as amended and as further amended by the modifications set forth in the Joint Petition for Approval of Unanimous Settlement of All Issues.

3. That the Commission issue Certificates of Public Convenience, pursuant to Sections 1102(a) and 1103(a) of the Public Utility Code, 66 Pa.C.S. §§ 1102(a) and 1103(a), evidencing Commission approval of the acquisition and transfer, by sale, of substantially all of the assets, properties and rights related to the water system owned by the Indian Creek Valley Water Authority to Pennsylvania-American Water

Company; and the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the areas served by the water system owned by the Indian Creek Valley Water Authority.

4. That the Commission permit Pennsylvania-American Water Company to issue compliance tariff supplements, consistent with amended Appendix A-12 filed with the Commission at this docket on January 13, 2026, including all rates, rules and regulations regarding conditions of Pennsylvania-American Water Company's water service, to become effective immediately upon closing.

5. That, in the first base rate case that includes the water system assets: (i) Pennsylvania-American Water Company will propose to gradually move the water system to its cost of service, but to no more than Pennsylvania-American Water Company's Rate Zone 1 system-average water rates; (ii) Pennsylvania-American Water Company may agree to rates other than those proposed for Indian Creek Valley Water Authority customers in the context of a settlement of the base rate case; and (iii) the Office of Consumer Advocate and the Office of Small Business reserve their rights to address Pennsylvania-American Water Company's rate proposals fully, and to make other proposals. The Commission has ultimate ratemaking authority to set just and reasonable rates and, notwithstanding anything to the contrary contained in this Ordering Paragraph, 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.

6. That Pennsylvania-American Water Company will use $32,800,000 as the ratemaking rate base for the acquired water system.

7. That Pennsylvania-American Water Company may record the acquisition at the net value of assets (i.e., the Commission-approved ratemaking rate base of the acquired assets) consistent with generally accepted accounting principles.

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

9. That Pennsylvania-American Water Company be permitted to accrue Allowance for Funds Used During Construction for post-acquisition improvements not recovered through the Distribution System Improvement Charge for book and ratemaking purposes, and that Pennsylvania-American Water Company be permitted to defer depreciation related to post-acquisition improvements not recovered through the Distribution System Improvement Charge for book and ratemaking purposes. Any claims for Allowance for Funds Used During Construction and deferred depreciation related to post-acquisition improvements not recovered through the Distribution System Improvement Charge for book and ratemaking purposes will be addressed in Pennsylvania-American Water Company's first base rate case that includes the acquired water system assets.

10. That, if Pennsylvania-American Water Company and Indian Creek Valley Water Authority decide to close on the acquisition, in accordance with their respective contractual rights and obligations under the Asset Purchase Agreement, 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 closing on the Transaction does not happen, the parties may address the recovery of costs in Pennsylvania-American Water Company's next base rate case.

11. That Pennsylvania-American Water Company shall provide written notification to the Commission's Secretary's Bureau within ten (10) days of the closing with Indian Creek Valley Water Authority.

12. That if Pennsylvania-American Water Company determines that the transaction will not occur, it will promptly file notice of such determination with Commission's Secretary's Bureau and return the Certificates of Public Convenience issued in Ordering Paragraph 3.

13. That Pennsylvania-American Water Company be permitted to claim transaction and closing costs associated with the acquisition of the water system, although the Joint Petitioners reserve their rights to litigate their positions fully in future rate cases when this issue is ripe for review and at which time Pennsylvania-American Water Company will set out and identify all transaction and closing costs associated with this matter.

14. That outside legal fees, if any, included in Pennsylvania-American Water Company's transaction and closing costs under the Asset Purchase Agreement shall be separately identified in Pennsylvania-American Water Company's next base rate case, and the Office of Consumer Advocate and the Office of Small Business Advocate reserve the right to challenge the reasonableness, prudency and basis for such costs.

15. That any claim by Pennsylvania-American Water Company to recover transaction and closing costs associated with the acquisition of the water system will not include costs incurred by Indian Creek Valley Water Authority.

16. That the Commission, pursuant to 66 Pa.C.S. § 507, approve the Asset Purchase Agreement between Pennsylvania-American Water Company and the Indian Creek Valley Water Authority and 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, including certificates of filing for the following agreements:

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. The 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. The 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. The 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. The 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. The 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. The 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. The 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. The 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).

17. That Pennsylvania-American Water Company be permitted to file with the Commission at this docket a compliance tariff supplement, consistent with this Recommendation and the Joint Petition for Approval of Unanimous Settlement of All Issues, including all rates, rules and regulations regarding conditions of the water service to be provided by Pennsylvania-American Water Company, as revised by the Joint Petition for Approval of Unanimous Settlement of All Issues submitted by Pennsylvania-American Water Company, the Indian Creek Valley Water Authority and the Office of Consumer Advocate filed at this docket and to become effective immediately upon closing and on one day’s notice.

18. That if Pennsylvania-American Water Company and the Indian Creek Valley Water Authority decide to close on the Transaction in accordance with their respective contractual rights and obligations under the Asset Purchase Agreement, the

closing of the Transaction will not take place sooner than the date of the existence of a final, unappealable order of the Commission approving the Application.

19. That in the first base rate case that includes Indian Creek Valley Water Authority system assets, Pennsylvania-American Water Company will file a cost-of-service study that removes all costs and revenues associated with the operation of the Indian Creek Valley Water Authority system.

20. That in the first base rate case that includes the Indian Creek Valley Water Authority system assets, Pennsylvania-American Water Company will also provide a separate cost-of-service study for the Indian Creek Valley Water Authority system.

21. That immediately after closing, Indian Creek Valley Water Authority customers will become eligible for all Pennsylvania-American Water Company payment options and customer programs.

22. That with the first billing cycle following closing, Pennsylvania-American Water Company 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 contact information for Pennsylvania-American Water Company, the Office of Consumer Advocate and the Office of Small Business Advocate. Pennsylvania-American Water Company will also conduct ongoing, targeted outreach to its Indian Creek Valley Water Authority area water customers regarding its low-income programs.

23. 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, Pennsylvania-American Water Company contact information), and in-person bill payment locations reasonably proximate to the areas served by the System. The welcome letter shall acknowledge that Indian Creek Valley Water Authority customer rates will not be increasing at this time. The welcome letter shall also include notice language referring customers to Pennsylvania-American Water Company's website (including the link) where a customer can find the rate impact range. Unless Pennsylvania-American Water Company and the Office of Consumer Advocate agree to work together on a different timeline, within 15 days of a final order in this proceeding, Pennsylvania-American Water Company will provide the Office of Consumer Advocate with a copy of the draft welcome letter; the Office of Consumer Advocate will provide any suggestions to Pennsylvania-American Water Company within 10 days of receipt; and Pennsylvania-American Water Company, in good faith, will consider incorporation of the Office of Consumer Advocate's suggestions.

24. That every six months for a period of two years following Closing, Pennsylvania-American Water Company will track the number of Indian Creek Valley Water Authority's customers that are (1) potentially eligible to enroll in Pennsylvania-American Water Company's Customer Assistance Program; and (2) who are enrolled in Pennsylvania-American Water Company's Customer Assistance Program. Pennsylvania-American Water Company will provide and present this information on a timely basis to the regularly held meetings of Pennsylvania-American Water Company's Customer Assistance Advisory Group. Pennsylvania-American Water Company will also present this information, as available at the time, in its first base rate case in which the Indian Creek Valley Water Authority 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.

25. That Pennsylvania-American Water Company, pursuant to its voluntary settlement commitment, contribute $20,000 annually to its Hardship Fund for five years following the close of the Transaction.

26. That, within 15 months of the transaction closing, Pennsylvania-American Water Company shall file with the Commission's Secretary's Bureau at Docket No. A-2025-3055741 a copy of the final version of feasibility study regarding the extension of new water mains in the Indian Creek Valley Water Authority service territory. At least three months prior to the submission of the study, Pennsylvania-American Water Company shall provide a draft study to the Saltlick and Springfield Township Supervisors, the Office of Consumer Advocate, the Office of Small Business Advocate, and other stakeholders. In addition, Pennsylvania-American Water Company 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. Pennsylvania-American Water Company 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 costs, projected timeframes for main extension construction, and the need for water main extensions. The study will also identify potential opportunities through which Pennsylvania-American Water Company could extend access to public water in the Indian Creek Valley Water Authority service territory during the five-year period following the submission of the study to the Commission.

27. That, at the time of filing its next base rate case following the completion of the feasibility study, Pennsylvania-American Water Company shall, specifically referencing Docket No. A-2025-3055741 and the final version of the feasibility study, provide testimony regarding any water main extensions planned or completed in the Indian Creek Valley Water Authority service territory to include the

projected or final costs for each main extension along with the details of any contributions in aid of construction provided from either Saltlick and Springfield Townships and the number of customers served by the main extension.

28. That Pennsylvania-American Water Authority will survey the Indian Creek Valley Water Authority 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. Pennsylvania-American Water Company 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 Ordering Paragraph 26 is provided to stakeholders.

29. That pursuant to the Asset Purchase Agreement, Indian Creek Valley Water Authority is: to use commercially reasonable efforts to obtain all easements prior to closing, so that they may be transferred to Pennsylvania-American Water Company at closing; to commence condemnation proceedings to obtain all missing easements that it can, prior to closing; and, pursuant to the creation of the Missing Easement Escrow (funded in the amount of $2,000 per missing easement) in the Asset Purchase Agreement for the purpose of securing Indian Creek Valley Water Authority's obligations concerning easements that were not obtained as of closing, Indian Creek Valley Water Authority is required to diligently pursue the missing easements for two years after closing.

30. That, after two years beyond closing, the portion of the Missing Easement Escrow Fund that compensates Indian Creek Valley Water Authority for the missing easements obtained after closing is to be released to Indian Creek Valley Water Authority, with the balance being released to Pennsylvania-American Water Company to compensate it for the missing easements not obtained after closing.

31. 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 in a lawful manner.

32. That Docket No. A-2025-3055741 be marked as satisfied and closed, consistent with the Joint Petition for Approval of Unanimous Settlement of All Issues.

Date: July 28, 2026

/s/
Katrina L. Dunderdale
Administrative Law Judge

/s/
Ann Quimby
Administrative Law Judge