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September 15, 2026

VIA eFILING

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

Re: Joint Application of American Water Works Company, Inc., Essential Utilities, Inc., Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., Peoples Natural Gas Company LLC, and Alpha Merger Sub, Inc. for a Certificate Of Public Convenience Under Sections 1102(a)(3) and 2210(c) of the Public Utility Code And All Other Necessary Approvals To Effect a Change of Control of Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., And Peoples Natural Gas Company LLC
Docket Nos. A-2025-3058927, A-2025-3058928 and A-2025-3058929

Dear Secretary Homsher:

Enclosed for filing in the above-captioned proceeding is the Joint Petition for Non-Unanimous Settlement ("Joint Petition").

As indicated on the Certificate of Service, copies have been served upon Administrative Law Judge Emily I. DeVoe, Administrative Law Judge Ann Quimby and all parties of record.

If you have any questions, please contact me directly at 215.963.4603. Thank you.

Very truly yours,

Mark A. Lazaroff

MAL/ap
Enclosures
c: Per Certificate of Service (w/encls.)

DB1/ 174130902.1

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JOINT APPLICATION OF AMERICAN WATER WORKS COMPANY, INC., ESSENTIAL UTILITIES, INC., AQUA PENNSYLVANIA, INC., AQUA PENNSYLVANIA WASTEWATER, INC., PEOPLES NATURAL GAS COMPANY LLC AND ALPHA MERGER SUB, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE UNDER SECTIONS 1102(A)(3) AND 2210(C) OF THE PUBLIC UTILITY CODE AND ALL OTHER NECESSARY APPROVALS TO EFFECT A CHANGE OF CONTROL OF AQUA PENNSYLVANIA, INC., AQUA PENNSYLVANIA WASTEWATER, INC., AND PEOPLES NATURAL GAS COMPANY LLC	:	**Docket Nos. A-2025-3058927 A-2025-3058928 A-2025-3058929**

CERTIFICATE OF SERVICE

I hereby certify that I have on this date served true and correct copies of the **Joint Petition For Non-Unanimous Settlement** on the following individuals in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54:

VIA ELECTRONIC MAIL

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Dated: September 15, 2026

DB1/ 174130852.1

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JOINT APPLICATION OF AMERICAN WATER WORKS COMPANY, INC., ESSENTIAL UTILITIES, INC., AQUA PENNSYLVANIA, INC., AQUA PENNSYLVANIA WASTEWATER, INC., PEOPLES NATURAL GAS COMPANY LLC AND ALPHA MERGER SUB, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE UNDER SECTIONS 1102(A)(3) AND 2210(C) OF THE PUBLIC UTILITY CODE AND ALL OTHER NECESSARY APPROVALS TO EFFECT A CHANGE OF CONTROL OF AQUA PENNSYLVANIA, INC., AQUA PENNSYLVANIA WASTEWATER, INC., AND PEOPLES NATURAL GAS COMPANY LLC	:	**DOCKET NOS.**	**A-2025-3058927** **A-2025-3058928** **A-2025-3058929**

JOINT PETITION FOR NON-UNANIMOUS SETTLEMENT

September 15, 2026

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JOINT APPLICATION OF AMERICAN WATER WORKS COMPANY, INC., ESSENTIAL UTILITIES, INC., AQUA PENNSYLVANIA, INC., AQUA PENNSYLVANIA WASTEWATER, INC., PEOPLES NATURAL GAS COMPANY LLC AND ALPHA MERGER SUB, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE UNDER SECTIONS 1102(A)(3) AND 2210(C) OF THE PUBLIC UTILITY CODE AND ALL OTHER NECESSARY APPROVALS TO EFFECT A CHANGE OF CONTROL OF AQUA PENNSYLVANIA, INC., AQUA PENNSYLVANIA WASTEWATER, INC., AND PEOPLES NATURAL GAS COMPANY LLC	:	**DOCKET NOS.**	**A-2025-3058927 A-2025-3058928 A-2025-3058929**

JOINT PETITION FOR NON-UNANIMOUS SETTLEMENT

TO THE HONORABLE EMILY I. DEVOE AND ANN QUIMBY, ADMINISTRATIVE LAW JUDGES:

American Water Works Company, Inc. ("American Water"), Essential Utilities, Inc. f/k/a Aqua America, Inc. ("Essential"),[1] Aqua Pennsylvania, Inc. ("Aqua PA"), Aqua

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1 Aqua America, Inc. changed its name to Essential Utilities, Inc. on February 3, 2020 following its acquisition of Peoples. The Pennsylvania Public Utility Commission ("PUC" or "Commission") authorized the Peoples acquisition subject to the commitments and conditions set forth in a non-unanimous settlement as modified by the PUC's Opinion and Order entered January 24, 2020 at Docket Nos. A-2018-3006061, A-2018-3006062 and A-2018-3006063 ("*Aqua-Peoples 2020*").

Pennsylvania Wastewater, Inc. ("Aqua PA WW"),[2] Peoples Natural Gas Company LLC ("Peoples"), and Alpha Merger Sub, Inc. ("Merger Sub") (collectively, "JA" or the "Joint Applicants"), the Pennsylvania Public Utility Commission ("Commission") Bureau of Investigation and Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA")[3] (collectively, the "Joint Petitioners") by their respective counsel, submit this Joint Petition for Settlement ("Settlement") in the above-captioned proceeding and request that Administrative Law Judges ("ALJs") Emily I. DeVoe and Ann Quimby, to whom this matter was assigned,[4] recommend approval of, and the Commission approve, the Settlement without modification. In support of this Settlement, the Joint Petitioners state as follows:

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[2] Unless otherwise specified herein, references to Aqua PA also include Aqua PA WW, which is a wholly-owned subsidiary of Aqua PA.

[3] The Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania ("CAUSE-PA"), City of Butler, East Norriton Township, Upland Borough, Lower Makefield Township, International Union of Operating Engineers, Local 542 ("Local 542"), and Utility Workers Union of America, AFL-CIO, Local 612 ("Local 612"), who are parties to this proceeding, have authorized the Joint Petitioners to represent that they do not oppose the Settlement. Chester Water Authority, East Whiteland Township, and Montgomery County did not join this Joint Petition and indicated that they oppose the Settlement. The County of Delaware and Manchester Township, North York Borough, Spring Garden Township, West Manchester Township and York Township (collectively, the "York Area Intervenors") did not confirm their position regarding the Settlement.

[4] This matter was reassigned from Administrative Law Judge Mary D. Long to the presiding ALJs on February 5, 2026.

I. BACKGROUND AND HISTORY OF THE PROCEEDING

1. This proceeding was initiated on November 26, 2025, when the Joint Applicants filed an application (the "Joint Application") to request approval by the Commission under Chapters 11 and 22 of the Public Utility Code ("Code")[5] for a change of control of Aqua PA and Peoples to be effected by the merger of Essential and Merger Sub, a wholly owned subsidiary of American Water (the "Merger"). The Joint Applicants also asked for the Commission's approval under Chapter 21 of the Code to enter into certain new affiliate interest arrangements to facilitate sharing services between the American Water and Essential operating utilities and, in that way, to take advantage of the synergies and cost savings that the Merger is expected to produce. The Joint Application included written testimony and exhibits describing the Merger and the substantial affirmative benefits to the public, Aqua PA and Peoples, their customers and the communities they serve.

2. Notice of the Joint Application was published in the *Pennsylvania Bulletin* on December 13, 2025, and, pursuant to a Secretarial Letter issued December 1, 2025, notice was also published in newspapers of general circulation.

3. Petitions to Intervene, Protests, or Notices of Appearance in this proceeding were filed by the following parties: I&E, the OCA, the OSBA, Chester Water Authority, CAUSE-PA, East Norriton Township, Local 542, Local 612, Lower Makefield Township,

[5] 66 Pa.C.S. §§ 101 et seq. Hereafter, a "Section" will refer to a section of the Code unless stated or the context indicates otherwise.

the Municipal Intervenors,[6] and Upland Borough. All of the foregoing intervenors, protestants, and statutory advocates were granted party status by operation of law or by ruling of the presiding ALJs.

4. At the telephonic Prehearing Conference held on January 22, 2026, a schedule was established for the submission of testimony and the conduct of hearings. Under the approved schedule, all direct, rebuttal, and surrebuttal testimony would be submitted in writing in advance of hearings. Twelve in-person public input hearings were held on April 21, 22, 29, and 30, 2026 and May 5 and 7, 2026, and two telephonic public input hearings were held on April 28, 2026.

5. In accordance with the Prehearing Order issued on January 26, 2026, on May 21, 2026, I&E, the OCA, the OSBA, CAUSE-PA, and the Municipal Intervenors submitted 13 written statements and accompanying exhibits constituting their direct testimony in this case. Counsel for Local 542 also submitted a written report on May 20, 2026, to be considered as direct testimony.[7] However Local 542 did not appear at the evidentiary hearing and, as such, the written report submitted by Local 542 on May 20, 2026 was not admitted into the record.[8] On June 25, 2026, the Joint Applicants submitted six statements and accompanying exhibits constituting their rebuttal testimony in this case. On July 23,

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[6] The Municipal Intervenors consist of City of Butler, the County of Delaware, East Whiteland Township, Montgomery County, and the York Area Intervenors.

[7] *See Interim Order Dismissing IUOE Local 542's Motion to Introduce Report as Moot*, Docket Nos. A-2025-3058927 et. al. (May 29, 2026).

[8] *See* Tr. 668, 752-768.

2026, I&E, the OCA, the OSBA, CAUSE-PA, and the Municipal Intervenors submitted eight written statements and accompanying exhibits constituting their surrebuttal testimony in this case. On July 29, 2026, the Joint Applicants submitted six statements of written rejoinder testimony.

6. At the evidentiary hearing held on August 4, 2026, JA witnesses Cheryl Norton, David Bowler and Colleen Arnold were cross-examined by counsel for other parties. Additionally, the written testimony and exhibits of all parties that appeared at the evidentiary hearing were admitted into evidence.

7. The parties continued to engage in discussions to negotiate a settlement of some or all the issues in this case. All parties to the proceeding were provided an opportunity to participate in these settlement discussions. As a result of those negotiations, the Joint Petitioners were able to agree to the Settlement set forth herein, which resolves all issues in this proceeding among the Joint Petitioners. The Joint Petitioners notified the ALJs that a settlement had been reached on August 25, 2026.

II. TERMS AND CONDITIONS OF SETTLEMENT

8. The Joint Petitioners agree that the Joint Application should be approved as filed and the relief therein granted, subject to the following terms and conditions.

A. Rate Protections and Benefits

9. Aqua PA's and Peoples' Commission-approved rates and tariffs in effect when the Merger closes will not change as a result of the Merger.

10. American Water shareholders will fund an approximately $82 million Rate Stabilization Fund to provide a one-time $40 rate credit to each Aqua PA, PAWC and Peoples customer within one year of Merger closing. Aqua PA, PAWC and Peoples will not seek to recover in rates any part of the Rate Stabilization Fund. Aqua PA, PAWC and Peoples will file a compliance report with the Commission summarizing the rate credit details after completing the one-time rate credits.

11. Aqua PA will not file for another general rate increase under Section 1308(d) of the Code prior to June 1, 2027.

12. PAWC will not file for another general rate increase under Section 1308(d) of the Code prior to April 1, 2028.

13. In their next respective rate case filings following consummation of the Merger, the proposed post-merger new rates of Aqua PA, PAWC and Peoples will reflect all identifiable and quantifiable merger benefits and savings through the ordinary ratemaking process and consistent with established cost-of-service ratemaking principles. Full and complete quantifications of identifiable and quantifiable merger savings and related benefits will be presented with the direct testimony in each utility's first rate case following completion of the Merger.

14. Aqua PA, PAWC and Peoples will not seek recovery in rates of: (1) any transaction costs, including costs relating to new equity issuances or debt borrowing to finance such costs and solicitation costs, incurred in connection with the Merger by American Water, Essential, or their subsidiaries, or (2) any acquisition adjustment or

"goodwill" associated with the Merger. As such, the goodwill associated with the Merger will not be recorded on Aqua PA's, PAWC's or Peoples' books. American Water (on behalf of itself and PAWC), Essential, Aqua PA, and Peoples shall also ensure that such goodwill is not included in and does not impact rates charged to any Pennsylvania public utility customers and is not included in the ratemaking capital structure of any Pennsylvania public utility.

15. For purposes of this Settlement, the categories of transaction costs incurred in connection with consummation of the Merger that shall not be recovered from utility customers are: (1) consultant, investment banker, legal, and regulatory support fees, (2) costs associated with the shareholder meetings and a proxy statement related to the Merger approval by Joint Applicants' respective shareholders, (3) costs associated with the imposition of conditions or approval of settlement terms in other jurisdictions, (4) costs associated with shareholder litigation concerning the Merger, (5) costs associated with paying off existing debt, and (6) re-branding costs incurred immediately following closing and not in the normal course of business.

16. All transaction costs shall be recorded on American Water's or Essential's books and shall be tracked to facilitate verification that none of the transaction costs are being directly or indirectly included in cost of service for any Pennsylvania public utility.

17. All pre-merger and post-merger costs if the Merger is not consummated for any reasons, including merger agreement termination fees, shall be borne by American Water and Essential shareholders and will not be recovered from Pennsylvania customers.

18. No executive officers' golden parachute, change-in-control or retention payments or bonuses, including separation or severance compensation and the accelerated portion of supplemental executive retirement plan payments (by way of cost allocation from the parent company or affiliated companies) related to a change in control pursuant to the Merger will be claimed or allowed for recovery directly or indirectly (capitalized or expense portions) in any future rate proceedings of Aqua PA, PAWC or Peoples.

19. Transition costs and any other incremental and incidental costs incurred prior to closing of the Merger, that would not occur absent the Merger, to facilitate integration and consolidation of business operations of utilities, will not be claimed as recoverable or be recovered directly or indirectly (as a cost allocation from the parent company or associated companies) as a part of cost of service by PAWC, Aqua PA, Aqua PA WW, and Peoples in future rate proceedings. All of these costs would be funded by shareholders and excluded for ratemaking purposes. Transition costs do not include costs to achieve savings or synergies, or reasonable costs incurred that are necessary to provide service to customers.

20. All transition costs shall be tracked to facilitate verification that none of the costs are being directly or indirectly included in cost of service for any Pennsylvania public utility.

21. The Joint Applicants agree to make transaction costs and transition costs available to the statutory parties and the Commission, in reasonable detail, upon request.

22. American Water agrees to track and account for identifiable and quantifiable post-closing transition costs and costs to achieve synergy savings until the first Aqua PA and Peoples respective base rate cases filed after completion of the Merger.

23. The Joint Petitioners reserve the right to challenge the prudency of all costs related to the merger in Pennsylvania and other jurisdictions, including but not limited to, claimed costs to achieve savings or synergies, in future base rate cases.

24. Until each of their respective base rate case filings following completion of the Merger, Aqua PA, Aqua PA WW, and Peoples agree to separately identify and quantify in dollars by fiscal year, all identifiable and quantifiable merger benefits and cost savings claimed to be realized due to business operation synergies, efficiencies, and best practices and to include detailed information thereof in future rate case filings.

25. The Joint Applicants confirm that the consummation of the Merger will not affect accounting and ratemaking treatments of Aqua PA's or Peoples' accumulated deferred income taxes ("ADIT"), including excess ADIT, accumulated deferred tax credits or net operating losses (including net operating loss carrybacks and net operating loss carryforwards). No tax elections or accounting methods shall be employed related to the Merger that would in any way result in any reduction to Aqua PA's or Peoples' respective net ADIT balances that are used to reduce rate base in Aqua PA's or Peoples' respective rate cases.

B. Quality of Service

26. Aqua PA, Peoples, and PAWC will continue to devote the necessary resources to maintain, at a minimum, current service quality. American Water is committed to providing clean, safe, reliable and affordable utility services to customers and will, at a minimum, commit that its current service quality will not deteriorate.

27. American Water (on behalf of itself and PAWC), Essential, Aqua PA, and Peoples will take all prudent actions to operate each utility efficiently and cost-effectively with the objectives of realizing merger benefits (e.g., economies of scale, business efficiency and synergies, best practices, cost savings, etc.) and providing safe and reliable services at affordable rates to their respective customers.

28. American Water will continue to invest in infrastructure replacement, renewal, upgrades or additions to support the provision of clean, safe, reliable and affordable service.

29. American Water agrees that both Peoples and Aqua PA will continue to meet their Commission-approved Long-Term Infrastructure Improvement Plan obligations following the closing of the Merger.

30. American Water (on behalf of itself and PAWC), Essential, Aqua PA, and Peoples will refrain from engaging in any types of unfair trade practices and anti-competitive business conduct or practices directly or indirectly adversely impacting their customers and other utilities' interests in Pennsylvania.

31. The Joint Applicants commit that the Merger will not interfere with Aqua PA's or PAWC's ability to finance or pursue acquisitions of troubled Commission-regulated Pennsylvania water and wastewater utilities and that Aqua PA, and American Water on behalf of PAWC, commit to continuing to pursue such acquisitions, as appropriate.

32. American Water commits to not have Aqua PA and PAWC bid against each other for acquisitions.

33. Peoples will continue to provide updated information to the Commission on a bi-annual basis on the progress of the right-of-way issues and timeframes of anticipated completion of the remaining 2.8 miles of bare steel pipe within the Goodwin/Tombaugh system.

34. Aqua PA, Peoples, and American Water on behalf of PAWC will notify the Commission of any billing system conversion or integration that occurs within three years following the closing of the Merger. Aqua PA, Peoples, and American Water on behalf of PAWC commit that any such billing system conversion or integration will not result in deterioration in customer service, billing accuracy, billing frequency, or customer call center performance.

35. For so long as each remains a separate legal entity, American Water on behalf of PAWC, Aqua PA, and Peoples agree to the following performance objectives for five years after closing of the merger.

a) Aqua PA and PAWC

(1) Percentage of calls answered within 30 seconds of at least 82%,

(2) Busy-out rate of no more than 0.25%, and

(3) Average call abandonment rate that is no higher than 2.5%.

b) Peoples

(1) Percentage of calls answered within 30 seconds of at least 82%,

(2) Busy-out rate of no more than 0%,

(3) Average call abandonment rate that is no higher than 2.0%,

(4) Percentage of bills not rendered each billing period of no more than 0.008%,

(5) Percentage of meters not read within six months of 0.15%,

(6) Percentage of company disputes not answered within 30 days of not more than 1%, and

(7) Average emergency response time of no more than 27.5 minutes.

36. Aqua PA and Peoples will develop a live Excel spreadsheet system to track customer complaints, review the information through conducting a root cause analysis of adverse trends, and, within 24 months, reduce the average number of days to respond to customer complaints to less than 10 days.

37. Aqua PA will continue to track appointments that are made and kept for field operations in a manner consistent with that adopted following the Peoples acquisition and to continue to utilize internal performance standards consistent with those adopted

following the Peoples acquisition until its next general rate case filed following Merger closing.

38. Aqua PA will meet comparable or more strict performance objectives as listed below until its next general rate case filed after closing of the Merger:

a) Estimate read rate – less than 0.5%

b) Actual read rate – 99%

c) Lost time accidents – 19

d) Responsible vehicle accidents – 4.1

e) Compliance with water regulations – 99.5%

f) Compliance with wastewater regulations – 94.5%

39. PAWC will conduct a root cause analysis of customer disputes, informal, and formal complaints to identify complaint trends, underlying causes, and reforms or other steps undertaken to respond to these findings. PAWC will share its plan to conduct, and methodology for, a root cause analysis with stakeholders prior to undertaking such analysis. A root cause analysis that complies with this commitment should be completed within six months of the final order in this proceeding and submitted annually as part of the annual report described in Paragraph 45 below.

40. PAWC will continue to meet its internal goals for reliability of service, field operations appointments, outage response time, and compliance with water quality requirements for the five year period following the final order in this proceeding.

41. To the extent that service quality provisions of the Settlement applicable to PAWC conflict with provisions set forth in the Commission's Opinion and Order entered July 27, 2026 in its most recent rate case at Docket No. R-2025-3057983 (the "PAWC Rate Case Order"), PAWC will implement the more favorable provision to customers.

42. Peoples will continue to track its field operations appointments and continue the performance standard of meeting 99% of all appointments for five years following Merger closing.

43. Peoples will maintain the location and staffing of call center employees in Pennsylvania. American Water will further commit to maintain the Peoples' call center within Peoples service territory in or near Pittsburgh. If it becomes apparent that the Pittsburgh call center performance lagged the results of the other call centers, American Water reserves the right to initiate discussion with the Commission and interested parties to explore mitigation alternatives, but any significant reductions in Pennsylvania call center staffing or transfer of call center employment outside of Pennsylvania remains subject to Commission approval.

44. Peoples agrees to continue the "Help at Peoples Now" program that allows field employee personnel to make referrals to Peoples for payment and payment arrangements in lieu of termination of service at least until its first base rate case filed after closing.

45. Aqua PA, PAWC, and Peoples will each provide a report to I&E, the OCA, and the OSBA each calendar year for five years following Meger closing regarding its achievement of the service quality metrics required under the Settlement.

46. If at any time any of the service quality performance objectives are not met (e.g., due to extreme weather events), American Water on behalf of PAWC, Peoples, and Aqua PA shall explain the reason the objective was not achieved, identify the basis for the failure to meet any performance objective, the steps taken to correct performance, and the time frame during which the performance objective will be met in the annual report to OCA, I&E, and OSBA. Any party reserves the right to bring such lack of compliance to the Commission's attention for a formal proceeding.

47. American Water, on behalf of PAWC, agrees to petition the Commission for, and use commercially reasonable efforts to obtain approval for, a pilot program for a customer-owned damaged wastewater service lateral replacement program that is focused on the former Butler Area Sewer Authority system.

48. Aqua PA and Peoples will continue to use customer service representatives as an important part of the customer experience. If, in the next five years, Aqua PA or Peoples deviate from the use of live customer service representatives in its entirety, they will notify the Commission of such change. Aqua PA and Peoples will continue to maintain the ability to use interactive voice response, portal, and other technologies for those customers that prefer that method of engagement.

49. Aqua PA commits to complying with all state and federal regulations for per- and polyfluoroalkyl substances ("PFAS") in Montgomery County. Aqua PA commits to providing customer education on PFAS to customers in Montgomery County until the PFAS compliance deadlines are met. This will include bill inserts, social media postings, and website education.

50. Aqua PA commits to continued education for its customers located in Montgomery County customers on customer owned lead service lines. Aqua PA customers in Montgomery County that have been identified as having a lead service lines will be included the Aqua PA's customer-owned lead line replacement program, at the appropriate time, which is at no direct cost to the customer.

C. Universal Service and Low-Income Customer Assistance

51. American Water will make an additional annual contribution to Aqua PA's and Peoples' hardship funds totaling $600,000 each year for at least three years post-closing, allocated proportionally between Aqua PA and Peoples based on the number of confirmed low income customers.

52. In its next filed rate case, Aqua PA and Peoples will propose to transition their respective arrearage forgiveness assistance for low-income customers so that participating customers are eligible for full forgiveness over a period of no more than 24 months. PAWC will make this change consistent with the PAWC Rate Case Order. Aqua PA, PAWC, and Peoples will work with their respective assistance advisory groups to

discuss an appropriate plan for informing customers about this change, and consider feedback of advisory group members in good faith.

53. Aqua PA, PAWC, and Peoples will maintain data collection and reporting requirements that identify estimated and confirmed low-income customers and bill payment experience for those customers.

54. The Commission has found that the sharing of customer information between the Companies for the purpose of supporting low-income program enrollment and coordination of low-income or universal service programs constitutes an authorized disclosure pursuant to 52 Pa. Code §§ 56.11(b)(8) and 56.261(b)(8), and therefore no separate customer consent is required for the sharing of this information between Aqua PA, PAWC, and Peoples following completion of the Merger. Billing system integration following the Merger will allow Aqua PA, PAWC, and Peoples to share information related to low income status and program enrollment. Aqua PA, PAWC, and Peoples will provide updates to their advisory groups related to the progress of this integration and conversion process at each advisory group meeting.

55. As part of any billing system conversion or integration, Aqua PA, PAWC, and Peoples will standardize enrollment criteria for their universal service and low-income customer assistance programs, and develop a combined application. This application will be available to customers within one year after the launch of the integrated and standardized customer information and billing system.

56. Within one year of closing, PAWC, Aqua, and Peoples agree to coordinate with their respective assistance advisory groups to develop a plan to more broadly coordinate their usage reduction and repair services. This coordination should eliminate customers providing duplicative information across the companies, including information related to household income and renter status. This plan should also include coordination with Peoples' usage reduction and repair programs so that eligible customers can be referred across these programs. This increased coordination should include a plan for how low income customers can receive additional measures to improve efficiency/conservation, which are not duplicative of current conservation and kit offerings, including line repair services.

57. For so long as each remains a separate legal entity, American Water on behalf of PAWC and Aqua PA agree to maintain for five years after closing of the Merger, or propose in their next base rate case if not currently in existence, low-income customer assistance programs that include: (1) a bill payment/customer assistance program; (2) a hardship fund; (3) a conservation and leak and line repair/replacement program; and (4) appropriate cost recovery. Aqua PA will also maintain a water conservation program and will include renters and homeowners in the eligibility criteria for its low-income customer assistance programs. Prior to the filing of its next base rate case, PAWC will consult with its customer assistance advisory group related to the contents of its proposal for approval of a conservation and leak and line repair/replacement program, and consider members' feedback in good faith. PAWC's proposed conservation and leak and line

repair/replacement program will be available to all customers enrolled in its bill discount program.

58. The Joint Applicants agree to increase Peoples' Low-Income Usage Reduction Program ("LIURP") budget by $500,000 to a total of $4,000,000 annually, and to increase its Emergency Furnace and Line Repair Program budget by 10%.

59. American Water commits to continue to use community-based organizations ("CBOs") within Peoples' service territories for delivery, implementation, and community financial support of universal service programs. Peoples will also continue to promote its hardship fund through its public advertising and sponsorship of such activities that bring in additional non-shareholder revenue to the Dollar Energy Fund.

60. Regarding the administration of its customer assistance program ("CAP") and hardship fund, Peoples agrees to continue to partner with an agency that: (a) can increase the number of intake sites; (b) is an administrator of utility CAP programs for the electric distribution companies or natural gas distribution companies in its service territory; (c) recruits and partners with multi-service agencies; and (d) uses a case management system to track and monitor referrals and enrollments into utility programs.

61. Peoples shall continue the Peoples Universal Service Advisory Group ("USAG") and invite CBOs, low-income customer advocates, the OCA, and other interested stakeholders. The USAG will meet quarterly to discuss all universal service issues including, but not limited to, recommendations concerning LIURP, LIURP

eligibility, and concerns and landlord issues that may present a barrier to customer participation.

62. Peoples will continue the current universal service organization structure and staffing levels for its universal service programs as outlined and explained in Peoples' current Universal Service and Energy Conservation Plan at least until its first rate case following completion of the Merger. In addition, American Water commits to ensuring that Peoples' universal service staff has the appropriate authority and discretion to continue to operate Peoples' universal service programs in a manner that is reasonably consistent with the manner in which the programs were operated prior to the Merger.

63. Within 60 days of the closing of the Merger, Aqua PA and PAWC will file a tariff supplement effective on 60 days' notice, that waives reconnection fees for all residential households with income at or below 150% of the federal poverty level customers. Aqua and PAWC agree to work in conjunction with their respective assistance advisory groups to develop a plan for how to inform customers about this change. Aqua PA and PAWC will be permitted to create a regulatory asset to track reconnection fees that they otherwise would have been able to recover from customers that they can then present for recovery in their next respective base rate proceedings following completion of the Merger.

64. To the extent that any of provisions set forth in Section II.C of the Settlement applicable to PAWC conflict with those set forth in the PAWC Rate Case Order, PAWC agrees to implement the provision more favorable to eligible customers.

D. Small Business Customer Commitments

65. Aqua PA will propose, in its next base rate case, a payment plan option for small business customers.

66. In future wastewater cost of service studies, Aqua PA will separate its wastewater commercial customer class and third-party sales into separate classes.

E. Local Presence and Commitments to Employees

67. Aqua PA's, PAWC's, and Peoples' day-to-day operations will continue to be locally managed by dedicated local employees serving their customers and living in and giving back to their communities. This includes retaining Michael Huwar as President of Peoples.

68. American Water commits to maintaining sufficient workforce, operational facilities, and offices to continue to provide clean, safe, reliable, and affordable water and wastewater utility services to customers in Pennsylvania. This includes honoring all Essential collective bargaining agreements under their current terms, as well as Aqua PA's and Peoples' pension obligations to employees. American Water also agrees, on behalf of PAWC, to honor all of PAWC's collective bargaining agreements under their current terms and PAWC's pension obligations to employees.

69. American Water agrees that the Merger will not result in a material reduction in the union workforce for the 12-month period following completion of the Merger.

70. American Water, on behalf of PAWC, Peoples, and Aqua PA agree to provide annual reports to the Commission, I&E, OSBA, the OCA, and CAUSE-PA

regarding field offices and staffing levels in its service territory until the first rate case filed by each Pennsylvania utility following the Merger.

71. Concerning employee compensation and benefits of Aqua PA and Peoples employees, American Water shall commit to maintain levels of total compensation and benefits for Aqua PA's and Peoples' existing employees at levels no less favorable than those in effect immediately prior to closing for at least one year after the closing date.

72. Aqua PA's headquarters located in Bryn Mawr (including the testing facility) and Peoples' headquarters located in Pittsburgh shall be maintained for at least five years from Merger consummation.

73. Peoples agrees not to move its headquarters outside of Peoples' Pennsylvania service territory after closing of the Merger without application to, and approval of, the Commission.

74. American Water agrees not to move Aqua PA's headquarters in Bryn Mawr for so long as it is a separate legal entity, and will only sell the Bryn Mawr headquarters building upon application to, and approval of, the Commission.

75. The American Water Board of Directors and Executive Committee shall include the Pittsburgh, Pennsylvania area and service area of Peoples among the locations of their meetings.

F. Charitable Contributions and Community Support

76. American Water shall ensure that Aqua PA, Peoples, and PAWC provide for the next three years annual contributions to 501(c)(3) charities or

municipalities/government bodies, of at least their respective three-year average annual amount based on the three years pre-merger. American Water shall file by April 30 of each year an annual report on the contributions made in the prior calendar year, which shall at minimum specify which company(ies) made the contribution (Aqua PA, PAWC, or Peoples), the amount of the contribution, and the recipient of the funds. These charitable contributions shall not be recovered in rates.

G. Corporate Organization and Financial Integrity

77. For so long as each remains a separate legal entity, Aqua PA, and Peoples will continue to operate as separate utility subsidiaries with their own executives, officers, and employees and will continue to maintain separate books of accounts and financial statements reflecting their own respective assets and liabilities at each entity level including capital structures, debt and equity costs, rate base, and operating and maintenance expenses with breakdowns by line items for ratemaking purpose on a standalone basis. American Water shall maintain Aqua PA and Peoples as separate legal entities and as separate utility subsidiaries at least until the full completion of the next rate cases filed by Aqua PA and Peoples, respectively. Aqua PA, and Peoples will also compile financial statements and reports required by the Commission pursuant to the Public Utility Code and applicable regulations and will provide such statements and reports to the Commission. American Water agrees to the same on behalf of PAWC. This commitment does not preclude the sharing of resources pursuant to an affiliate agreement approved by the Commission. American Water shall offer the statutory advocates an opportunity for a pre-filing meeting

to review any new or revised affiliated service agreements filed within the two years following completion of the Merger.

78. For so long as each Pennsylvania utility subsidiary remains a separate legal entity, American Water and Essential commit to implementing appropriate ring-fencing protections to the extent necessary for business operations (water and wastewater operations, gas operations, and non-utility operations) and related financial transactions of each business segment, which are no less protective than the ring-fencing protections currently in effect. The ring fencing will include but is not limited to the following:

- American Water and Essential utility subsidiaries maintaining their status as corporate subsidiaries with their own corporate officers.
- Each of the utility subsidiaries maintaining and issuing their own sets of financial statements pursuant to the Commission's requirements, specifically maintaining separate books and records, each in accordance with the applicable Uniform System of Accounts for their type of utility.
- Each utility subsidiary maintaining the capability to issue its own long-term debt (with such debt issues subject to Chapter 19 of the Code).
- The maintenance of an optimal capital structure for the utility subsidiaries.

79. Aqua PA, PAWC, and Peoples each have, and will continue to have (for so long as each remains a separate legal entity), their own capital structure, which is a function of their own debt and equity.

80. American Water and its affiliated entities will continue to provide support for the utility subsidiaries' funding (capital) requirements at a just and reasonable cost and consistent with other competitive market terms and conditions.

81. American Water will provide the Essential utilities in Pennsylvania with no less than the same access to short-term debt, commercial paper, and other liquidity that Aqua PA and Peoples currently have in place. If this does not provide sufficient liquidity for day-to-day needs, additional short-term loans, at market rates, will be available. Neither American Water nor any of its affiliates will make any loan to Aqua PA or Peoples that bears interest at rates that are greater than the rates being paid at the time of such loan by American Water or such other affiliate on its own debt issued at the same time. Neither Aqua PA nor Peoples will assume liability for debts issued by American Water or its financing subsidiary, American Water Capital Corporation ("AWCC"). Although Aqua PA and Peoples may become a party to a financing services agreement with AWCC and AWCC may issue debt for the benefit of several operating companies, each company, including Aqua PA and Peoples, will be liable only for its individual borrowings or issuances under those arrangements.

82. The Joint Applicants will not use Aqua PA or Peoples assets to secure debt for the benefit of utilities or operations in other states. Aqua PA, PAWC, and Peoples will not provide funding on a long-term basis (i.e., for a term exceeding one year) to American Water and Essential or any other corporate affiliates and shall not provide debt guarantees

or pledge utility assets for the parent company or other corporate affiliates' borrowings without prior Commission approval.

83. Unless first approved by the Commission, Aqua PA and Peoples will not transfer any material asset to an affiliate except in an arm's length transaction and in compliance with Pennsylvania law.

84. American Water (on behalf of itself and PAWC), Essential, Aqua PA, and Peoples will not undertake any transactions that would lead to comingling of Pennsylvania utilities' funds with other affiliated entities without specific prior approval of the Commission.

85. Aqua PA, PAWC, and Peoples will seek Commission approval for all new or amended affiliated interest agreements with its parent company and affiliated entities consistent with Chapter 21 of the Public Utility Code. All transactions among the utility subsidiaries and their affiliated entities (including but not limited to American Water and Essential) would not promote any form of cross subsidization and would not render benefits to the shareholders of the group companies.

86. The Joint Applicants will report key credit metrics including Funds from Operations ("FFO")/debt, FFO/interest, and debt/capitalization for American Water and each Pennsylvania utility that has its own bond credit rating, and will use reasonable efforts to maintain the American Water, Aqua PA, and Peoples credit ratings at investment-grade for each of their publicly-traded debt securities.

87. The Joint Applicants shall file a Report of Action within 120 days after closing of the Merger. The Report of Action shall contain: (1) the closing date of the Merger; (2) the actual total Essential stock sale price; and (3) the actual accounting entries records on each company's books to reflect the Merger. The Merger-related accounting entries in Aqua's and Peoples' books shall include: all transaction cost and transition cost accounting entries for Aqua PA and Peoples that are recorded on the books of each entity; all Merger-related fair value, Goodwill, and/or Acquisition Premium accounting entries for Aqua and Peoples and their subsidiaries; all Merger-related tax accounting entries for Aqua PA and Peoples and their subsidiaries; and all Merger-related debt and equity financing accounting entries for Aqua PA and Peoples and their subsidiaries.

88. Aqua PA, Peoples, and PAWC will remain individual Pennsylvania utilities post-Merger, and the Merger will not impact any respective obligations under their tariffs, prior Commission Orders, or existing service agreements. Aqua PA, Peoples, and PAWC will honor the terms of their respective service agreements consistent with the terms of those agreements.

H. Most Favored Nation Provision

89. If the Joint Applicants agree to benefits in any other state regulatory jurisdiction that must approve the proposed transaction that are materially more beneficial than the terms of this Order with respect to the same category of benefits, then American Water shall increase the benefit in each such respective category that is to be provided to Pennsylvania public utility customers as set forth below. In no event shall the operation of

this condition cause the Pennsylvania rate credit amount or any other financial or non-financial benefit to be reduced. Specifically, this condition will only apply to the following categories of benefits: (1) providing customer bill credits to Aqua PA and Peoples customers equal to the highest per-customer amounts committed to by the Joint Applicants in other jurisdictions that approve the proposed transaction, (2) offering shareholder funded charitable donations at a per-customer dollar amount per year that are higher than the Joint Applicants' commitment in the current Pennsylvania case for the Aqua PA and Peoples service areas, and (3) requiring implementation of ring-fencing provisions that the Joint Applicants agree to that are more protective of ratepayers than the ones made by Joint Applicants in the current Pennsylvania case.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

90. The Joint Applicants, I&E, the OCA, and the OSBA have prepared and attached to this Joint Petition Statements in Support identified as Statements A through D, respectively, setting forth the bases on which they believe the Settlement is in the public interest. The Joint Petitioners agree that the Settlement is in the public interest and will produce substantial affirmative public benefits.

91. The Joint Applicants further agree that the Settlement amicably and expeditiously resolves a number of important and contentious issues and will avoid the substantial administrative burden and costs to litigate these matters to conclusion.

92. The Joint Petitioners arrived at the Settlement terms after conducting informal discovery and engaging in in-depth discussions over several weeks. The

Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement is consistent with the Commission's rules and practices encouraging negotiated settlements (*see* 52 Pa. Code §§ 5.231, 69.391 and 69.401), and is supported by substantial record evidence.

IV. ADDITIONAL TERMS AND CONDITIONS

93. The Commission's approval of the Settlement shall not be construed as approval of any party's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement. Accordingly, this Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

94. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise and does not necessarily represent the position(s) that would be advanced by any party in this or any other proceeding, if it were fully litigated.

95. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner that is fair and reasonable. The Settlement is the product of compromise. This Settlement is presented without prejudice to any position which any of the parties may have advanced and without prejudice to the position any of the parties may advance in the future on the merits of the issues in future proceedings, except to the extent necessary to effectuate the terms and conditions of this Settlement.

96. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify the terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all active parties within five business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event, shall be of no force and effect. In the event that the Commission disapproves the Settlement or the Joint Applicants or any other Joint Petitioner elects to withdraw as provided above, the Joint Petitioners reserve their respective rights to fully litigate this remanded case, including but not limited to presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

97. If the ALJs, in their Recommended Decision on this Joint Petition, recommend that the Settlement be adopted as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of this Settlement, or any additional matters proposed by the ALJs in their Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.

98. Each term and condition set forth in this Joint Petition, whether or not set out in a numbered paragraph, shown in a table or other graphic presentation, bolded, italicized, or otherwise emphasized, or set forth in the body, a footnote, a parenthetical, an appendix,

an exhibit, or otherwise, is material consideration to the entry into this Settlement by the signatory parties.

99. Unless otherwise expressly indicated, all terms and conditions contained herein shall take effect upon issuance of a final order in this proceeding, without the need or requirement for additional Commission review or approval unless set forth in the Commission order approving the Joint Petition.

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That Administrative Law Judges Emily I. DeVoe and Ann Quimby recommend approval and the Commission approve the Settlement embodied in this Joint Petition, including all terms and conditions thereof without modification.

2. That the Commission issue certificates of public convenience evidencing approval under Section 1102(a)(3) of the Code the change in control of Aqua PA and Peoples effected by the Merger.

3. That the Commission approve all affiliated interest agreements as attached as exhibits to the Joint Application under Section 2102(b) of the Code.

Respectfully submitted,

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Dated: September 15, 2026

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EXHIBIT 1

Joint Proposed Findings of Fact, Conclusions of Law and Ordering Paragraphs

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JOINT APPLICATION OF AMERICAN WATER WORKS COMPANY, INC., ESSENTIAL UTILITIES, INC., AQUA PENNSYLVANIA, INC., AQUA PENNSYLVANIA WASTEWATER, INC., PEOPLES NATURAL GAS COMPANY LLC AND ALPHA MERGER SUB, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE UNDER SECTIONS 1102(A)(3) AND 2210(C) OF THE PUBLIC UTILITY CODE AND ALL OTHER NECESSARY APPROVALS TO EFFECT A CHANGE OF CONTROL OF AQUA PENNSYLVANIA, INC., AQUA PENNSYLVANIA WASTEWATER, INC., AND PEOPLES NATURAL GAS COMPANY LLC	:	**DOCKET NOS.**	**A-2025-3058927** **A-2025-3058928** **A-2025-3058929**

JOINT PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDERING PARAGRAPHS IN SUPPORT OF JOINT PETITION FOR NON-UNANIMOUS SETTLEMENT

September 15, 2026

PROPOSED FINDINGS OF FACT

1. This proceeding was initiated on November 26, 2025, when American Water Works Company, Inc. ("American Water"), Essential Utilities, Inc. f/k/a Aqua America, Inc. ("Essential"), Aqua Pennsylvania, Inc. ("Aqua PA"), Aqua Pennsylvania Wastewater, Inc. ("Aqua PA WW"), Peoples Natural Gas Company LLC ("Peoples"), and Alpha Merger Sub, Inc. ("Merger Sub") (collectively, "JA" or the "Joint Applicants")[1] filed an application (the "Joint Application") requesting approval by the Pennsylvania Public Utility Commission (the "Commission" or "PUC") under Chapters 11 and 22 of the Public Utility Code (the "Code") for a change of control of Aqua PA and Peoples to be effected by the merger of Essential with Merger Sub, a wholly-owned subsidiary of American Water (the "Merger").

2. The Joint Applicants also requested that the Commission approve, under Chapter 21 of the Public Utility Code, certain new affiliated interest arrangements that are designed to facilitate the sharing of services between the American Water and Essential Pennsylvania operating utilities.[2]

3. American Water is a publicly-traded public utility holding company that is incorporated in Delaware and maintains its corporate headquarters in Camden, New Jersey. With a history dating back to 1886, American Water is the largest and most geographically

[1] Unless otherwise specified herein, references to Aqua PA also include Aqua PA WW, which is a wholly-owned subsidiary of Aqua PA.

[2] *See* Joint Application, Exhibit D.

diverse investor-owned water and wastewater utility in the United States. American Water and its subsidiaries employ more than 6,700 dedicated professionals who provide water and wastewater services to 3.5 million customer connections, or more than 14 million people in 14 states, including Pennsylvania, and on 18 military installations. American Water's subsidiary Pennsylvania-American Water Company ("PAWC") is a "public utility" as defined under Section 102 of the Code that provides high quality water and wastewater services to approximately 810,000 customers (representing a population of approximately 2.4 million people) in 38 of the 67 counties across the Commonwealth.[3]

4. Essential is a publicly-traded public utility holding company organized under the laws of the Commonwealth of Pennsylvania and headquartered in Bryn Mawr, Pennsylvania. Essential provides water, wastewater, and natural gas service to approximately 5.5 million people through its operating subsidiaries in Pennsylvania, Ohio, North Carolina, Illinois, Indiana, Kentucky, New Jersey, Texas, and Virginia. Aqua PA furnishes water service to approximately 459,000 customers and wastewater service, through Aqua PA WW, to approximately 68,000 customers (representing a population of approximately 1.59 million people) in 33 counties in Pennsylvania. Peoples provides natural gas service to approximately 700,000 customers in 18 counties in Western Pennsylvania.[4]

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[3] *See* JA St. 1 (Norton), pp. 4-5, 7.

[4] *See* JA St. 3 (Arnold), pp. 3-5; JA St. 4 (Huwar), p. 4; JA St. 5 (Schuller), pp. 4-6.

5. Merger Sub is a wholly-owned subsidiary of American Water that was formed for the sole purpose of effecting the Merger. When the Merger is completed Merger Sub will be subsumed, by operation of law, into Essential and cease to exist as a separate corporate entity.[5]

6. American Water, Essential and Merger Sub are parties to an Agreement and Plan of Merger ("Merger Agreement").[6] Under the terms of the Merger Agreement, Essential will combine with Merger Sub through an all-stock, tax-free merger and, as the surviving corporation, Essential will become a wholly-owned subsidiary of American Water.[7]

7. American Water will remain the ultimate corporate parent of PAWC and all other American Water subsidiaries and will become the ultimate corporate parent of Essential and all its subsidiaries, including Aqua PA, Aqua PA WW, and Peoples.[8]

8. American Water is not proposing to merge PAWC and Aqua PA at this time.[9]

9. Essential, Aqua PA, and Peoples will each remain separate in terms of their respective corporate existence, franchises, obligation, and privileges, and the Commission-approved rates in effect when the Merger closes will not change as a result of the Merger.[10]

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5 *See* JA St. 2 (Bowler), pp. 2-3.

6 *See* Joint Application, Ex. A.

7 *See* JA St. 2 (Bowler), pp. 2-4.

8 *See* Joint Application, Ex. B; JA St. 2 (Bowler), pp. 3-5.

9 *See* Joint Application, ¶ 15; JA St. 2 (Bowler), p. 3.

10 JA St. 2 (Bowler), pp. 3, 5; JA Ex. CN-1R (Item 16); JA Ex. CN-2R (Item 2).

10. The Joint Application included written testimony and exhibits describing the Merger and maintaining that substantial affirmative public benefits are produced by the Merger.[11]

11. The Joint Applicants maintained that the Merger would not have an adverse impact on the level of service provided by Aqua PA and Peoples to customers, the rates paid by Pennsylvania customers for service from American Water and Essential, Commission access to Aqua PA and Peoples, or the technical expertise available to Aqua PA and Peoples.[12]

12. The Joint Applicants explained that American Water does not own or operate any companies that directly or indirectly compete with Peoples. As such, the Joint Applicants claimed that the Merger will not result in anticompetitive or discriminatory conduct in the retail market for natural gas in Pennsylvania, and further indicated that the Merger will not have an adverse impact on Peoples employees.[13]

13. Aqua PA and Peoples are Pennsylvania public utilities subject to the jurisdiction of the Commission.[14]

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[11] *See*, *e.g.*, Joint Application, ¶¶ 1-2, 31, 34; JA St. 1 (Norton), pp. 5-6, 7-19; JA St. 2 (Bowler), pp. 6-9; JA St. 3 (Arnold), pp. 8-11; JA St. 4 (Huwar), pp. 9-11; JA St. 5 (Schuller), pp. 5-11.

[12] *See*, *e.g.*, Joint Application, ¶¶ 31-33 & Ex. C; JA St. 1 (Norton), pp. 3-4, 7-9, 16-17; JA St. 2 (Bowler), pp. 5-6; JA St. 3 (Arnold), pp. 5-6, 11; JA St. 4 (Huwar), pp. 5, 10-11; JA St. 5 (Schuller), pp. 9-10.

[13] *See* Joint Application, ¶ 35; JA St. 1 (Norton), pp. 17-18; JA St. 4 (Huwar), pp. 5, 12; JA St. 5 (Schuller), pp. 10-11.

[14] *See* Joint Application, ¶¶ 11-12; JA St. 3 (Arnold), pp. 4-5; JA St. 4 (Huwar), p. 4.

14. Notice of the Joint Application was published in the *Pennsylvania Bulletin* on December 13, 2025 and, pursuant to a Secretarial Letter issued December 1, 2025, notice was also published in newspapers of general circulation.

15. Petitions to Intervene, Protests or Notices of Appearance in this proceeding were filed by the following parties: (1) the Commission's Bureau of Investigation and Enforcement ("I&E"); (2) the Office of Consumer Advocate ("OCA"); (3) the Office of Small Business Advocate ("OSBA"); (4) Chester Water Authority; (5) the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania ("CAUSE-PA"); (6) East Norriton Township; (7) International Union of Operating Engineers, Local 542 ("Local 542"); (8) Lower Makefield Township; (9) the Municipal Intervenors;[15] (10) Upland Borough; and (11) Utility Workers Union of America, AFL-CIO, Local 612 ("Local 612").

16. A telephonic Prehearing Conference was held on August 12, 2025 before presiding Administrative Law Judge ("ALJ") Mary D. Long.[16] Consistent with Commission practice, a schedule was adopted requiring, among other things, that all case-in-chief, rebuttal, and surrebuttal testimony be submitted in writing in advance of hearings,

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15 The Municipal Intervenors consist of City of Butler, County of Delaware ("Delco"), East Whiteland Township ("East Whiteland"), Montgomery County ("MontCo"), and Manchester Township, North York Borough, Spring Garden Township, West Manchester Township and York Township (collectively, the "York Area Intervenors").

16 On February 5, 2026, this matter was reassigned to the presiding ALJs, Emily I. DeVoe and Ann Quimby.

and for rejoinder testimony to be offered in writing in advance of hearings or orally at the hearings.

17. Twelve in-person public input hearings were held on April 21, 22, 29 and 30, 2026 and May 5 and 7, 2026, and two telephonic public input hearings were held on April 28, 2026.

18. On May 21, 2026, I&E, the OCA, the OSBA, CAUSE-PA and the Municipal Intervenors submitted 13 written statements and accompanying exhibits constituting their direct testimony in this case. On June 25, 2026, the Joint Applicants submitted six statements and accompanying exhibits constituting their rebuttal testimony in this case. On July 23, 2026, I&E, the OCA, the OSBA, CAUSE-PA and the Municipal Intervenors submitted eight written statements and accompanying exhibits constituting their surrebuttal testimony in this case. On July 29, 2026, the Joint Applicants submitted six statements of written rejoinder testimony.

19. Witnesses for I&E, the OCA, the OSBA, CAUSE-PA and the Municipal Intervenors raised concerns about the Merger in direct and surrebuttal testimony, including concerns regarding the impact of the Merger on rates and service, affordability of service provided by Aqua PA, PAWC, and Peoples following the Merger, and the adequacy of benefits for customers produced by the Merger.[17]

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[17] *See generally* I&E St. 1 (Patel), pp. 7-43 & 1-SR (Patel), pp. 4-36; I&E St. 2 (Cline), pp. 4-8 & 2-SR (Cline), pp. 2-5; I&E St. 3 (Gobrecht), pp. 8-14; OCA St. 1 (Smith), pp. 9-89 & 1SR (Smith), pp. 2-45; OCA St. 2 (Alexander), pp. 4-35 & 2SR (Alexander), pp. 2-17; OSBA St. 1 (Kubas), pp. 3-4; OSBA St. 2 (Hashlamoun), pp. 4-20 & 2-SR (Hashlamoun), pp. 1-6; CAUSE-PA St. 1 (Cicero), pp. 2-88 & 1-SR

20. The Joint Applicants' witnesses responded to the concerns raised by I&E, the OCA, OSBA, CAUSE-PA and the Municipal Intervenors in rebuttal and rejoinder testimony.[18] The Joint Applicants' rebuttal testimony included a list of commitments that the Joint Applicants agreed to undertake in connection with the Merger and in response to concerns raised by other parties and to provide additional public benefits.[19] The Joint Applicants' rejoinder testimony included a commitment to provide shareholder-funded rate credits in the amount of $25 to each Aqua PA and Peoples customer (totaling approximately $30.7 million).[20]

21. At the evidentiary hearing held on August 4, 2026, JA witnesses Cheryl Norton, David Bowler and Colleen Arnold were cross-examined by counsel for other parties. Additionally, the written testimony and exhibits of all parties attending the evidentiary hearing were admitted into evidence.[21]

22. The parties engaged in discussions to negotiate a settlement of some or all of the issues in this case. As a result of those negotiations, the Joint Applicants, I&E, the

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(Cicero), pp. 2-47; Butler St. 1 (Dandoy), pp. 3-6; Delco St. 1 (Ruether), pp. 4-6 & 1-S (Ruether), pp. 2-16; East Whiteland St. 1 (Brown), pp. 4-6; MontCo St. 1 (Ramkissoon), pp. 3-6; MontCo St. 1-S (Ramkissoon), pp. 2-4.

18 *See generally* JA St. 1-R (Norton) & 1-RJ (Norton); JA St. 2-R (Bowler) & 2-RJ (Bowler); JA St. 3-R (Arnold) & 3-RJ (Arnold); JA St. 4-R (Huwar) & 4-RJ (Huwar); JA St. 5-R (Schuller) & 5-RJ (Schuller); JA St. 6-R (Prine), pp. 3-29 & 6-RJ (Prine).

19 *See* JA Exhibit CN-1R and JA Exhibit CN-2R. *See also* JA St. 1-R (Norton), pp. 2-5.

20 *See* JA St. 2-RJ (Bowler), pp. 3-4.

21 Counsel for Local 542 did not appear at the evidentiary hearing and, as such, the written report submitted by Local 542 on May 20, 2026 was not admitted into the record. *See* Tr. 668, 752-768.

OCA, and the OSBA (collectively, the "Joint Petitioners") were able to agree to the Settlement set forth herein, which resolves all issues in this proceeding among the Joint Petitioners.[22]

23. On August 25, 2026, the ALJs issued an Interim Order Setting Requirements for Briefs in this proceeding.

24. On August 25, 2026, the Joint Applicants notified the ALJs that a non-unanimous settlement had been reached resolving all issues in this proceeding, and that the settling parties would submit a Joint Petition for Settlement and Statements in Support to memorialize their agreement.

25. On August 28, 2026, the ALJs issued an Interim Order Setting Updated Requirements for Briefs, Non-Unanimous Settlement, and Statements in Support, which modified the procedural schedule and updated the briefing requirements in this proceeding in light of the non-unanimous settlement.

26. On September 15, 2026, the Joint Petitioners submitted a Joint Petition for Non-Unanimous Settlement ("Settlement" or "Joint Petition") and requested that the ALJs approve the Settlement without modification.

27. Under the Settlement, the Joint Petitioners agreed that the Merger, with the

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[22] CAUSE-PA, City of Butler, East Norriton Township, Local 542, Local 612, Lower Makefield Township, and Upland Borough, who are parties to this proceeding, have authorized the Joint Petitioners to represent that they do not oppose the Settlement. Chester Water Authority, East Whiteland, and Montco did not join this Joint Petition and indicated that they oppose the Settlement. Delco and the York Area Intervenors did not confirm their position regarding the Settlement.

additional commitments agreed to under the Settlement, fully satisfies the requirements for a certificate of public convenience from the Commission under Chapters 11 and 22 of the Public Utility Code. The Joint Petitioners further agree that the affiliated interest agreements proposed by the Joint Applicants are reasonable and consistent with the public interest. The principal substantive terms and conditions of the Settlement are set forth in Paragraph Nos. 9-89 of the Joint Petition, which address the issues raised by I&E, the OCA, OSBA, and the York-Area Intervenors in this proceeding.

28. JA Exhibit CN-1R and JA Exhibit CN-2R further detail the commitments proposed by the Joint Applicants in support of the Merger which are, to a large extent, also reflected in the Settlement.[23]

29. As explained in the Joint Petitioners' Statements in Support, the Merger, as conditioned by the Settlement, will produce substantial affirmative public benefits.[24]

30. Under the Settlement, within one year of the closing of the Merger, American Water shareholders will fund a Rate Stabilization Fund to provide each customer of Aqua

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[23] *See* JA St. 1-R (Norton), pp. 5-8; JA St. 2-R (Bowler), pp. 2-5. Exhibit CN-1R contains an expanded list of the commitments that were included in Exhibit C to the Joint Application to reflect more than 70 of the conditions proposed by other parties in their direct testimony. Exhibit CN-2R includes a list of the conditions recommended by other parties in the proceeding that the Joint Applicants accepted (in some cases, with clarifications or modifications) and identifies where those conditions are reflected in Exhibit CN-1R and/or in the testimony of JA witnesses.

[24] *See* Joint Applicants' Statement in Support, pp. 8-21; I&E Statement in Support, pp. 9-44, OCA Statement in Support, pp. 9-53; and OSBA Statement in Support, pp. 3-6.

PA, PAWC, and Peoples a $40 rate credit, which will deliver an immediate tangible benefit to customers.[25]

31. The Settlement also provides for base rate stability for Aqua PA and PAWC. Under the Settlement, American Water committed that Aqua PA and PAWC shall not file for a general base rate increase under Section 1308(d) of the Code, 66 Pa.C.S. Section 1308(d), prior to June 1, 2027, and April 1, 2028, respectively.[26]

32. The Joint Applicants also committed in the Settlement that the next respective rate cases filed on behalf of Aqua PA, PAWC, and Peoples will reflect all identifiable and quantifiable merger benefits and savings, and that quantifications of identifiable and quantifiable merger savings and related benefits will be presented in direct testimony in the respective utilities' rate case filings.[27]

33. The Settlement also includes commitments to ensure that customers will not be responsible for transaction costs incurred in connection with the merger; all pre-Merger transition costs incurred prior to closing will be borne by shareholders and not allocated to any of the Pennsylvania utilities; and accounting treatments associated with the Merger will not affect customer rates.[28]

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[25] Joint Petition, ¶ 10.

[26] *Id.*, ¶¶ 11-12.

[27] *Id.*, ¶ 13.

[28] *Id.*, ¶¶ 14-20.

34. Under the Settlement, American Water made an overall commitment to maintain current levels of service quality[29] and also agreed to specific performance objectives for Aqua PA, Peoples, and PAWC and reporting on each company's performance.[30] The Settlement also includes additional terms related to customer service (e.g., root cause analysis activities and call center staffing)[31] and infrastructure investment (e.g., Peoples and Aqua PA will continue to meet their Commission-approved Long-Term Infrastructure Improvement Plan obligations).[32]

35. Under the Settlement, the Joint Applicants made commitments related to customer assistance programs, including additional contributions to Aqua PA and Peoples' hardship funds, an increase in Peoples' Low-Income Usage Reduction Program budget, reducing the time period over which a customer could be eligible for full arrearage forgiveness, Aqua PA and PAWC maintaining (or proposing) bill discount, hardship and low-income service line repair programs, facilitating customer data sharing for purposes of determining low-income status and program enrollment, and waiving reconnection fees for Aqua PA's and PAWC's low-income customers.[33]

36. The Settlement also includes commitments regarding maintaining local management and employees for Aqua PA and Peoples, including retaining Michael Huwar

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29 *Id.*, ¶ 26.

30 *See id.*, ¶¶ 35, 37-38, 40, 42, 45-46.

31 *See, e.g., id.*, ¶¶ 37, 39, 43-44.

32 *See, e.g., id.*, ¶¶ 28-29.

33 *See id.*, ¶¶ 51-64.

as President of Peoples,[34] staffing levels, compensation and honoring existing obligations under applicable collective bargaining agreements,[35] and maintaining Aqua PA's Bryn Mawr headquarters and testing facility and Peoples' Pittsburgh headquarters.[36]

37. American Water also committed that Aqua PA, Peoples, and PAWC will maintain charitable contributions for the next three years in an amount equal to at least their respective three-year average annual amount. Charitable contributions will not be recovered in rates.[37]

38. In addition, the Joint Applicants agreed to several other significant commitments to maintain the corporate independence and financial integrity of Aqua PA and Peoples, implement important ring-fencing measures, and require post-Merger reporting obligations regarding Aqua PA's and Peoples' Merger-related accounting.[38]

39. The parties agree that the terms and conditions of the Settlement address the issues raised in this proceeding in a fair and reasonable fashion.

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[34] *Id.*, ¶ 67.

[35] *Id.*, ¶¶ 68-71.

[36] *Id.*, ¶¶ 72-74.

[37] *Id.*, ¶ 76.

[38] *Id.*, ¶¶ 77-88.

PROPOSED CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the Joint Application.[39]

2. The Joint Applicants bear the burden of proving that they are entitled to the relief sought in this application proceeding.[40]

3. The Commission may issue a certificate of public convenience upon a finding that "the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public."[41]

4. Under Sections 1102 and 1103 of the Code, the Joint Applicants must demonstrate that the party to whom the assets and service obligations are being transferred is technically, legally, and financially fit.[42]

5. The Joint Applicants have demonstrated by a preponderance of evidence that the proposed Merger, as conditioned by the Settlement, will "affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way," and that American Water is technically, legally, and financially fit to assume control of Aqua PA and Peoples.[43]

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[39] 66 Pa. C.S. § 1102(a)(3).

[40] 66 Pa.C.S. § 332(a).

[41] 66 Pa.C.S. § 1103(a).

[42] *Seaboard Tank Lines, Inc. v.* Pa. *Pub. Util. Comm'n*, 502 A.2d 762, 764 (Pa. Commw. Ct. 1985); *Warminster Twp. Mun. Auth. v. Pa. Pub. Util. Comm'n*, 138 A.2d 240, 243 (Pa. Super. Ct. 1958).

[43] *City of York v. Pa. Pub. Util. Comm'n*, 295 A.2d 825, 828 (Pa. 1972); *Popowsky v. Pa. Pub. Util. Comm'n*, 937 A.2d 1040, 1057 (Pa. 2007); *Lawrence v. Pa. Pub. Util. Comm'n*, 348 A.3d 108 (Pa. 2025).

6. The Commission shall consider whether the proposed Merger, as conditioned by the Settlements is likely to result in anticompetitive or discriminatory conduct, including the unlawful exercise of market power, which will prevent retail gas customers from obtaining the benefits of a properly functioning and effectively competitive retail natural gas market.[44]

7. The Commission shall consider the effect of the proposed Merger, as conditioned by the Settlement, on the employees of Peoples and on any authorized collective bargaining agent representing those employees.[45]

8. The Commission shall approve the affiliated interest agreements proposed by the Joint Applicants if it shall clearly appear and be established upon investigation that they are reasonable and consistent with the public interest.[46]

9. Based on the record developed in this proceeding and a thorough review of the positions of the parties, the proposed Merger, as conditioned by the Settlement, is in the public interest.

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44 66 Pa. C.S. § 2210(a)(1).

45 66 Pa. C.S. § 2210(a)(2).

46 66 Pa. C.S. § 2102(b).

PROPOSED ORDERING PARAGRAPHS

1. That the Joint Application is hereby approved subject to the terms and conditions of the Joint Petition for Non-Unanimous Settlement.

2. That the Joint Petition for Non-Unanimous Settlement entered into and filed by the Joint Applicants, I&E, the OCA, the OSBA, and the York-Area Intervenors, including the terms and conditions contained therein, is hereby approved.

3. That a certificate of public convenience be issued evidencing approval under Section 1102(a)(3) of the Public Utility Code of the change in control of Aqua PA and Peoples effected by the Merger.

4. That the affiliated interest agreements proposed by the Joint Applicants are approved pursuant to Section 2102(b) of the Public Utility Code.

5. That any other approvals or certificates appropriate, customary, or necessary under the Public Utility Code to carry out the Merger contemplated in the Joint Application subject to the terms and conditions of the Joint Petition for Non-Unanimous Settlement are hereby granted.

6. That the Secretary mark Docket Nos. A-2025-3058927, A-2025-3058928, and A-2025-3058929 as closed.

STATEMENT A

Statement in Support of Joint Petition for Non-Unanimous Settlement of American Water Works Company, Inc., Essential Utilities, Inc., Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., Peoples Natural Gas Company LLC, and Alpha Merger Sub, Inc.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JOINT APPLICATION OF AMERICAN WATER WORKS COMPANY, INC., ESSENTIAL UTILITIES, INC., AQUA PENNSYLVANIA, INC., AQUA PENNSYLVANIA WASTEWATER, INC., PEOPLES NATURAL GAS COMPANY LLC AND ALPHA MERGER SUB, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE UNDER SECTIONS 1102(A)(3) AND 2210(C) OF THE PUBLIC UTILITY CODE AND ALL OTHER NECESSARY APPROVALS TO EFFECT A CHANGE OF CONTROL OF AQUA PENNSYLVANIA, INC., AQUA PENNSYLVANIA WASTEWATER, INC., AND PEOPLES NATURAL GAS COMPANY LLC	:	**DOCKET NOS.**	**A-2025-3058927** **A-2025-3058928** **A-2025-3058929**

STATEMENT OF THE JOINT APPLICANTS
IN SUPPORT OF
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STATEMENT OF THE JOINT APPLICANTS
IN SUPPORT OF
THE JOINT PETITION FOR NON-UNANIMOUS SETTLEMENT

I. INTRODUCTION

On September 15, 2026, American Water Works Company, Inc. ("American Water"), Essential Utilities, Inc. f/k/a Aqua America, Inc. ("Essential"),[1] Aqua

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[1] Aqua America, Inc. changed its name to Essential Utilities, Inc. on February 3, 2020 following its acquisition of Peoples. The Pennsylvania Public Utility Commission ("PUC" or "Commission") authorized the Peoples acquisition subject to the commitments and conditions set forth in a non-unanimous settlement as modified by the PUC's Opinion and Order entered January 24, 2020 at Docket Nos. A-2018-3006061, A-2018-3006062 and A-2018-3006063 ("*Aqua-Peoples 2020*").

Pennsylvania, Inc. ("Aqua PA"), Aqua Pennsylvania Wastewater, Inc. ("Aqua PA WW"),[2] Peoples Natural Gas Company LLC ("Peoples"), and Alpha Merger Sub, Inc. ("Merger Sub") (collectively, "JA" or the "Joint Applicants"), the Pennsylvania Public Utility Commission (the "Commission" or "PUC") Bureau of Investigation and Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), (collectively, the "Joint Petitioners"), filed with the Commission a Joint Petition for Non-Unanimous Settlement ("Joint Petition") in the above-captioned proceeding.[3] The Joint Petition contains, among other things, a statement of the factual background and procedural history of this case, which is incorporated herein by reference. This Statement in Support (the "Statement") is filed pursuant to Paragraph 90 of the Joint Petition.

The settlement embodied in the Joint Petition (the "Settlement") was achieved only after an extensive investigation by the parties of the Joint Applicants' Application for a change of control of Aqua PA and Peoples to be effected by the proposed merger of

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[2] Unless otherwise specified herein, references to Aqua PA also include Aqua PA WW, which is a wholly-owned subsidiary of Aqua PA.

[3] The Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania ("CAUSE-PA"), City of Butler ("Butler"), East Norriton Township, International Union of Operating Engineers, Local 542 ("Local 542"), Utility Workers Union of America, AFL-CIO, Local 612 ("Local 612"), Lower Makefield Township, and Upland Borough, who are parties to this proceeding, have authorized the Joint Petitioners to represent that they do not oppose the Settlement. Chester Water Authority, East Whiteland Township ("East Whiteland"), and Montgomery County ("MontCo") did not join this Joint Petition and indicated that they oppose the Settlement. The County of Delaware ("Delco") and Manchester Township, North York Borough, Spring Garden Township, West Manchester Township and York Township (the "York Area Intervenors") did not confirm their position regarding the Settlement. The Joint Applicants will address any issues that may be raised by those parties in opposition to the Settlement in briefing.

Essential with Merger Sub, a wholly-owned subsidiary of American Water (the "Merger"), which included substantial discovery and the submission of written direct, rebuttal, surrebuttal and rejoinder testimony. In addition, the Joint Petitioners engaged in extensive discussions and negotiations about the terms of the Settlement over an extended period.

The Joint Applicants are in full agreement with the Settlement and each of the affirmative public benefits identified in the Settlement. In this Statement, the Joint Applicants offer additional reasons why the Settlement is in the public interest and should be approved and request the presiding Administrative Law Judges ("ALJs") to specifically reflect all the reasons for and benefits of the Merger in the Initial Decision in this proceeding.

II. OVERVIEW OF THE TRANSACTION AND LEGAL STANDARDS

On November 26, 2026, the Joint Applicants filed a Joint Application to obtain the Commission's approval under Chapters 11 and 22 of the Public Utility Code for a change in control of Aqua PA and Peoples to be effected by the all-stock, tax-free Merger. The Joint Applicants also requested that the Commission approve, under Chapter 21 of the Public Utility Code, certain new affiliated interest arrangements that are designed to facilitate the sharing of services between the American Water and Essential operating utilities and thereby take advantage of the synergies that the proposed Merger is expected to produce.

Section 1102(a)(3) of the Code requires the Commission to issue a certificate of public convenience, upon application, to authorize a "public utility or an affiliated interest of a public utility" to "acquire from, or transfer to [any other entity by any means whatsoever] the title to, or the possession or use of, any tangible or intangible property used or useful in the public service."[4] In *City of York v. Pennsylvania Public Utility Commission.*, 295 A.2d 825, 828 (Pa. 1972) ("*City of York*"), the Pennsylvania Supreme Court held that those seeking approval of a utility merger must demonstrate that the merger "will affirmatively promote the 'service, accommodation, convenience, or safety of the public' in some substantial way." The Pennsylvania Supreme Court has also made clear that the *City of York* test does not require applicants to prove, or the PUC to find, that a merger or acquisition will generate quantifiable benefits in all aspects of the utility's operations or to all potentially affected stakeholders.[5] Rather, that test is satisfied when the record evidence shows that a proposed transaction, viewed as a whole, will produce an affirmative public benefit.[6] Evidence that the Commission has found sufficient to satisfy this standard has included testimony that the proposed transaction would provide enhanced access to capital and improve service, as well as commitments to retain Pennsylvania jobs, continue charitable contributions, and delay general base rate increases.[7]

The Joint Application and the Joint Applicants' evidence admitted into the record in this case set forth substantial affirmative public benefits from the Merger, including the following:

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[4] 66 Pa. C.S. § 1102(a)(3).

[5] *See Popowsky v. Pa. P.U.C.*, 937 A.2d 1040, 1056-60 (Pa. 2007) ("*Popowsky*").

[6] *Id.* ("[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 to make factually-based determinations (including predictive ones informed by expert judgment) concerning certification matters.").

[7] *See, e.g., City of York* and *Popowsky, supra*; *Aqua Peoples 2020*, pp. 119-20, 126-27, 175-77; *Re: UGI Utilities, Inc., et al.*, Docket No. A-2008-2034045 (Recommended Decision issued Aug. 7, 2008 and adopted by Order entered Aug. 21, 2008), pp. 21, 29.

Increased Financial Strength and Operational Flexibility. As explained by American Water's Chief Financial Officer David Bowler, the Merger will generate financial benefits for American Water and its subsidiaries, of which Essential will be one, in three areas: (1) a stronger balance sheet for the combined company than either merger partner on a stand-alone basis; (2) more stable operating cash flows; and (3) enhanced access to capital at competitive rates.[8] The increased scale and scope of the combined company will deliver operational efficiencies and a stronger credit quality supported by a broader geographic footprint and diversity of regulatory jurisdictions.[9] Improvements to financial performance from the Merger are expected to reduce overall financing costs over time than they would be otherwise in the applicable market conditions.[10]

Rate Benefits for Pennsylvania Customers. The Joint Applicants expect that the Merger will enable them to achieve synergies and cost savings over the long term, the benefit of which will accrue to the Pennsylvania utilities and ultimately flow to customers by reducing the size of future rate increase requests that would have otherwise been made absent the Merger.[11] In the Joint Applicants' rejoinder testimony, American Water committed to shareholder-funded rate credits totaling more than $30 million to provide an

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[8] JA St. 2 (Bowler), pp. 6-10; JA St. 2-R (Bowler), pp. 2-4; *see also* JA St. 5 (Schuller), pp. 7-8.

[9] JA St. 2 (Bowler), pp. 6-10; JA St. 2-R (Bowler), pp. 2-9.

[10] JA St. 2 (Bowler), pp. 7-9.

[11] *See* JA St. 1 (Norton), pp. 8-9, 15-16; JA St. 1-R (Norton), pp. 10-12, 17-18; JA St. 3 (Arnold), pp. 8-9; JA St. 4-RJ (Huwar), pp. 2-3; JA St. 5 (Schuller), p. 7.

immediate benefit of $25 to each Aqua PA and Peoples customer in recognition of the cost savings the Merger is expected to produce in the future.[12]

Enhanced Expertise in Infrastructure Improvement, Innovation, and Environmental Stewardship. The combined company will be able to draw upon the intellectual capital, technical expertise, and experience of a deeper and more diverse workforce with particular skills in continuously improving infrastructure to provide clean, safe, reliable, and affordable essential utility services.[13] The combined company will also be better able to invest in and deploy new processes and technologies, leveraging American Water's leading research and development efforts, including its state-of-the-art Central Laboratory.[14] Similarly, American Water's customer base and existing systems will benefit from having access to Aqua PA's local certified laboratory located at its Bryn Mawr office.[15] Combining the complementary American Water and Essential businesses cements nationwide leadership in working closely with federal, state, and local officials to provide water and wastewater service using the highest environmental standards.[16]

Expanded Employment Opportunities. The Merger will offer expanded opportunities to Essential employees for career advancement and professional growth for those employees who remain with the combined company.[17] In addition, American Water

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12 JA St. 2-RJ (Bowler), pp. 3-4.

13 *See* JA St. 1 (Norton), pp. 8-15; JA St. 3 (Arnold), pp. 8-10.

14 *See* JA St. 1 (Norton), pp. 9-14; JA St. 3 (Arnold), pp. 9-10.

15 JA St. 3 (Arnold), p. 10.

16 *See* JA St. 1 (Norton), p. 12; JA St. 3 (Arnold), p. 9-10.

17 *See* JA St. 1 (Norton), p. 17; JA St. 1-R (Norton), pp. 26-27; JA St. 3 (Arnold), pp. 10-11; JA St. 3-R (Arnold), p. 3.

commits that for at least one year after the Merger, total compensation levels and benefits for existing Aqua PA and Peoples employees will be maintained at levels no less favorable than those in effect immediately prior to closing.[18] Further, consistent with the terms of the Merger Agreement, American Water has agreed to honor all Essential collective bargaining agreements and pension obligations.[19]

Community Support. American Water and Essential both have a legacy of volunteerism and generous support of communities in Pennsylvania, which will remain central to the combined company.[20] As American Water's Chief Executive Officer Cheryl Norton testified, in the initial filing, American Water agreed that, for a period of two years, it will maintain at least Aqua PA's and Peoples' current levels of charitable support in local communities.[21]

In addition, while the Joint Applicants firmly believed that the Merger would result in substantial affirmative public benefits as proposed in the Joint Application, the Joint Applicants materially expanded the initial commitments made in connection with the Merger[22] to reflect more than 70 proposals made by various parties in this proceeding.[23]

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[18] *See* JA St. 1-R (Norton), p. 23; JA Ex. CN-1R (Item 13); JA Ex. CN-2R (Items 22, 50, 61).

[19] *See* JA St. 1 (Norton) p. 17; JA St. 1-R, p. 23; JA St. 4 (Huwar), p. 11; JA Ex. CN-1R (Item 13); JA Ex. CN-2R (Items 22, 50, 61).

[20] *See* JA St. 1 (Norton), p. 16; JA St. 3 (Arnold), p. 9; JA St. 5 (Schuller), p. 9.

[21] *See* JA St. 1 (Norton), p. 16; JA St. 1-R (Norton), pp. 38-39; JA Ex. CN-1R (Item 15); JA Ex. C.

[22] *See* JA Ex. C.

[23] *See* JA Exhibit CN-1R and JA Exhibit CN-2R.

As a result of the Settlement, the Merger would also create significant additional substantial affirmative public benefits discussed in Section III below. Those benefits include: (1) expanded rate credits to customers of Aqua PA, Peoples, and Pennsylvania-American Water Company ("PAWC"); (2) commitments to not increase the rates of Aqua PA and PAWC through June 1, 2027 and April 1, 2028, respectively; (3) commitments to specific customer service improvements at Aqua PA, PAWC, and Peoples; (4) expanded low-income and small business customer assistance; and (5) increased commitments to charitable and community support in Pennsylvania.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST AND FULLY SATISFIES THE REQUIREMENTS FOR A CERTIFICATE OF PUBLIC CONVENIENCE

The merger of American Water and Essential brings together two industry leaders with a shared mission and core values, enhance overall utility operations and strengthen American Water's and Essential's ability to provide clean, safe, reliable, and affordable service to their Pennsylvania customers. It will do so by increasing the scale of the combined company, facilitating the sharing of best practices, unlocking synergies and cost savings, providing employees with more opportunities, and guaranteeing that Aqua PA and Peoples will continue their generous community support.[24]

The Merger, as conditioned by the Settlement, will affirmatively benefit the public in substantial ways. Aqua PA, PAWC, and Peoples customers will realize an immediate tangible benefit from the agreed-upon shareholder-funded rate credits totaling

[24] *See* JA St. 1 (Norton), pp. 7-17; JA St. 2 (Bowler), pp. 6-11; JA St. 3 (Arnold), pp. 8-11; JA St. 4 (Huwar), pp. 9-11; JA St. 5 (Schuller), pp. 7-8.

approximately $82 million, and the Settlement provides for extended base rate stability for Aqua PA and PAWC customers. In addition to those rate benefits, the Settlement confers additional substantial affirmative public benefits such as (1) commitments regarding customer service improvements and enhancements to low-income customer assistance programs; (2) expanded commitments to maintain the Pennsylvania utilities' current levels of charitable giving and community support; (3) rate protections related to transition costs; and (4) additional commitments regarding employees, operations and staffing.

In short, the Merger will produce substantial affirmative benefits for Aqua PA and Peoples, American Water, and Essential's Pennsylvania customers and the communities served by the combined company. The Settlement also affirms several other significant commitments included in the Joint Application or subsequent rebuttal and rejoinder testimony, including honoring collective bargaining agreements,[25] wage and benefit protections for current employees,[26] maintaining Aqua PA's and Peoples' local presence in Pennsylvania,[27] and commitments regarding pipeline replacement[28] to address issues raised by I&E witness Robert Gobrecht.[29] Therefore, and for the reasons discussed below, the Settlement is in the public interest and should be approved without modification.

A. Customers Will Realize Tangible Benefits from Rate Credits and Base Rate Stability Under the Settlement

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[25] *See* JA Ex. CN-1R (Item 13); JA Ex. CN-2R (Items 22, 50); Joint Petition, ¶ 68.

[26] *See* JA Ex. CN-1R (Item 13); JA Ex. CN-2R (Item 61); Joint Petition, ¶ 71.

[27] *See* JA Ex. CN-1R (Items 12-14); JA Ex. CN-2R (Items 21, 47-48, 51-56, 70); Joint Petition, ¶¶ 67, 72-75.

[28] *See* JA Ex. CN-1R (Item 6); JA Ex. CN-2R (Items 23-24); Joint Petition, ¶¶ 28-29, 33.

[29] *See* I&E St. 3 (Gobrecht), pp. 7-14.

The Merger will not have an adverse impact on the level of service provided by Aqua PA and Peoples to customers, the rates paid by Pennsylvania customers for service from American Water and Essential, Commission access to Aqua PA and Peoples, or the technical expertise available to Aqua PA and Peoples.[30] In fact, as previously explained, the Merger will generate synergies and result in overall aggregate cost savings opportunities for the combined company in the long-term. The Joint Applicants expressly committed to track and flow all synergy savings to all Pennsylvania customers, in the normal ratemaking process, and to not seek rate recovery of transaction costs, including solicitation costs, investment banker fees, legal and regulatory support fees, accelerated rebranding costs, "golden parachute" payments, and retention bonuses.[31] Those commitments are reflected in the Settlement.[32] Moreover, as Mr. Bowler explained, the scale and enhanced financial strength of the combined company positions American Water operating utilities to finance and execute long-term infrastructure improvement plans at lower costs.[33]

In addition to those financial benefits of the Merger, the Settlement provides an immediate tangible benefit to customers via an approximately $82 million Rate Stabilization Fund – equivalent to $40 per Aqua PA, PAWC, and Peoples customer – to

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[30] *See* JA St. 1 (Norton), pp. 3-4, 7-9, 16-17; JA St. 2 (Bowler), pp. 5-6; JA St. 3 (Arnold), pp. 5-6, 11; JA St. 4 (Huwar), pp. 5, 10-11; JA St. 5 (Schuller), pp. 9-10; JA Ex. CN-1R (Item 2).

[31] *See* JA St. 2, p. 6; JA St. 2-R (Bowler), pp. 16, 19; JA Ex. CN-1R (Items 1 and 3); JA Ex. CN-2R (Item 5, 9, 34, 38, 40).

[32] *See* Joint Petition, ¶¶ 9, 13-18, 24.

[33] *See* JA St. 2 (Bowler), pp. 6-11; JA St. 2-R (Bowler), pp. 2-10.

provide shareholder funded rate credits.[34] The Settlement also provides for extended base rate stability for Aqua PA and PAWC until June 1, 2027 and April 1, 2028, respectively.[35] Those benefits to American Water's and Essential's Pennsylvania customers would not otherwise be available absent the Merger. The agreed upon rate credits and base rate case stay-outs further address the concerns expressed by several other parties to this case about the potential impact of the Merger on rates and affordability of service generally in Pennsylvania.[36]

The Settlement reflects the Joint Applicants' commitments to ensure that accounting treatments associated with the transaction do not affect customer rates.[37] Under the Settlement, the Joint Applicants further agreed that all pre-Merger transition costs incurred prior to closing will be borne by shareholders and not allocated to any of the Pennsylvania utilities, as recommended by OCA witness Ralph C. Smith.[38]

B. The Settlement Provides for Customer Service Improvements and Enhancements to Universal Service and Customer Assistance Programs

Several parties recommended that the Commission condition approval of the Merger on the adoption of a range of customer service and customer assistance program

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34 Joint Petition, ¶ 10.

35 *Id.*, ¶ 11-12.

36 *See* I&E St. 1 (Patel), pp. 5-9, 38-39; I&E St. 1-SR, pp. 7, 22-23; I&E St. 2 (Cline), pp. 4-8; OCA St. 1 (Smith), pp. 33-40, 71; OCA St. 1SR (Smith), pp. 2, 11, 16, 18, 21-25; OSBA St. 2, pp. 9-10; CAUSE-PA St. pp. 5-6, 34-44, 59-60, 86-87; CAUSE-PA St. 1-SR, pp. 2-6, 9-15; Butler St. 1 (Dandoy), pp. 3-4; Delco St. 1 (Ruether), p. 4; Delco St. 1-SR (Ruether), pp. 3, 5-7; East Whiteland St. 1 (Brown), pp. 4-5; MontCo St. 1 (Ramkissoon), pp. 3-4; MontCo St. 1-S (Ramkissoon), pp. 2-3.

37 *See* JA Ex. CN-1R (Items 1-2, 26-27); JA Ex. CN-2R (Items 4-6, 8, 19-20, 28-40); Joint Petition, ¶¶ 14, 16, 25.

38 *See* Joint Petition, ¶ 19-20, 22; OCA St. 1 (Smith), pp. 63-65; OCA St. 1SR, pp. 28-31.

proposals. As described below, under the Settlement, the Joint Applicants have committed to specific and concrete actions to address party concerns and recommendations and to further bolster the affirmative public benefits of the Merger.

Service Quality and Customer Service. Several municipal intervenors generally recommended that the Merger be conditioned on meeting or exceeding customer service metrics,[39] while the OCA made detailed service quality and customer service recommendations for Aqua PA, Peoples, and PAWC in areas such as call center performance (e.g., wait times and abandonment rates), root cause analysis activities, field operations appointments, and compliance reporting.[40] I&E highlighted the importance of continued infrastructure investments, including pipeline replacement activities under Long-Term Infrastructure Improvement Plans ("LTIIPs") and pursuant to agreements made in prior proceedings.[41] OSBA recommended that the Joint Applicants be required to provide advance notice to the PUC and customers of any billing system conversion within three years of closing and further provide a waiver of late fees for 90 days.[42] Finally, CAUSE-PA recommended that Aqua PA and PAWC be required to waive reconnection fees for confirmed low-income customers and advise customers of the change.[43]

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[39] *See* City of Butler St. 1 (Dandoy), p. 5; County of Delaware St. 1 (Reuther), p. 5; East Whiteland Township St. 1 (Brown), p. 5; York-Area Intervenors St. 1 (Kelch), p. 5; County of Montgomery St. 1 (Ramkissoon), p. 5.

[40] *See, e.g.,* OCA St. 2 (Alexander), pp. 5-6, 21-23, 27-34; OCA St. 2SR, pp. 9-11, 14-16.

[41] I&E St. 3 (Gobrecht), pp. 3-14.

[42] OSBA St. 2 (Hashlamoun), pp. 19-20.

[43] CAUSE-PA St. 1 (Cicero), pp. 83-86.

The Joint Applicants responded by describing the service quality and customer service benefits expected from the Merger and explaining whether specific other party proposals were acceptable, already in progress, or unnecessary.[44]

Under the Settlement, American Water makes an overall commitment to maintain current levels of service quality, including making appropriate infrastructure investments and meeting LTIIP obligations of Peoples and Aqua PA.[45] American Water also agrees to specific performance objectives for Aqua PA, Peoples, and PAWC and reporting on each company's performance.[46] The Settlement further includes commitments related to root cause analysis activities, field appointments, call center staffing, and service quality metric compliance reporting.[47] If any billing system conversion or integration occurs within three years following the closing of the Merger, the Commission will be notified and such conversion or integration will not result in deterioration in customer service, billing accuracy, billing frequency, or customer call center performance for Aqua PA, Peoples, or PAWC.[48] Finally, Aqua PA, and PAWC agree to make appropriate tariff filings to waive reconnection fees for all residential households with income at or below 150% of the federal poverty level and to work with their advisory groups to develop a plan to inform customers of that change.[49]

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[44] *See, e.g.*, JA St. 4-R (Huwar), pp. 3-6, 9; JA St. 5-R (Schuller), pp. 2-4; JA St. 5-RJ (Schuller), p. 2; JA St. 6-R (Prine), pp. 3-18; JA St. 6-RJ (Prine), p. 2.

[45] *See* Joint Petition, ¶¶ 26, 28-29.

[46] *See id.*, ¶¶ 35, 36, 38, 40, 42, 45, 46.

[47] *See id.*, ¶¶ 39, 40, 42, 43, 48.

[48] *See id.*, ¶ 34.

[49] *See id.*, ¶ 63.

Customer Assistance Programs. Both OCA and CAUSE-PA made a wide range of recommendations concerning customer assistance programs, including proposals related to bill discount programs, arrearage forgiveness programs, usage reduction/conservation programs, line repair/replacement programs, hardship programs and customer outreach activities.[50] CAUSE-PA further recommended certain coordination activities among Peoples, Aqua PA and PAWC, including cross-referrals and standardized assistance program enrollment.[51]

The Joint Applicants responded by explaining the expected Merger benefits in the area of customer assistance and then detailed whether specific proposals were acceptable, already in progress, or unnecessary.[52]

Under the Settlement, the Joint Applicants made substantial additional commitments related to customer assistance programs, including additional contributions to Aqua PA and Peoples' hardship funds, an increase in Peoples' Low-Income Usage Reduction Program budget, reducing the time period over which a customer could be eligible for full arrearage forgiveness, maintaining data collection and reporting on confirmed and estimated low-income customers, Aqua PA and PAWC maintaining (or proposing) bill discount, hardship and low-income service line repair programs and Peoples maintaining its current universal service organization structure and staffing while

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[50] OCA St. 2 (Alexander), pp. 6-7, 24-34; OCA St. 2SR (Alexander), pp. 11-16; CAUSE-PA St. 1 (Cicero), pp. 56-83; CAUSE-PA St. 1-SR (Cicero), pp. 28-45.

[51] CAUSE-PA St. 1 (Cicero), pp. 65, 80-81.

[52] *See, e.g.*, JA St. 6-R (Prine), pp. 3-4, 8-9, 18-29; JA St. 6-RJ (Prine), p. 2; JA St. 5-R (Schuller), pp. 5-13; JA St. 5-RJ (Schuller), pp. 3-4.

appropriately partnering with agencies and community-based organizations.[53] The Settlement also seeks to facilitate sharing of customer information among Peoples, Aqua PA, and PAWC for the purpose of low-income program enrollment and coordination and further commits to coordination of each company's usage reduction and repair services in consultation with their respective assistance advisory groups.[54] Finally, as part of any billing system conversion or integration, Aqua PA, PAWC, and Peoples have committed to standardize enrollment criteria for their universal service and low-income customer assistance programs and develop a combined application.[55]

Small Business Customer Commitments. The OSBA proposed that, in future cost of service studies, Aqua PA will separate its wastewater commercial class and third-party sales into separate classes.[56] The Joint Applicants agreed to this proposal,[57] which is reflected in the Settlement.[58] The Settlement further supports small business customers by including a commitment that Aqua PA will propose, in its next base rate case, a payment plan option for small business customers.[59]

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53 *See* Joint Petition, ¶¶ 51-64.

54 *See id.*, ¶¶ 54, 56.

55 *See id.*, ¶ 55.

56 *See* OSBA St. 1 (Kubas), pp. 3-4.

57 *See* JA St. 5-R (Schuller), pp. 13-14. *See also* JA Exhibit CN-2R, Items 65 and 66.

58 *See* Joint Petition, ¶ 65.

59 *Id.*, ¶ 66.

C. The Settlement Will Strengthen Aqua PA's and Peoples' Charitable Giving and Community Support

The Settlement will strengthen Aqua PA's, PAWC's and Peoples' charitable and community involvement by converting what are now voluntary contributions into a binding commitment.[60] In the initial filing, the Joint Applicants commitment with respect to future charitable contributions focused on the utilities for which they seek a change in control – Aqua PA and Peoples – for two years following closing.[61] The OCA and CAUSE-PA recommended that the Joint Applicants significantly expand the commitment for maintaining shareholder funded charitable contributions.[62] Under the Settlement, American Water agreed that, for three years after closing, Aqua PA, PAWC, and Peoples will provide annual contributions to charities and municipalities/governmental bodies of at least their respective three-year average amounts pre-Merger.[63]

D. The Settlement Includes Adequate Measures to Protect Aqua PA, PAWC, and Peoples from Financial Risk and Ensure Customers Will Benefit from the Merger

As Mr. Bowler's testimony in this case confirms, American Water already uses measures to separate regulated utility operations from affiliated unregulated companies and to avoid cross-subsidization among regulated companies to protect Pennsylvania utility customers.[64] These measures, which are generally designed to reduce the risk of unregulated operations affecting a utility's regulated service and its financial health, also

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60 *See* JA St. 1-R (Norton), pp. 12, 38-41.

61 JA Ex. C, p. 2.

62 *See* OCA St. 1 (Smith), p. 75; CAUSE-PA St. 1 (Cicero), p. 54.

63 Joint Petition, ¶ 76.

64 *See* JA St. 2 (Bowler), pp. 10-11; JA St. 2-R (Bowler), pp. 35-36.

avoid preferential treatment or subsidization of affiliates by the utility. The Settlement also contains numerous safeguards to which the Joint Applicants committed as part of their initial filing or that were adopted to address concerns identified by I&E or the OCA.[65] For example, all transactions among Aqua PA, PAWC, or Peoples and their affiliated entities would not promote any form of cross subsidization and render benefits to the shareholders of the group companies.[66]

York-Area Intervenors witness Kelly Kelch requested that the Commission condition approval of the Merger on the maintenance of PAWC's current contractual obligations under bulk service agreements.[67] As Ms. Norton explained, Aqua PA, PAWC, Peoples will remain separate utilities post-Merger, and the transaction will not affect any obligations under their tariffs, prior Commission Orders, or existing service agreements.[68] Under the Settlement, Aqua PA, Peoples and PAWC will honor the terms of their respective service agreements consistent with the terms thereof.[69]

E. The Settlement Reflects Significant Commitments Regarding Staffing and Operations

The Joint Applicants' direct testimony explained how the Merger will create greater opportunities for Essential employees.[70] The initial filing also contained commitments to

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[65] *See* JA Ex. CN-1R (Items 16-25); JA Ex. CN-2R (Items 1-3, 7, 11-15, 39, 41-42, 44, 60); Joint Petition, ¶¶ 77-87.

[66] *See* JA St. 2-R (Bowler), pp. 35-36; JA Ex. CN-1R (Item 24); JA Ex. CN-2R (Item 7); Joint Petition, ¶ 85.

[67] *See* York-Area Intervenors St. 1 (Kelch), pp. 4-5.

[68] *See* JA St. 1-R (Norton), pp. 41-42.

[69] Joint Petition, ¶ 88.

[70] *See* JA St. 1 (Norton), pp. 8-9, 14, 17; JA St. 3 (Arnold), pp. 9-10.

retain local management employees and maintain a sufficient workforce, operational facilities, and offices to provide clean, safe, reliable, and affordable utility services to customers.[71] Certain parties, including I&E, the OCA, the OSBA and CAUSE-PA recommended that the Joint Applicants undertake additional commitments to strengthen employee protections and operations.[72] The Joint Applicants agreed to adopt several of those proposals in rebuttal testimony, which are also reflected in the Settlement,[73] and explained why other recommendations were not necessary or appropriate.[74]

The Settlement includes several commitments regarding staffing and operations that expand upon commitments made by the Joint Applicants in their initial filing and address concerns raised by other parties, including commitments that (1) protect Peoples' call center employees and locations in Pennsylvania and Aqua PA customer service representatives; (2) maintain compensation and benefits for Aqua PA's and Peoples' existing employees at levels no less favorable than those in effect prior to closing for at least one year after Merger closing; (3) maintain local management and facilities, including Peoples' Pittsburgh headquarters and Aqua PA's Bryn Mawr headquarters and laboratory; (4) ensure American Water will honor all Essential collective bargaining agreements and pension obligations; (5) prevent a material reduction in union workforce in the 12-month

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71 *See* JA Ex. C, p. 2.

72 *See* I&E St. 1 (Patel), p. 45; OCA St. 1 (Smith), pp. 17, 19-20, 81, 86; OSBA St. 2 (Hashlamoun), p. 16.

73 *See* JA St. 1-R (Norton), pp. 20-22, 27-29. *See also* JA Exhibit CN-1R, pp. 5-6 and JA Ex. CN-2R (Items 21, 22, 45, 46, 47-56, 61, 67, and 70).

74 *See* JA St. 1-R (Norton), pp. 23-25, 29-31.

period following the Merger; and (6) impose reporting obligations regarding field offices and staffing.[75]

F. The Settlement Is Consistent with Commission Policies Promoting Negotiated Settlements

The Settlement amicably and expeditiously resolves a number of important and contentious issues. The administrative burden and costs to litigate these matters to conclusion would be substantial.

The Joint Petitioners arrived at the Settlement terms after conducting informal discovery and engaging in in-depth discussions over several weeks. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement is consistent with the Commission's rules and practices encouraging negotiated settlements (*see* 52 Pa. Code §§ 5.231, 69.391 and 69.401) and is supported by substantial record evidence.

G. The Merger, as Modified by the Settlement, Will Not Have an Adverse Impact on Pennsylvania's Competitive Retail Gas Market or Peoples Employees

The Joint Applicants explained in their initial filing that the Merger will not have an adverse impact on Pennsylvania's competitive retail gas market or Peoples employees. American Water does not own or operate any companies that directly or indirectly compete with Peoples. As such, the Merger will not result in anticompetitive or discriminatory conduct in the retail market for natural gas in Pennsylvania, and will not have an adverse impact on Peoples employees. Peoples' management team will remain in place, with the technical fitness necessary to operate a natural gas distribution system, and operations will

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[75] *See* Joint Petition, ¶¶ 43, 48, 67-75.

continue to be managed by local employees, including Michael Huwar as President of Peoples.[76] Further, as explained in Section III.E above, the Joint Applicants also agreed to several commitments in rebuttal testimony to add further protections to, and benefits for, Essential employees, including those at Peoples, which are also reflected in the Settlement.[77]

IV. CONCLUSION

For the reasons set forth above, the Merger, as modified by the Settlement, will promote the "service, accommodation, convenience, or safety of the public" and, thus, satisfies the legal requirements for approval by this Commission as a change in control of Aqua PA and Peoples. Moreover, the Settlement terms have been carefully designed to resolve, in a reasonable fashion, the issues and concerns that were raised by the parties in this case without the need for costly formal litigation. Accordingly, the Settlement is in the public interest and should be approved without modification.

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[76] JA St. 1 (Norton), pp. 17-18; JA St. 4 (Huwar), pp. 5, 12; JA St. 5 (Schuller), pp. 10-11.

[77] *See*, *e.g.*, JA Ex. CN-2R (Items 21, 22, 45-56, 61); Joint Petition ¶¶ 43, 48, 67-75.

Respectfully submitted,

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Dated: September 15, 2026

STATEMENT B

Statement in Support of Joint Petition for Non-Unanimous Settlement of the Pennsylvania Public Utility Commission Bureau of Investigation and Enforcement

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application of American Water Works Company, Inc., Essential Utilities, Inc., Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., Peoples Natural Gas Company LLC and Alpha Merger Sub, Inc. for a Certificate of Public Convenience under Sections 1102(a)(3) and 2210(c) of the Public Utility Code and All Other Necessary Approvals to Effect a Change of Control of Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., and Peoples Natural Gas Company LLC	:	Docket Nos. A-2025-3058927 A-2025-3058928 A-2025-3058929

BUREAU OF INVESTIGATION AND ENFORCEMENT'S
STATEMENT IN SUPPORT OF
JOINT PETITION FOR APPROVAL OF
NON-UNANIMOUS SETTLEMENT

TO: ADMINISTRATIVE LAW JUDGE EMILY I. DEVOE
AND ADMINISTRATIVE LAW JUDGE ANN QUIMBY:

The Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (Commission), by and through its Senior Prosecutor, Scott B. Granger, hereby respectfully submits that the terms and conditions of the foregoing *Joint Petition for Non-Unanimous Settlement* (Joint Petition or Settlement) are in the public interest and represent a fair, just, and reasonable balance of the interests of the American Water Works Company, Inc. (American Water or American), and Essential Utilities, Inc. f/k/a Aqua America, Inc. (Essential), Aqua Pennsylvania, Inc. (Aqua PA) and Aqua

Pennsylvania Wastewater, Inc. (Aqua PA WW), Peoples Natural Gas Company LLC (Peoples Gas or Peoples), and Alpha Merger Sub, Inc. (Merger Sub) (collectively, the Joint Applicants or JA) filed with the Public Utility Commission (Commission) a Joint Application (Joint Application); I&E; the Office of Consumer Advocate (OCA); the Office of Small Business Advocate (OSBA); and Manchester Township and York Township (collectively, the York Area Intervenors) (collectively, the Joint Petitioners or Settling Parties), submit this Joint Petition for Settlement (Settlement) in the above-captioned proceeding and request that Administrative Law Judges (ALJs) Emily I. DeVoe and Ann Quimby recommend approval of, and the Commission approve, the Settlement without modification.

I. BACKGROUND AND HISTORY OF PROCEEDING

1. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications and petitions affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and ensure that the public interest is served. Based upon I&E's analysis of the American/Essential Joint Application, acceptance of this proposed Settlement is in the public interest and I&E recommends that the ALJs and the Commission approve the Settlement in its entirety.

2. On November 26, 2025, American Water Works Company, Inc., and Essential Utilities, Inc. f/k/a Aqua America, Inc., Aqua PA and Aqua PA WW, Peoples Gas (collectively, Essential), and Alpha Merger Sub, Inc. (Merger Sub) (collectively, the

Joint Applicants) filed with the Public Utility Commission (Commission) a Joint Application (Joint Application). Through this filing, the Joint Applicants are seeking approval of the Commission under Chapters 11,[1] 21[2] and 22[3] of the Public Utility Code for a change of control of Aqua PA and Peoples to be affected by the merger of Essential and Merger Sub, a wholly owned subsidiary of American Water (the Merger).

3. The current corporate structure is Aqua PA, Aqua PA-WW, and Peoples Gas provide water, wastewater, and natural gas distribution services respectively in Pennsylvania and are all subsidiaries of Essential.[4] Pennsylvania-American Water Company (PAWC) provides water and wastewater services in Pennsylvania and is a subsidiary of American Water.[5] If the change of control is approved, the Joint Application proposes that Essential would continue as the surviving corporation and would be a wholly owned subsidiary of American Water. American Water would become the corporate parent of Essential and all its subsidiaries.

4. The OCA filed a Protest in response to the Joint Application on December 15, 2025, to help ensure that the proposed transaction is in accordance with Sections 1102 and 2210 of the Public Utility Code and all other applicable statutes, regulations, and Commission orders.

5. On December 16, 2025, the OSBA filed a Notice of Intervention.

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1 66 Pa. C.S. Section 1101 et seq. Certificates of Public Convenience.
2 66 Pa. C.S. Section 2101 et seq. Relations with Affiliated Interests.
3 66 Pa. C.S. Section 2201 et seq. Natural Gas Competition.
4 I&E St. No. 1, p. 2.
5 *Id.*

6. On December 22, 2025, the Pennsylvania Utility Law Project (PULP) filed a Notice of Appearance on behalf of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA).

7. On January 7, 2026, I&E filed its Notice of Appearance.

8. Petitions to Intervene, Protests, or Notices of Appearance in this proceeding were filed by the Chester Water Authority, CAUSE-PA, East Norriton Township, International Union of Operating Engineers, Local 542 (Local 542), Local 612, Lower Makefield Township, the Municipal Intervenors identified in the Joint Petition, and Upland Borough.

9. The Joint Application was assigned to the Office of Administrative Law Judge, Administrative Law Judge Mary D. Long (ALJ Long), for investigation and scheduling of hearings to determine whether the Joint Application complies with the standards set forth in the Public Utility Code. ALJ Long conducted a telephonic Prehearing Conference on Thursday, January 22, 2026.

10. On February 5, 2026, a Judge Change - Assignment Notice was issued, indicating the Presiding ALJ had been changed from ALJ Long to ALJs Emily I. DeVoe and Ann Quimby (the ALJs).

11. A total of fourteen (14) Public Input Hearings were held as follows: on April 21, 2026, in-person in Hummelstown/Hershey, PA at 1:00 p.m. and 6:00 p.m.; on April 22, 2026, in-person in Malvern, PA at 1:00 p.m. and 6:00 p.m.; on April 28, 2026, telephonically at 1:00 p.m. and 6:00 p.m.; on April 29 in-person in Washington, PA at 1:00 p.m. and 6:00 p.m.; on April 30, 2026, in-person in Scranton, PA at 1:00 p.m. and

6:00 p.m.; on May 5, 2026, in-person in King of Prussia, PA at 1:00 p.m. and 6:00 p.m.; and on May 7, 2026, in-person in Clarion, PA at 1:00 p.m. and 6:00 p.m.

12. In accordance with the procedural schedule established at the prehearing conference, I&E served on all active parties the following five (5) pieces of testimony and the accompanying three (3) exhibits from three (3) I&E witnesses:

D.C. Patel
- I&E Statement No. 1
- I&E Exhibit No. 1
- I&E Statement No. 1-SR

Ethan Cline
- I&E Statement No. 2
- I&E Exhibit No. 2
- I&E Statement No. 2-SR

Robert Gobrecht
- I&E Statement No. 3
- I&E Exhibit No. 3

13. All parties undertook comprehensive discovery in this proceeding after the filing was made and continued to conduct discovery throughout the litigation and settlement negotiation process.

14. Evidentiary hearings were held as scheduled on Tuesday, August 4, 2026, at the time and place set for the evidentiary hearing. The parties appeared in-person before ALJs DeVoe and Quimby. Prior to the hearing, the parties agreed to waive cross-examination of a majority of the witnesses while conducting cross examination on the few remaining witnesses. Accordingly, all parties moved for the admission of their pre-served written testimony and exhibits as well as their specific hearing exhibits. I&E moved the pieces of I&E testimony and exhibits identified *supra* into evidence. A court

reporter was present and a Hearing Transcript ("Hrg. Tr.") for August 4, 2026, was prepared and later distributed to the parties. That same day, I&E served electronic copies of the I&E testimony and exhibits, along with witness verifications, on The Sargent's Group court reporting by email.

15. In accordance with Commission policy encouraging settlements at 52 Pa. Code § 5.231 and § 69.401 as they often achieve results preferable to a fully litigated proceeding, I&E participated in numerous settlement discussions with the Joint Petitioners and the Parties. Following extensive settlement negotiations, the Settling Parties reached a full settlement of all issues as set forth in the Joint Petition.

II. TERMS AND CONDITIONS OF SETTLEMENT

16. As stated *supra*, I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications and petitions affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served.

17. "The prime determinant in the consideration of a proposed Settlement is whether the settlement is in the public interest."[6] The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."[7]

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6 *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

7 *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

18. Settlements conserve precious administrative resources and provide regulatory certainty with respect to the disposition of issues with results that are often preferable to those achieved at the conclusion of a fully-litigated proceeding; and, provide a final resolution of adversarial proceedings which, in the Commission's judgement, is preferable.[8] The very nature of a settlement requires a review and discussion of all issues raised by the parties' and a negotiated compromise on the part of all parties.

19. The controlling Pennsylvania Supreme Court case with regard to the Joint Application is *City of York v. Pennsylvania Public Utility Commission*, where the court held: "[T]hose seeking approval of a utility merger [must] 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."[9]

20. Further, regarding an application for the issuance of a Certificate of Public Convenience, including this case involving the proposed Merger, the Pennsylvania Supreme Court opined in *Popowsky v. Pennsylvania Public Utility Commission*: "In conducting the underlying inquiry, the Commission is not required to secure legally binding commitments or to quantify benefits where this may be impractical, burdensome, or impossible; rather, the [Commission] properly applies a preponderance of the evidence

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8 *See generally* 52 Pa. Code § 5.231 and § 69.401.

9 *City of York v. Pennsylvania Public Utility Commission*, 449 Pa. 136, 295 A.2d 825, 828 (1972). *See also McCloskey v. Pennsylvania Public Utility Commission*, 195 A.3d 1055, 1064 (2018), *quoting City of York*, 295 A.2d 825, 828.

standard to make factually based determinations (including predictive ones informed by expert judgment) concerning certification matters."[10]

21. Additionally, the *Popowsky* court stated: "[P]arenthetically, while in some circumstances conditions may be necessary to satisfy the Commission that public benefit sufficient to meet the requirement of Section 1103(a) will ensue, even where the PUC finds benefit in the first instance, Section 1103(a) also confers discretion upon the agency to impose conditions which it deems to be just and reasonable."[11] …

22. Any issues not specifically addressed in these settlement terms are not deemed as accepted or rejected as part of this Settlement. The Settlement shall not be construed as approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement. Further, each term and condition set forth in the Joint Petition, whether or not set out in a numbered paragraph, shown in a table or other graphic presentation, bolded, italicized, or otherwise emphasized, or set forth in the body, a footnote, a parenthetical, an appendix, an exhibit, or otherwise, is material consideration to the entry into this Settlement by the signatory parties.

23. I&E submits that this Settlement balances the interests of the Joint Applicants, their customers, and the Joint Petitioners in a fair and equitable manner and presents a resolution for the Commission's adoption that best serves the public interest.

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[10] *Popowsky v. Pennsylvania Public Utility Commission*, 594 Pa. 583, 937 A.2d 1040, 1057 (2007)

[11] *Popowsky*, p. 611, n. 21, *citing* 66 Pa.C.S. §1103(a).

Furthermore, the negotiated Settlement demonstrates that compromises are evident throughout the Joint Petition. Accordingly, for the specific reasons articulated below to achieve the full scope of benefits addressed in the Settlement; I&E requests that the Settlement be recommended by ALJs DeVoe and Quimby, and approved by the Commission, without modification.

A. RATE PROTECTIONS AND BENEFITS *(Joint Petition ¶¶ 9-25)*.

In the Settlement, the Settling Parties have agreed to a wide range of settlement terms designed to address the issues raised by the Parties regarding ratepayer current and future rates and benefits across all of the Joint Applicant utility service providers and their respective customers. The following are a summary of those rate protections and benefits that have been agreed to by the Settling Parties and not opposed by the non-opposing parties.

I&E's Statement in Support of rate protections and benefits settlement terms follows on page 13 *infra*.

Aqua PA's and Peoples' Commission-approved rates and tariffs in effect when the Merger closes will not change as a result of the Merger.

American Water shareholders will fund an approximately $82 million Rate Stabilization Fund to provide a one-time $40 rate credit to each Aqua PA, PAWC and Peoples customer within one year of Merger closing. Aqua PA, PAWC and Peoples will not seek to recover in rates any part of the Rate Stabilization Fund. Aqua PA, PAWC and Peoples will file a compliance report with the Commission summarizing the rate credit details after completing the one-time rate credits.

Aqua PA will not file for another general rate increase under Section 1308(d) of the Code prior to June 1, 2027.

PAWC will not file for another general rate increase under Section 1308(d) of the Code prior to April 1, 2028.

In their next respective rate case filings following consummation of the Merger, the proposed post-merger new rates of Aqua PA, PAWC and Peoples will reflect all identifiable and quantifiable merger benefits and savings through the ordinary ratemaking process and consistent with established cost-of-service ratemaking principles. Full and complete quantifications of identifiable and quantifiable merger savings and related benefits will be presented with the direct testimony in each utility's first base rate case following completion of the Merger.

Aqua PA, PAWC and Peoples will not seek recovery in rates of: (1) any transaction costs, including costs relating to new equity issuances or debt borrowing to finance such costs and solicitation costs, incurred in connection with the Merger by American Water, Essential, or their subsidiaries, or (2) any acquisition adjustment or "goodwill" associated with the Merger. As such, the goodwill associated with the Merger will not be recorded on Aqua PA's, PAWC's or Peoples' books. American Water (on behalf of itself and PAWC), Essential, Aqua PA, and Peoples shall also ensure that such goodwill is not included in and does not impact rates charged to any

Pennsylvania public utility customers and is not included in the ratemaking capital structure of any Pennsylvania public utility.

For purposes of this Settlement, the categories of transaction costs incurred in connection with consummation of the Merger that shall not be recovered from utility customers are: (1) consultant, investment banker, legal, and regulatory support fees, (2) costs associated with the shareholder meetings and a proxy statement related to the Merger approval by Joint Applicants' respective shareholders, (3) costs associated with the imposition of conditions or approval of settlement terms in other jurisdictions, (4) costs associated with shareholder litigation concerning the Merger, (5) costs associated with paying off existing debt, and (6) re-branding costs incurred immediately following closing and not in the normal course of business.

All transaction costs shall be recorded on American Water's or Essential's books and shall be tracked to facilitate verification that none of the transaction costs are being directly or indirectly included in cost of service for any Pennsylvania public utility.

All pre-merger and post-merger costs if the Merger is not consummated for any reasons, including merger agreement termination fees, shall be borne by American Water and Essential shareholders and will not be recovered from Pennsylvania customers.

No executive officers' golden parachute, change-in-control or retention payments or bonuses, including separation or severance compensation and the accelerated portion of supplemental executive retirement plan payments (by way of cost allocation from the parent company or affiliated companies) related to a change in control pursuant to the

Merger will be claimed or allowed for recovery directly or indirectly (capitalized or expense portions) in any future rate proceedings of Aqua PA, PAWC or Peoples.

Transition costs and any other incremental and incidental costs incurred prior to closing of the Merger, that would not occur absent the Merger, to facilitate integration and consolidation of business operations of utilities, will not be claimed as recoverable or be recovered directly or indirectly (as a cost allocation from the parent company or associated companies) as a part of cost of service by PAWC, Aqua PA, Aqua PA WW, and Peoples in future rate proceedings. All of these costs would be funded by shareholders and excluded for ratemaking purposes. Transition costs do not include costs to achieve savings or synergies, or reasonable costs incurred that are necessary to provide service to customers.

All transition costs shall be tracked to facilitate verification that none of the costs are being directly or indirectly included in cost of service for any Pennsylvania public utility.

The Joint Applicants agree to make transaction costs and transition costs available to the statutory parties and the Commission, in reasonable detail, upon request.

American Water agrees to track and account for identifiable and quantifiable post-closing transition costs and costs to achieve synergy savings until the first Aqua PA and Peoples respective base rate cases filed after completion of the Merger.

The Joint Petitioners reserve the right to challenge the prudency of all costs related to the merger in Pennsylvania and other jurisdictions, including but not limited to, claimed costs to achieve savings or synergies, in future base rate cases.

Until each of their respective base rate case filings following completion of the Merger, Aqua PA, Aqua PA WW, and Peoples agree to separately identify and quantify in dollars by fiscal year, all identifiable and quantifiable merger benefits and cost savings claimed to be realized due to business operation synergies, efficiencies, and best practices and to include detailed information thereof in future rate case filings.

The Joint Applicants confirm that the consummation of the Merger will not affect accounting and ratemaking treatments of Aqua PA's or Peoples' accumulated deferred income taxes (ADIT), including excess ADIT, accumulated deferred tax credits or net operating losses (including net operating loss carrybacks and net operating loss carryforwards). No tax elections or accounting methods shall be employed related to the Merger that would in any way result in any reduction to Aqua PA's or Peoples' respective net ADIT balances that are used to reduce rate base in Aqua PA's or Peoples' respective rate cases.

I&E'S STATEMENT IN SUPPORT OF RATE PROTECTIONS AND BENEFITS SETTLEMENT TERMS

Overall, I&E supports the rate protections and benefits settlement terms agreed to by the Settling Parties summarized *supra*. I&E submitted significant testimony regarding various aspects of the rate protections and benefits.[12]

I&E witness D.C. Patel expressed concerns from the beginning of this proceeding regarding the complexities and difficulties in estimating the quantifiable future benefits to

12 *See* I&E St. No. 1, pp. 21-43: I&E St No. 1-SR, pp. 4-36; I&E St. No. 2, pp. 4-8; I&E St. No. 2-SR, pp.2-5; I&E St. No. 3, pp. 8-14.

ratepayers.[13] I&E recommended the Commission provide a pass through of expected merger savings to all of the American, Essential and Peoples ratepayers.[14] Specifically, I&E recommended PAWC, Aqua PA, Aqua PA WW, and Peoples Gas should provide a pass-through one-time $60 rate credit to all of its water, wastewater, and natural gas customers.[15]

In the Joint Applicant's rejoinder, in response to I&E and other Parties, the Joint Applicants offered:

> although the Joint Applicants firmly believe that the proposed merger and the commitments set forth in Joint Applicants Exhibit CN-1R will provide substantial affirmative public benefits to customers and the Commonwealth of Pennsylvania, the Joint Applicants carefully reviewed the comments and proposals set forth in surrebuttal testimony and determined that a rate credit to Aqua PA and Peoples customers will further ensure that these customers receive an immediate, tangible benefit. Therefore, in addition to undertaking the commitments set forth in Joint Applicants Exhibit CN-3 1R, the Joint Applicants will commit to fund an approximately $30.7 million Rate Stabilization Fund – equivalent to a value of $25 per Aqua PA and Peoples customer – to provide a one-time rate credit to each Aqua PA and Peoples customer within one year of the closing of the proposed merger.[16]

Further, the Joint Applicants added that:

> The Rate Stabilization Fund will provide customers with a very real financial benefit independent of the synergies and cost savings reflected in the ratemaking process in the future.[17]

13 I&E St. No. 1, pp. 7-43.
14 I&E St. No. 1, pp. 38-39; I&E St. No. 1-SR, pp. 20-23.
15 *Id.*, p. 38; *Id.*, p. 22.
16 JA St. No. 2RJ, pp. 3-4.
17 *Id.*, p. 4.

Therefore, I&E supports the Rate Credit settlement terms agreed to by the Settling Parties after lengthy negotiations.

Regarding the stay-outs, I&E submitted significant testimony regarding proposed rate case stay outs.[18] I&E shares the concerns of the interested Parties. I&E witness Patel opined that considering the Joint Applicants' claim for merger efficiencies, synergies, and cost savings that would lead to affordable rates over time and the current base rate proceedings of PAWC and Peoples Gas, the Joint Applicant utilities, including Aqua PA and Aqua PA-WW, should be required to implement a rate case stay out for a period of time from the closing date of this merger transaction.[19]

I&E witness Patel expressed I&E's concerns regarding Merger related executive compensation[20] questioning whether it should be allowed or permitted for recovery as costs from Aqua PA, Aqua PA-WW or Peoples Gas ratepayers in future base rate cases.[21] I&E also expressed concerns regarding ring fencing protections in order to maintain some independence so long as the subsidiaries remain separate legal entities.[22] Further, I&E expressed concerns regarding clearly defining and categorizing transaction costs versus consolidation costs versus transition costs making it clear which costs would not be recoverable from ratepayers.[23]

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18 I&E St. No. 1, 9, 13, 22-23, 34, 39; I&E St. No. 1-SR, p. 23-24.
19 I&E St. No. 1, p. 39.
20 *Id.*, pp. 30-33, 37.
21 *Id.*, p. 33.
22 *Id.*, pp. 35-36, 40-41.
23 *Id.*, pp. 36-37.

I&E witness Ethan Cline also submitted extensive testimony regarding other rate protection and benefits issues.[24] Mr. Cline expressed his concerns relating to the impact of the Merger to customers of Aqua PA and Aqua PA WW if and when their rates are consolidated with American Water rates.[25] I&E's main concern is that if the Merger was approved and both Aqua PA and PAWC are eventually consolidated under a single rate structure, the Aqua PA customers would likely be expected to increase their rates to match those of PAWC in addition to any base rate increases to cover their own cost of service in the intervening years.[26] The Joint Applicants responded to I&E's concerns and offered that Aqua PA and PAWC will not be consolidated as a result of the Merger and their consolidation is not required for benefits from the Merger to flow to Aqua PA and its customers.[27] The Joint Applicants offered further that any proposed rate change for Aqua PA or PAWC will be subject to Commission review and approval in a base rate proceeding in which parties could participate, as would any future reorganization or potential consolidation of Aqua PA and PAWC.[28]

Further, I&E expressed concerns regarding Aqua PA, Aqua PA-WW, and Peoples Gas reporting and identifying the impact resulting from any constraints on their ability to monetize otherwise available tax benefits due to the post-Merger affiliation with American Water and participation in a federal consolidated tax return.[29]

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24 *See* I&E St. No. 2, pp. 4-8; I&E St. No. 2-SR, pp. 2-5.
25 I&E St. No. 2, p. 4; I&E St. No. 2-SR, pp. 2-4.
26 I&E St. No. 2-SR, p. 2.
27 *Id.*, p. 3, *citing* JA St. No. 2, pp. 11-12.
28 *Id.*, *citing Id.*
29 I&E St. No. 1, p. 39.

Additionally, I&E was concerned whether American Water would ensure that the Merger would not affect accounting and ratemaking treatments of Essential's utility subsidiary companies accumulated deferred income taxes, including excess deferred income taxes, accumulated deferred tax credits, and net operating losses.[30]

Ultimately, I&E expressed its concerns and I&E shared the concerns expressed by the other Parties. Further, the rate protections and benefits settlement terms were negotiated in good faith by all of the interested Parties. Therefore, in consideration of all of the proffered record evidence and the arguments made by the Parties, I&E fully supports these settlement terms as a full and fair compromise that provides the Joint Applicants, the Settling Parties, the Commission, and all of the affected ratepayers with regulatory certainty and an amicable resolution of the rate protections and benefits issues for purposes of this Settlement, all of which is in the public interest.

Additionally, with regard to any rate protections and benefits issue to which I&E did not submit testimony, I&E supports the agreed upon settlement terms. Various issues were raised by other Parties and I&E shares their concerns. Further, I&E monitored the settlement negotiations regarding these issues and monitored the proposals and counter proposals offered by the Parties throughout this proceeding. Therefore, in consideration of all of the proffered evidence and arguments, I&E supports the agreed to settlement terms as a full and fair compromise that provides the Joint Applicants, the Settling Parties, the Commission and all of the affected ratepayers with regulatory certainty and

[30] *Id.*

an amicable resolution of the rate protection and benefits issues, all of which is in the public interest.

B. QUAILITY OF SERVICE *(Joint Petition ¶¶ 26-50).*

In the Settlement, the Settling Parties have agreed a wide range of settlement terms designed to address the issues raised by the Parties regarding the quality of service across all of the Joint Applicant utility service providers and their respective customers. The following is a summary of those quality of service settlement terms that have been agreed to by the Settling Parties and not opposed by the non-opposing parties.

I&E's Statement in Support of the quality of service settlement terms follows at page 23 *infra*.

Aqua PA, Peoples, and PAWC will continue to devote the necessary resources to maintain, at a minimum, current service quality. American Water is committed to providing clean, safe, reliable and affordable utility services to customers and will, at a minimum, commit that its current service quality will not deteriorate.

American Water (on behalf of itself and PAWC), Essential, Aqua PA, and Peoples will take all prudent actions to operate each utility efficiently and cost-effectively with the objectives of realizing merger benefits (e.g., economies of scale, business efficiency and synergies, best practices, cost savings, etc.) and providing safe and reliable services at affordable rates to their respective customers. American Water will continue to invest in infrastructure replacement, renewal, upgrades or additions to support the provision of clean, safe, reliable and affordable service. American Water agrees that both Peoples and

Aqua PA will continue to meet their Commission-approved Long-Term Infrastructure Improvement Plan obligations following the closing of the Merger.

American Water (on behalf of itself and PAWC), Essential, Aqua PA, and Peoples will refrain from engaging in any types of unfair trade practices and anti-competitive business conduct or practices directly or indirectly adversely impacting their customers and other utilities' interests in Pennsylvania.

The Joint Applicants commit that the Merger will not interfere with Aqua PA's or PAWC's ability to finance or pursue acquisitions of troubled Commission-regulated Pennsylvania water and wastewater utilities and that Aqua PA, and American Water on behalf of PAWC, commit to continuing to pursue such acquisitions, as appropriate.

American Water commits to not have Aqua PA and PAWC bid against each other for acquisitions.

Peoples will continue to provide updated information to the Commission on a bi-annual basis on the progress of the right-of-way issues and timeframes of anticipated completion of the remaining 2.8 miles of bare steel pipe within the Goodwin/Tombaugh system.

Aqua PA, Peoples, and American Water on behalf of PAWC will notify the Commission of any billing system conversion or integration that occurs within three years following the closing of the Merger. Aqua PA, Peoples, and American Water on behalf of PAWC commit that any such billing system conversion or integration will not result in deterioration in customer service, billing accuracy, billing frequency, or customer call center performance.

For so long as each remains a separate legal entity, American Water on behalf of PAWC, Aqua PA, and Peoples agree to the performance objectives set forth in the Joint Petition for five years after closing of the Merger.

Aqua PA and Peoples will develop a live Excel spreadsheet system to track customer complaints, review the information through conducting a root cause analysis of adverse trends, and, within 24 months, reduce the average number of days to respond to customer complaints to less than 10 days.

Aqua PA will continue to track appointments that are made and kept for field operations in a manner consistent with that adopted following the Peoples acquisition and to continue to utilize internal performance standards consistent with those adopted following the Peoples acquisition until its next general rate case filed following Merger closing. Aqua PA will meet comparable or more strict performance objectives as listed in the Joint Petition until its next general rate case filed after closing of the Merger.

PAWC will conduct a root cause analysis of customer disputes, informal, and formal complaints to identify complaint trends, underlying causes, and reforms or other steps undertaken to respond to these findings. PAWC will share its plan to conduct, and methodology for, a root cause analysis with stakeholders prior to undertaking such analysis. A root cause analysis that complies with this commitment should be completed within six months of the final order in this proceeding and submitted annually as part of the annual report described in Paragraph 45 below.

PAWC will continue to meet its internal goals for reliability of service, field operations appointments, outage response time, and compliance with water quality requirements for the five-year period following the final order in this proceeding. To the extent that service quality provisions of the Settlement applicable to PAWC conflict with provisions set forth in the Commission's Opinion and Order entered July 27, 2026 in its most recent rate case at Docket No. R-2025-3057983 (the "PAWC Rate Case Order"), PAWC will implement the more favorable provision to customers.

Peoples will continue to track its field operations appointments and continue the performance standard of meeting 99% of all appointments for five years following Merger closing.

Peoples will maintain the location and staffing of call center employees in Pennsylvania. American Water will further commit to maintain the Peoples' call center within Peoples service territory in or near Pittsburgh. If it becomes apparent that the Pittsburgh call center performance lagged the results of the other call centers, American Water reserves the right to initiate discussion with the Commission and interested parties to explore mitigation alternatives, but any significant reductions in Pennsylvania call center staffing or transfer of call center employment outside of Pennsylvania remains subject to Commission approval.

Peoples Gas agrees to continue the "Help at Peoples Now" program that allows field employee personnel to make referrals to Peoples for payment and payment arrangements in lieu of termination of service at least until its first base rate case filed after closing.

Aqua PA, PAWC, and Peoples will each provide a report to I&E, the OCA, and the OSBA each calendar year for five years following Meger closing regarding its achievement of the service quality metrics required under the Settlement.

If at any time any of the service quality performance objectives are not met (e.g., due to extreme weather events), American Water on behalf of PAWC, Peoples, and Aqua PA shall explain the reason the objective was not achieved, identify the basis for the failure to meet any performance objective, the steps taken to correct performance, and the time frame during which the performance objective will be met in the annual report to OCA, I&E, and OSBA. Any party reserves the right to bring such lack of compliance to the Commission's attention for a formal proceeding.

American Water, on behalf of PAWC, agrees to petition the Commission for, and use commercially reasonable efforts to obtain approval for, a pilot program for a customer-owned damaged wastewater service lateral replacement program that is focused on the former Butler Area Sewer Authority system.

Aqua PA and Peoples will continue to use customer service representatives as an important part of the customer experience. If, in the next five years, Aqua PA or Peoples deviate from the use of live customer service representatives in its entirety, they will notify the Commission of such change. Aqua PA and Peoples will continue to maintain the ability to use interactive voice response, portal, and other technologies for those customers that prefer that method of engagement. Aqua PA commits to complying with all state and federal regulations for per- and polyfluoroalkyl substances ("PFAS") in Montgomery County. Aqua PA commits to providing customer education on PFAS to customers in Montgomery County until the PFAS compliance deadlines are met. This will include bill inserts, social media postings, and website education.

Aqua PA commits to continued education for its customers located in Montgomery County customers on customer owned lead service lines. Aqua PA customers in Montgomery County that have been identified as having a lead service line will be included the Aqua PA's customer-owned lead line replacement program, at the appropriate time, which is at no direct cost to the customer.

I&E STATEMENT IN SUPPORT OF QUALITY OF SERVICE SETTLEMENT TERMS

Overall, I&E supports the quality of service settlement terms agreed to by the Joint Petitioners summarized *supra*. I&E submitted extensive testimony regarding the quality of service issues across all of the Joint Applicant utility service providers and their respective customers.

I&E witness Robert Gobrecht, IV expressed I&E's concerns regarding several infrastructure replacement and improvement issues and the Goodwin/Tombaugh system in his direct testimony.[31] First, Mr. Gobrecht noted that Peoples stated time frame for the at-risk distribution pipeline replacement is planned to be completed by 2038.[32] And that American Water stated that they are aware of Peoples pipeline replacement program and that Peoples pipeline replacement program goals will not be affected by the Merger and Essential and PNG will remain a regulated utility under the Commission's jurisdiction.[33]

31 *See* I&E St. No. 3, pp. 2-14.
32 I&E St. No. 3, p. 8, *citing* Peoples Petition for LTIIP 2026-2030, Docket No. P-2025-3057167, p. 29.
33 I&E St. No. 3, p. 9, *citing* I&E Exhibit No. 3 Sch. 5.

Regarding Goodwin/Tombaugh, Mr. Gobrecht noted that Peoples plans to complete the bare steel pipeline replacement within the Goodwin/Tombaugh system by the end of 2026.[34] However, Peoples also noted that that right-of-way (ROW) issues on four bare steel section totaling 2.8 miles are unlikely to be replaced by 2026 and there is not a definite time frame for the remaining bare steel to be replaced.[35] Mr. Gobrecht recommended that Peoples, and now American, continue to, at a minimum, adhere to the agreed upon commitments stated in A-2018-3006061, A-2018-3006062 and A-2018-3006063 for the continued replacements in the Goodwin and Tombaugh systems.[36] Finally, Mr. Gobrecht recommended that Peoples, and now American, continue to abide by the commitments Peoples made in previous Commission proceedings at Docket C-2024-3050319; Docket M-2025-3052089; Docket M-2023-3024990; and, Docket M-2022-3028365.[37]

I&E expressed its concerns in testimony and I&E shared the concerns of the other Parties expressed in their testimony. Further, the quality of service settlement terms were negotiated in good faith by all of the interested Parties. In consideration of all of the proffered record evidence and the arguments made by the Parties, I&E fully supports these settlement terms as a full and fair compromise that provides the Joint Applicants, the Settling Parties, the Commission, and all of the affected ratepayers with regulatory

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34 *Id.*, p. 10. *See also* I&E Exh. No. 3 Sch. 7.
35 *Id.*, p. 10.
36 I&E St. No. 3, p. 11.
37 *Id.*, pp 13-14.

certainty and an amicable resolution of the quality of service issues for purposes of this Settlement, all of which is in the public interest.

Additionally, with regard to any quality of service issue to which I&E did not submit testimony, I&E supports the agreed to settlement terms. These issues were raised by other Parties and I&E shares their concerns. Further, I&E monitored the settlement negotiations regarding these issues and monitored the proposals and counter proposals offered by the Parties throughout this proceeding. In consideration of all of the proffered record evidence and the arguments made by the Parties, I&E supports the agreed to settlement terms as a full and fair compromise that provides the Joint Applicants, the Settling Parties, the Commission and all of the affected ratepayers with regulatory certainty and an amicable resolution of the quality of service issues, all of which is in the public interest.

C. UNIVERSAL SERVICE AND LOW-INCOME CUSTOMER ASSISTANCE (Joint Petition ¶¶ 51-64).

In the Settlement, the Settling Parties have agreed a wide range of settlement terms designed to address the issues raised by the Parties regarding the universal service and low-income customer assistance issues across all of the Joint Applicant utility service providers and their respective customers. The following is a summary of those universal service and low-income customer assistance settlement terms that have been agreed to by the Settling Parties and not opposed by the non-opposing parties.

I&E's Statement in Support of the universal service and low-income customer assistance settlement terms follows at page 30 *infra*.

American Water will make an additional annual contribution to Aqua PA's and Peoples' hardship funds totaling $600,000 each year for at least three years post-closing, allocated proportionally between Aqua PA and Peoples based on the number of confirmed low-income customers.

In its next filed rate case, Aqua PA and Peoples will propose to transition their respective arrearage forgiveness assistance for low-income customers so that participating customers are eligible for full forgiveness over a period of no more than 24 months. PAWC will make this change consistent with the PAWC Rate Case Order. Aqua PA, PAWC, and Peoples will work with their respective assistance advisory groups to discuss an appropriate plan for informing customers about this change, and consider feedback of advisory group members in good faith.

Aqua PA, PAWC, and Peoples will maintain data collection and reporting requirements that identify estimated and confirmed low-income customers and bill payment experience for those customers.

The Commission has found that the sharing of customer information between the Companies for the purpose of supporting low-income program enrollment and coordination of low-income or universal service programs constitutes an authorized disclosure pursuant to 52 Pa. Code §§ 56.11(b)(8) and 56.261(b)(8), and therefore no separate customer consent is required for the sharing of this information between Aqua PA, PAWC, and Peoples following completion of the Merger. Billing system integration following the Merger will allow Aqua PA, PAWC, and Peoples to share information related to low-income status and program enrollment. Aqua PA, PAWC, and Peoples will provide updates to their advisory groups related to the progress of this integration and conversion process at each advisory group meeting.

As part of any billing system conversion or integration, Aqua PA, PAWC, and Peoples will standardize enrollment criteria for their universal service and low-income customer assistance programs, and develop a combined application. This application will be available to customers within one year after the launch of the integrated and standardized customer information and billing system.

Within one year of closing, PAWC, Aqua, and Peoples agree to coordinate with their respective assistance advisory groups to develop a plan to more broadly coordinate their usage reduction and repair services. This coordination should eliminate customers providing duplicative information across the Companies, including information related to household income and renter status. This plan should also include coordination with Peoples' Act 129 programs so that eligible customers can be referred across these programs. This increased coordination should include a plan for how low-income customers can receive additional measures to improve efficiency/conservation, which are not duplicative of current conservation and kit offerings, including line repair services.

For so long as each remains a separate legal entity, American Water on behalf of PAWC and Aqua PA agree to maintain for five years after closing of the Merger, or propose in their next base rate case if not currently in existence, low-income customer assistance programs that include: (1) a bill payment/customer assistance program; (2) a hardship fund; (3) a conservation and leak and line repair/replacement program; and (4) appropriate cost recovery. Aqua PA will also maintain a water conservation program and will include renters and homeowners in the eligibility criteria for its low-income customer assistance programs. Prior to the filing of its next base rate case, PAWC will consult with its customer assistance advisory group related to the contents of its Petition for approval of a conservation and leak and line repair/replacement program, and consider members' feedback in good faith. PAWC's proposed conservation and leak and line repair/replacement program will be available to all customers enrolled in its bill discount program.

The Joint Applicants agree to increase Peoples' Low-Income Usage Reduction Program ("LIURP") budget by $500,000 to a total of $4,000,000 annually, and to increase its Emergency Furnace and Line Repair Program budget by 10%.

American Water commits to continue to use community-based organizations (CBOs) within Peoples' service territories for delivery, implementation, and community financial support of universal service programs. Peoples will also continue to promote its hardship fund through its public advertising and sponsorship of such activities that bring in additional non-shareholder revenue to the Dollar Energy Fund.

Regarding the administration of its customer assistance program (CAP) and hardship fund, Peoples agrees to continue to partner with an agency that: (a) can increase the number of intake sites; (b) is an administrator of utility CAP programs for the electric distribution companies or natural gas distribution companies in its service territory; (c) recruits and partners with multi-service agencies; and (d) uses a case management system to track and monitor referrals and enrollments into utility programs.

Peoples shall continue the Peoples Universal Service Advisory Group (USAG) and invite CBOs, low-income customer advocates, the OCA, and other interested stakeholders. The USAG will meet quarterly to discuss all universal service issues including, but not limited to, recommendations concerning LIURP, LIURP eligibility, and concerns and landlord issues that may present a barrier to customer participation.

Peoples will continue the current universal service organization structure and staffing levels for its universal service programs as outlined and explained in Peoples' current Universal Service and Energy Conservation Plan at least until its first base rate case following completion of the Merger. In addition, American Water commits to ensuring that Peoples' universal service staff has the appropriate authority and discretion to continue to operate Peoples' universal service programs in a manner that is reasonably consistent with the manner in which the programs were operated prior to the Merger.

Within 60 days of the closing of the Merger, Aqua PA and PAWC will file a tariff supplement effective on 60 days' notice, that waives reconnection fees for all residential households with income at or below 150% of the federal poverty level customers. Aqua and PAWC agree to work in conjunction with their respective assistance advisory groups to develop a plan for how to inform customers about this change. Aqua PA and PAWC will be permitted to create a regulatory asset to track reconnection fees that they otherwise would have been able to recover from customers that they can then present for recovery in their next respective base rate proceedings following completion of the Merger.

To the extent that any of provisions set forth in Section II.C. of the Joint Petition applicable to PAWC conflict with those set forth in the PAWC Rate Case Order, PAWC agrees to implement the provision more favorable to eligible customers.

I&E STATEMENT IN SUPPORT OF THE UNVIERSAL SERVICE AND LOW-INCOME CUSTOMER ASSISTANCE SETTLEMENT TERMS

Overall, I&E supports the universal service and low-income customer assistance settlement terms agreed to by the Settling Parties summarized *supra*. I&E did not submit testimony regarding the universal service and customer assistance settlement terms. These issues were primarily promoted by other Settling Parties. Nevertheless, I&E shares the concerns of all of the interested Settling Parties. Further, I&E monitored the settlement negotiations regarding these issues and monitored the proposals and counter proposals offered by the Parties throughout this proceeding. In consideration of all of the record evidence and the arguments made by the Parties, I&E supports the universal service and customer assistance settlement terms as a full and fair compromise that provides the Joint Applicants, the Settling Parties, the Commission and all of the affected ratepayers with regulatory certainty and an amicable resolution of the universal service and customer assistance issues, all of which is in the public interest.

D. SMALL BUSINESS CUSTOMER COMMITMENTS ***(Joint Petition ¶¶ 65-66).***

In the Settlement, the Settling Parties have agreed to several settlement terms designed to address the issues raised by the Parties regarding the small business customer commitments across all of the Joint Applicant utility service providers and their respective customers. The following is a summary of those small business customer commitments settlement terms that have been agreed to by the Settling Parties and not opposed by the non-opposing parties.

I&E's Statement in Support of the small business customer commitments settlement terms follows directly *infra*.

In the settlement, the Joint Applicants agreed that Aqua PA will propose, in its next base rate case, a payment plan option for small business customers.

In the Settlement, the Joint Applicants agreed that in future wastewater cost of service studies, Aqua PA will separate its wastewater commercial customer class and third-party sales into separate classes.

I&E STATEMENT IN SUPPORT OF THE SMALL BUSINESS CUSTOMER COMMITMENTS SETTLEMENT TERMS

Overall, I&E supports the small business customer commitments settlement terms agreed to by the Joint Petitioners summarized *supra*. I&E did not submit testimony regarding the small business customer commitments settlement terms. These issues were primarily promoted by other Settling Parties. Nevertheless, I&E shares the concerns of all of the interested Settling Parties. Further, I&E monitored the settlement negotiations regarding these issues and monitored the proposals and counter proposals offered by the Parties throughout this proceeding. In consideration of all of the record evidence and the arguments made by the Parties, I&E supports the small business customer commitments settlement terms as a full and fair compromise that provides the Joint Applicants, the Settling Parties, the Commission and all of the affected ratepayers with regulatory certainty and an amicable resolution of the small business customer commitments issues, all of which is in the public interest.

E. LOCAL PRESENCE AND COMMITMENTS TO EMPLOYEES *(Joint Petition ¶¶ 67-75)*.

In the Settlement, the Settling Parties have agreed a wide range of settlement terms designed to address the issues raised by the Parties regarding the local presence and commitment to employees across all of the Joint Applicant utility service providers and their respective customers. The following are a summary of those local presence and commitment to employees settlement terms that have been agreed to by the Settling Parties and not opposed by the non-opposing parties.

I&E's Statement in Support of the local presence and commitments to employees settlement terms follows on page 33 *infra*.

Aqua PA's and Peoples' day-to-day operations will continue to be locally managed by dedicated local employees serving our customers and living in and giving back to our communities. This includes retaining Michael Huwar as President of Peoples.

American Water commits to maintaining sufficient workforce, operational facilities, and offices to continue to provide clean, safe, reliable, and affordable water and wastewater utility services to customers in Pennsylvania. This includes honoring all Essential collective bargaining agreements under their current terms, as well as Aqua PA's and Peoples' pension obligations to employees. American Water also agrees on behalf of PAWC, to honor all of PAWC's collective bargaining agreements under their current terms and PAWC's pension obligations to employees.

American Water agrees that the Merger will not result in a material reduction in the union workforce for the 12-month period following completion of the Merger.

American Water, on behalf of PAWC, Peoples, and Aqua PA agree to provide annual reports to the Commission, I&E, OSBA, the OCA, and CAUSE-PA regarding field offices and staffing levels in its service territory until the first base rate case filed by each Pennsylvania utility following the Merger.

Concerning employee compensation and benefits of Aqua PA and Peoples employees, American Water shall commit to maintain levels of total compensation and benefits for Aqua PA's and Peoples' existing employees at levels no less favorable than those in effect immediately prior to closing for at least one year after the closing date.

Aqua PA's headquarters located in Bryn Mawr (including the testing facility) and Peoples' headquarters located in Pittsburgh shall be maintained for at least five years from Merger consummation.

Peoples agrees not to move its headquarters outside of Peoples' Pennsylvania service territory after closing of the Merger without application to, and approval of, the Commission.

American Water agrees not to move Aqua PA's headquarters in Bryn Mawr for so long as it is a separate legal entity, and will only sell the Bryn Mawr headquarters building upon application to, and approval of, the Commission.

The American Water Board of Directors and Executive Committee shall include the Pittsburgh, Pennsylvania area and service area of Peoples among the locations of their meetings.

I&E STATEMENT IN SUPPORT OF LOCAL PRESENCE AND COMMITMENT TO EMPLOYEES SETTLEMENT TERMS

Overall, I&E supports the local presence and commitment to employees settlement terms agreed to by the Joint Petitioners summarized *supra*. I&E submitted testimony expressing its concerns regarding issues related to a continued post-Merger local presence and commitment to employees that included but are not limited to the following. I&E expressed its concerns regarding whether each subsidiary will continue to operate as separate utility subsidiaries with their own executives, officers, and employees;[38] PAWC, Aqua PA, Aqua PA-WW, and Peoples Gas should continue to maintain its office locations and adequate staff in Pennsylvania to serve its customers in the same manner as it does currently;[39] and, PAWC, Aqua PA, Aqua PA-WW, and, Peoples Gas should honor all obligations to collective bargaining units according to employees' local union agreements and applicable laws and regulations.[40]

Finally, I&E shares the concerns of all of the interested Joint Petitioners. Further, I&E participated in all of the settlement negotiations regarding these issues and monitored the proposals and counter proposals offered by the Parties throughout this proceeding. In consideration of all of the record evidence and the arguments made by the

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38 I&E St. No. 1, p. 35.
39 *Id.*, p. 43.
40 *Id.*

Parties, I&E supports the negotiated settlement terms as a full and fair compromise that provides the Joint Applicants, the Settling Parties, the Commission and all of the affected ratepayers with regulatory certainty and an amicable resolution of the corporate organization and financial integrity issues, all of which is in the public interest.

F. CHARITABLE CONTRIBUTIONS AND COMMUNITY SUPPORT *(Joint Petition ¶ 76)*.

In the Settlement, the Settling Parties have agreed to settlement terms designed to address the issues raised by the Parties regarding charitable contributions and community support by the Joint Applicant utility service providers. The following is a summary of those terms that have been agreed to by the Settling Parties and not opposed by the non-opposing parties.

I&E's Statement in Support of the charitable contributions and community support settlement terms follows directly.

American Water shall ensure that Aqua PA, Peoples, and PAWC provide for the next three years annual contributions to 501(c)(3) charities or municipalities/government bodies, of at least their respective three-year average annual amount based on the three years pre-merger. American Water shall file by April 30 of each year an annual report on the contributions made in the prior calendar year, which shall at minimum specify which company(ies) made the contribution (Aqua PA, PAWC, or Peoples), the amount of the contribution, and the recipient of the funds. Further, it is agreed that these charitable contributions shall not be recovered in rates.

I&E'S STATEMENT IN SUPPORT OF THE CHARITABLE CONTRIBUTIONS AND COMMUNITY SUPPORT SETTLEMENT TERMS

Overall, I&E supports the charitable contributions and community support settlement terms agreed to by the Joint Petitioners summarized *supra*. I&E did not submit testimony regarding the charitable contributions and community support settlement terms. These issues were primarily promoted by other Settling Parties. Nevertheless, I&E shares the concerns of all of the interested Settling Parties. Further, I&E monitored the settlement negotiations regarding these issues and monitored the proposals and counter proposals offered by the Parties throughout this proceeding. In consideration of all of the record evidence and the arguments made by the Parties, I&E supports the charitable contributions and community support settlement terms as a full and fair compromise that provides the Joint Applicants, the Settling Parties, the Commission and all of the affected ratepayers with regulatory certainty and an amicable resolution of the charitable contributions and community support issues, all of which is in the public interest.

G. CORPORATE ORGANIZATION AND FINANCIAL INTEGRITY *(Joint Petition ¶¶ 77-88).*

In the Settlement, the Settling Parties have agreed a wide range of settlement terms designed to address the issues raised by the Parties regarding the corporate organization and financial integrity of the Joint Applicants. The following is a summary of those settlement terms that have been agreed to by the Settling Parties and not opposed by the non-opposing parties.

I&E's Statement in Support of the corporate organization and financial integrity settlement terms follows directly *infra*.

For so long as each remains a separate legal entity, Aqua PA, and Peoples will continue to operate as separate utility subsidiaries with their own executives, officers, and employees and will continue to maintain separate books of accounts and financial statements reflecting their own respective assets and liabilities at each entity level including capital structures, debt and equity costs, rate base, and operating and maintenance expenses with breakdowns by line items for ratemaking purpose on a standalone basis. American Water shall maintain Aqua PA and Peoples as separate legal entities and as separate utility subsidiaries at least until the full completion of the next rate cases filed by Aqua PA and Peoples, respectively. Aqua PA, and Peoples will also compile financial statements and reports required by the Commission pursuant to the Public Utility Code and applicable regulations and will provide such statements and reports to the Commission. American Water agrees to the same on behalf of PAWC. This commitment does not preclude the sharing of resources pursuant to an affiliate agreement approved by the Commission. American Water shall offer the statutory advocates an opportunity for a pre-filing meeting to review any new or revised affiliated service agreements filed within the two years following completion of the Merger.

For so long as each Pennsylvania utility subsidiary remains a separate legal entity, American Water and Essential commit to implementing appropriate ring-fencing protections to the extent necessary for business operations (water and wastewater operations, gas operations, and non-utility operations) and related financial transactions of each business segment, which are no less protective than the ring-fencing protections currently in effect. The ring fencing will include but is not limited to the terms set forth in the Joint Petition.

Aqua PA, PAWC, and Peoples each have, and will continue to have (for so long as each remains a separate legal entity), their own capital structure, which is a function of their own debt and equity.

American Water and its affiliated entities will continue to provide support for the utility subsidiaries' funding (capital) requirements at a just and reasonable cost and consistent with other competitive market terms and conditions.

American Water will provide the Essential utilities in Pennsylvania with no less than the same access to short-term debt, commercial paper, and other liquidity that Aqua PA and Peoples currently have in place. If this does not provide sufficient liquidity for day-to-day needs, additional short-term loans, at market rates, will be available. Neither American Water nor any of its affiliates will make any loan to Aqua PA or Peoples that bears interest at rates that are greater than the rates being paid at the time of such loan by American Water or such other affiliate on its own debt issued at the same time. Neither Aqua PA nor Peoples will assume liability for debts issued by American Water or its financing subsidiary, American Water Capital Corporation (AWCC). Although Aqua PA and Peoples may become a party to a financing services agreement with AWCC and AWCC may issue debt for the benefit of several operating companies, each company, including Aqua PA and Peoples, will be liable only for its individual borrowings or issuances under those arrangements.

The Joint Applicants will not use Aqua PA or Peoples assets to secure debt for the benefit of utilities or operations in other states. Aqua PA, PAWC, and Peoples will not provide funding on a long-term basis (i.e., for a term exceeding one year) to American Water and Essential or any other corporate affiliates and shall not provide debt guarantees or pledge utility assets for the parent company or other corporate affiliates' borrowings without prior Commission approval.

Unless first approved by the Commission, Aqua PA and Peoples will not transfer any material asset to an affiliate except in an arm's length transaction and in compliance with Pennsylvania law.

American Water (on behalf of itself and PAWC), Essential, Aqua PA, and Peoples will not undertake any transactions that would lead to comingling of Pennsylvania utilities' funds with other affiliated entities without specific prior approval of the Commission.

Aqua PA, PAWC, and Peoples will seek Commission approval for all new or amended affiliated interest agreements with its parent company and affiliated entities consistent with Chapter 21 of the Public Utility Code. All transactions among the utility subsidiaries and their affiliated entities (including but not limited to American Water and Essential) would not promote any form of cross subsidization and would not render benefits to the shareholders of the group companies.

The Joint Applicants will report key credit metrics including Funds from Operations ("FFO")/debt, FFO/interest, and debt/capitalization for American Water and each Pennsylvania utility that has its own bond credit rating, and will use reasonable efforts to maintain the American Water, Aqua PA, and Peoples credit ratings at investment-grade for each of their publicly-traded debt securities. The Joint Applicants shall file a Report of Action within 120 days after closing of the Merger. The Report of Action shall contain: (1) the closing date of the Merger; (2) the actual total Essential stock sale price; and (3) the actual accounting entries records on each company's books to reflect the Merger. The Merger-related accounting entries in Aqua's and Peoples' books shall include: all transaction cost and transition cost accounting entries for Aqua PA and Peoples that are recorded on the books of each entity; all Merger-related fair value, Goodwill, and/or Acquisition Premium accounting entries for Aqua and Peoples and their subsidiaries; all Merger-related tax accounting entries for Aqua PA and Peoples and their subsidiaries; and all Merger-related debt and equity financing accounting entries for Aqua PA and Peoples and their subsidiaries. Aqua PA, Peoples, and PAWC will remain individual Pennsylvania utilities post-Merger, and the Merger will not impact any respective obligations under their tariffs, prior Commission Orders, or existing service agreements. Aqua PA, Peoples, and PAWC will honor the terms of their respective service agreements consistent with the terms of those agreements.

I&E STATEMENT IN SUPPORT OF THE CORPORATE ORGANIZATION AND FINANCIAL INTEGRITY SETTLEMENT TERMS

Overall, I&E supports the corporate organization and financial integrity settlement terms agreed to by the Joint Petitioners summarized *supra*. I&E submitted extensive testimony expressing its concerns regarding post-Merger corporate organization and financial integrity[41] that included but are not limited to the following. I&E expressed its concerns regarding undertaking post-Merger transactions that may lead to the comingling of funds with other affiliates entities;[42] failing to continue to maintain separate books of accounts and financial statements at each entity level including capital structures, debt and equity costs, rate base, and operating and maintenance expenses with breakdowns by line items for ratemaking purpose on a standalone basis and comply with the Commission mandated financial statements and reports pursuant to the public utility code;[43] failing to continue to maintain reasonable accounting procedures, policies, and controls to govern any inter-company trade and service transactions with affiliates and comply with all the terms and conditions of the Commission approved affiliated interest agreements;[44] preventing costs relating to new equity issuances or debt borrowing to finance the Merger costs including any acquisition premium or goodwill from being allocated or charged to PAWC, Aqua PA, Aqua PA-WW, and Peoples Gas ratepayers;[45] and, PAWC, Aqua PA, Aqua PA-WW, and Peoples Gas's plans, policies, and budgets should continue to be controlled by its management team, free of holding or ultimate parent company investors' focused goal or strategies and influence.[46]

I&E shares the concerns of all of the interested Joint Petitioners. Further, I&E participated in all of the settlement negotiations regarding these issues and monitored the

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41 I&E St. No. 1, pp. 13-43; I&E St. No. 1-SR, pp. 5-36.
42 I&E St. No. 1, p. 35.
43 *Id.*
44 *Id.*, pp. 35-36.
45 *Id.*, p. 36.
46 *Id.*, p. 41.

proposals and counter proposals offered by the Parties throughout this proceeding. In consideration of all of the record evidence and the arguments made by the Parties, I&E supports the negotiated settlement terms as a full and fair compromise that provides the Joint Applicants, the Settling Parties, the Commission and all of the affected ratepayers with regulatory certainty and an amicable resolution of the corporate organization and financial integrity issues, all of which is in the public interest.

H. MOST FAVORED NATION PROVISION *(Joint Petition ¶ 89).*

If the Joint Applicants agree to benefits in any other state regulatory jurisdiction that must approve the proposed transaction that are materially more beneficial than the terms of this Order with respect to the same category of benefits, then American Water shall increase the benefit in each such respective category that is to be provided to Pennsylvania public utility customers as set forth below. In no event shall the operation of this condition cause the Pennsylvania rate credit amount or any other financial or non-financial benefit to be reduced. Specifically, this condition will only apply to the following categories of benefits: (1) providing customer bill credits to Aqua PA and Peoples customers equal to the highest per-customer amounts committed to by the Joint Applicants in other jurisdictions that approve the proposed transaction, (2) offering shareholder funded charitable donations at a per-customer dollar amount per year that are higher than the Joint Applicants' commitment in the current Pennsylvania case for the Aqua PA and Peoples service areas, and (3) requiring implementation of ring-fencing provisions that the Joint Applicants agree to that are more protective of ratepayers than the ones made by Joint Applicants in the current Pennsylvania case.

I&E STATEMENT IN SUPPORT OF THE MOST FAVORED NATION SETTLEMENT TERMS

Overall, I&E supports the most favored nation settlement terms agreed to by the Joint Petitioners summarized *supra*. I&E did not submit testimony regarding the most favored nations issue. These issues were primarily promoted by other Settling Parties. Nevertheless, I&E shares the concerns of all of the interested Settling Parties. Further, I&E monitored the settlement negotiations regarding these issues and monitored the proposals and counter proposals offered by the Parties throughout this proceeding. In consideration of all of the record evidence and the arguments made by the Parties, I&E supports the most favored nation settlement terms as a full and fair compromise that provides the Joint Applicants, the Settling Parties, the Commission and all of the affected ratepayers with regulatory certainty and an amicable resolution of the most favored nation issues, all of which is in the public interest.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

24. I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Joint Applicants or are incorporated or considered in the resolution proposed in the Settlement. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. The Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those

addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this Merger Application complete.

25. I&E submits that the acceptance of this Settlement limited the need for evidentiary hearings, which would normally compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all of which yield substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all parties agree benefits their discrete interests.

IV. ADDITIONAL TERMS AND SETTLEMENT CONDITIONS

26. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Joint Applicants, I&E, or any other Joint Petitioner.

27. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any other parties to the Settlement. Further, I&E's agreement to settle this case is made

without any admission or prejudice to any position that I&E might adopt during any future proceeding regarding the Joint Applicants or any other public utility.

28. If the ALJs recommend that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E does not waive its right to file Exceptions with respect to any modifications to the terms and conditions of the Settlement or any additional matters that may be proposed by the ALJs in their Recommended Decision. I&E also does not waive the right to file Replies in the event any other party files Exceptions.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the *Joint Petition for Approval of Non-Unanimous Settlement* as being in the public interest and respectfully requests that Administrative Law Judges Emily I. DeVoe and Anne Quimby recommend, and the Commission approve, the terms and conditions contained in the Joint Petition without modification.

Respectfully Submitted,

Scott B. Granger
Scott B. Granger
Prosecutor
PA Attorney ID No. 63641

Pennsylvania Public Utility Commission
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Dated: September 15, 2026

STATEMENT C

Statement in Support of Joint Petition for Non-Unanimous Settlement of the Office of Consumer Advocate

APPENDIX C

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application of American Water Works Company, Inc., Essential Utilities Inc., Aqua Pennsylvania Wastewater Inc., Peoples Natural Gas Company LLC and Alpha Merger Sub, Inc., for a Certificate of Public Convenience Under Sections 1102(a)(3) and 2210(c) of the Public Utility Code and All other Necessary Approvals to Effect a Change of Control of Aqua, Pennsylvania, Inc., and Peoples Natural Gas Company LLC	:	Docket Nos. A-2025-3058927 A-2025-3058928 A-2025-3058929

STATEMENT IN SUPPORT
OF THE JOINT PETITION FOR FULL SETTLEMENT
OF THE OFFICE OF CONSUMER ADVOCATE

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TO THE ADMINISTRATIVE LAW JUDGES EMILY I. DEVOE AND ANN QUIMBY:

AND NOW, before the Administrative Law Judges (ALJs) Emily I. DeVoe and Ann Quimby, and the Pennsylvania Public Utility Commission (Commission), the Office of Consumer Advocate (OCA), a signatory to the Joint Petition for Full, Non-unanimous Settlement (Settlement) in the captioned proceeding, submits this Statement in Support of the Settlement, requesting approval of the terms and conditions of the Settlement as being supported by substantial record evidence and in the public interest.

I. INTRODUCTION

A. Description of the Office of Consumer Advocate

The OCA is a statutory advocate with the authority and duty to represent the interest of utility consumers as a party before the Commission.[1] The OCA's interest in this case is to ensure that the joint application provides substantial affirmative public benefits to all affected parties and is otherwise in the public interest and consistent with the Public Utility Code and all applicable statutes, regulations and precedent.

B. Procedural Background

On November 26, 2025, American Water Works Company, Inc. (American Water), and Essential Utilities, Inc. f/k/a Aqua America, Inc., Aqua Pennsylvania, Inc. (Aqua PA) and Aqua Pennsylvania Wastewater (Aqua PA WW), Peoples Natural Gas Company LLC (Peoples) (collectively, Essential), and Alpha Merger Sub, Inc. (Merger Sub) (collectively,

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[1] 71 P.S. § 309-4.

the Joint Applicants or JAs) filed with the Public Utility Commission (Commission) a Joint Application (Joint Application). Through this filing, the Joint Applicants seek approval of the Commission under Chapters 11, 21 and 22 of the Public Utility Code for a change of control of Aqua PA and Peoples to be affected by the merger of Essential and Merger Sub, a wholly owned subsidiary of American Water (the Merger). If approved, the Joint Application proposes that Essential would continue as the surviving corporation and would be a wholly owned subsidiary of American Water. American Water would become the corporate parent of Essential and all its subsidiaries.

The OCA filed a Protest in response to the Joint Application on December 15, 2025, to help ensure that the proposed transaction is in accordance with Sections 1102 and 2210 of the Public Utility Code and all other applicable statutes, regulations, and Commission orders. On December 16, 2025, the Office of Small Business Advocate (OSBA) filed a Notice of Intervention. On December 22, 2025, the Pennsylvania Utility Law Project (PULP) filed a Notice of Appearance on behalf of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA). Additional Protests and Petitions to Intervene were filed by the City of Butler, County of Delaware, East Whiteland Township, Manchester Township, Spring Garden Township, West Manchester Township, York Township, East Norriton Township, Chester Water Authority, Upland Borough, Lower Makefield Township and North York Borough (collectively, the Municipalities). On April 1, 2026, the international Union of Operating Engineers Local 540 (Local 542) filed a Petition to Intervene Out of Time.

The Joint Application was assigned to Administrative Law Judge Mary D. Long (ALJ Long) for investigation and scheduling of hearings to determine whether the Joint Application complies with the standards set forth in the Public Utility Code. On January 7, 2026, ALJ Long issued a Prehearing Conference Order, and a Prehearing Conference was held January 22, 2026, where the parties discussed procedural matters and established a litigation schedule.

On February 5, 2026, a Judge Change – Assignment notice was issued indicating the Presiding ALJ had been changed from ALJ Mary D. Long to ALJs Emily I. DeVoe and Ann Quimby.

Consistent with the procedural schedule issued by the Administrative Law Judges (ALJs) DeVoe and Quimby, on May 21, 2026, the OCA served on the ALJs and the parties its written direct testimony consisting of OCA St. 1 the direct testimony of Ralph Smith[2] along with OCA St. 2 the direct testimony of Barbara Alexander.[3] On July 23, 2026 the

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[2] Mr. Smith is a Certified Public Accountant, attorney, and Senior Regulatory Consultant at Larkin & Associates, PLLC. Mr. Smith's has over 40 years of work experience involving utility regulation, and Mr. Smith has previously testified before this Commission, as well as 38 other state utility commissions, federal courts, and the Federal Energy Regulatory Commission.

[3] Ms. Alexander is the sole member manager of Barbara Alexander Consulting LLC where she provides services directed to consumer protection, customer service and low-income programs and policies relating to the regulation of the telephone, electric, and gas industries. Ms. Alexander has appeared in over 30 U.S. and Canadian jurisdictions as an expert witness on behalf of state utility consumer advocates and national and state non-profit consumer organizations. She has an additional ten years of experience testifying as an expert witness before the Maine Public Utilities Commission as the Director of the Consumer Assistance Division. Ms. Alexander's background and qualifications are attached as Exhibit BA-1.

OCA served on the ALJs and all parties its surrebuttal testimonies consisting of OCA St. 1SR the surrebuttal testimony of Ralph Smith and OCA St. 2SR the surrebuttal testimony of Barabara Alexander.

On August 4, 2026, ALJs DeVoe and Quimby held an evidentiary hearing, during which, by stipulation of counsel, the ALJs admitted into the record pre-served testimony and exhibits identified by the Joint Applicants, I&E, the OCA, the OSBA, CAUSE-PA, the municipalities, Local 542 and all other parties. During the evidentiary hearing the OCA and counsel for the Municipalities conducted cross examination of the JAs witnesses.

The parties engaged in extensive settlement discussions in an attempt to resolve the issues presented in this proceeding. On September 15, 2026, the JAs, the OCA, I&E, OSBA, Manchester Township, North York Borough, Spring Garden Township, West Manchester Township, and York Township (collectively, the Settling Parties) filed the Settlement, representing full, non-unanimous settlement of the issues litigated between the Settling Parties in the case. CAUSE-PA, City of Butler, East Norriton Township, Upland Borough, Lower Makefield Township, International Union of Operating Engineers, Local 542, and Utility Workers Union of America, AFL-CIO, Local 612 have indicated they will not oppose the non-unanimous settlement. Chester Water Authority, East Whiteland Township, and Montgomery County intend to oppose the Settlement.

In accordance with the procedural schedule established in this proceeding, the OCA now submits this Statement in Support of the Settlement.

II. OVERVIEW OF THE TRANSACTION AND LEGAL STANDARDS

A. Overview of the Transaction

The Transaction is an all-stock merger in which Essential will become a wholly owned subsidiary of American Water. Aqua will remain a subsidiary of Essential, but under a new three-tier holding structure with American Water as the ultimate parent company.[4] Peoples will also remain a subsidiary of Essential, but under a multi-tier holding structure with American Water as the ultimate parent company.[5] American Water will acquire indirect control over Aqua and Peoples as subsidiaries of Essential.[6] The Transaction also requires Aqua and Peoples to enter into new affiliated interest agreements — a shared support services agreement with American Water Works Service Company (AWWSC) and a financial services agreement with American Water Capital Corp. (AWCC) — replacing its current arrangements through Essential and with Aqua's current service company Aqua Services, Inc.[7] The transaction also requests an office space lease by Aqua and AWWSC.[8] Upon completion, Aqua will become American Water's second regulated water and wastewater utility subsidiary in Pennsylvania, alongside PAWC.[9]

B. Legal Standards

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[4] OCA St. 1 at 23.
[5] *Id.*
[6] *Id.*
[7] *Id.*
[8] *Id.*
[9] OCA St. 1 at 23-24.

The Commission's policy promotes settlements.[10] In order to approve a Settlement, the Commission must determine that the proposed terms and conditions are in the public interest.[11] Under Section 1102 of the Public Utility Code, the Commission may grant a certificate of public convenience to a regulated public utility, permitting that utility to begin to offer service in an additional territory, and to acquire property used and useful in the public service, as is requested in this application.[12] Section 1103 provides that the Commission may only grant a certificate of public convenience "if the commission shall find or determine that the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public."[13]

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.[14] 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,

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[10] 52 Pa. Code §§ 5.231, 69.401.
[11] *Pa. PUC v. Philadelphia Electric Company*, 60 Pa. P.U.C. 1, 22 (1985); *Pa. PUC v. City of Bethlehem – Water Dept.*, Docket No. R-2020-3020256 (Order entered April 15, 2021) at 13 *citing Pa. PUC v. York Water Co.*, Docket No. R-00049165 (Order entered October 4, 2004); *Pa. PUC v. C. S. Water and Sewer Assoc.*, 74 Pa. P.U.C. 767 (1991).
[12] 66 Pa. C.S. § 1102(a)(1), (3).
[13] 66 Pa. C.S. § 1103.
[14] *City of York* 295 A.2d 825, 828 (Pa. 1972).

> accommodation, convenience, or safety of the public" in some substantial way.[15]

This is the standard by which all acquisitions proposed by Commission-regulated utility companies must be judged. Recently, in *PA- American Water Co. v. Pa PUC*, 356 C.D. 2024, the Commonwealth Court reaffirmed the position of applying 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."[16]

The Commonwealth Court, in *Middletown*[17], 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.[18] 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

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[15] *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)).
[16] *PA- American Water Co. v. Pa PUC*, 356 C.D. 2024 at 10.
[17] *Middletown Township v. Pa. P.U.C.*, 482 A.2d 674 (Pa. Cmwlth. Ct. 1984) (*Middletown*).
[18] *Id.* at 678.

not merely on one particular group or geographic subdivision as might have occurred in this case."[19] The Court added that "the primary objective of the law in this area is to serve the interests of the public."[20]

Sections 1102 and 1103, as a result, require the Joint Applicants to demonstrate that the proposed acquisition of Essential by American provides an affirmative public benefit, meaning that the benefits of the transaction outweigh the adverse impacts of that transaction, when all affected parties are considered.[21] This is commonly referred to as the "affirmative public benefits test."[22] 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."[23]

Furthermore, proponents of an order bear the burden of proof.[24] 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.[25] It is well-established that the "degree of proof before administrative tribunals as well as before most civil proceedings is satisfied by establishing

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[19] *Id.* at 682 (emphasis in original).
[20] *Id.*; *see also Popowsky*, 937 A.2d at 1057.
[21] *Application of CMV Sewage Co., Inc.*, 2008 PaPUC LEXIS 950, *30 (Dec. 18, 2008).
[22] *See Popowsky* at 937 A.2d at 1052-53.
[23] *Application of North Heidelberg Water Co.*, 2010 PaPUC LEXIS 919, *20 (June 7, 2010).
[24] 66 Pa.C.S. § 332(a).
[25] 66 Pa.C.S. § 332(a); *City of Bethlehem* at 13.

a preponderance of the evidence."[26] 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.[27] The evidence must be substantial and legally credible, not mere "suspicion" or a "scintilla" of evidence.[28]

For the reasons set forth below, the proposed acquisition, as modified by the joint petition for settlement, is in the public interest and should be approved.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST AND SHOULD BE APPROVED

The Commission encourages settlement, and to do so it must recognize the balance of compromises struck by the Settling Parties. While the OCA does not address all issues contained within the Settlement in this Statement in Support, the OCA does not oppose terms and conditions not expressly addressed herein. The Settlement, taken as a whole, is a reasonable compromise in consideration of likely litigation outcomes before the Commission. The Settlement is in the public interest and supports Commission approval of the Settlement without modification. Substantial record evidence supports the provisions addressed by the OCA below and relies on the other parties to the settlement to address those provisions that are significant and material to them in their respective statements in support.

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[26] *Lansberry v. Pa. PUC*, 578 A.2d 600, 602 (Pa. Cmwlth. Ct. 1990).
[27] *Dutchland Tours, Inc. v. Pa. PUC*, 337 A.2d 922, 925 (Pa. Cmwlth. 1975).
[28] *Lansberry*, 578 A.2d at 602.

A. Rate Credits (Settlement at ¶ 10)

The JAs did not include a rate credit in their initial filing. In Rejoinder testimony, the JAs agreed to provide a one-time bill credit of $25 to Aqua and Peoples customers.[29] This one-time bill credit did not include customers of Pennsylvania American Water Company (PAWC).[30]

OCA witness Smith testified that rate credits are a tangible way for consumers to receive an affirmative benefit as a result of the transaction.[31] However, due to the lack of detailed estimates of synergy savings and cost efficiencies expected by the JAs, it was not possible for OCA witness Smith to determine an specific value for rate credits.[32] OCA witness Smith recommended the creation of a fund for rate credits.[33] I&E witness Patel recommended a one-time $60 rate credit to customers of PAWC, Aqua PA, Aqua PA-WW, and Peoples.[34]

The Settling Parties agreed to settle their differences regarding rate credits as follows:

> 10. American Water shareholders will fund an approximately $82 million Rate Stabilization Fund to provide a one-time $40 rate credit to each Aqua PA, PAWC and Peoples customer within one year of Merger closing. Aqua PA, PAWC and Peoples will not seek to recover in rates any part of the Rate Stabilization Fund. Aqua PA, PAWC and Peoples will file a compliance

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[29] JA St. 2RJ at 4.
[30] Tr. at 724.
[31] OCA St. 1 at 35.
[32] OCA St. 1 at 41.
[33] OCA St. 1 at 40-41.
[34] I&E St. 1 at 38-39.

report with the Commission summarizing the rate credit details after completing the one-time rate credits.[35]

This settlement term is in the public interest because it will provide consumers with a tangible benefit resulting from the transaction. Especially given the affordability concerns in Pennsylvania, a $40 rate credit provides financial relief. This is especially true for customers of PAWC who currently experience the highest water bills in Pennsylvania[36] and have undergone four rate increases in the past six year.[37]

This settlement term will have the effect of returning dollars to ratepayers at a time when every dollar counts. As such, the OCA submits that this term is in the public interest.

B. Hardship Fund (Settlement at ¶ 51)

The Joint Application did not propose any contributions to the hardship funds of Aqua PA, Peoples, or PAWC. OCA witness Alexander testified that Aqua PA and Peoples should at minimum agree to continue the provisions the Companies had previously agreed to in the *Aqua-Peoples Merger*[38] between Aqua PA and Peoples and anything additional agreed to in more recent base rate cases.[39] Ms. Alexander testified that the settlement

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[35] Settlement at ¶ 10.
[36] *Pa. PUC v. Pennsylvania American Water Company*, R-2025-3057983 et al., Order at 211 (July 16, 2026).
[37] *Id.* at 37-38.
[38] *See Joint Application of Aqua America Inc., Aqua Pennsylvania Inc., Aqua Pennsylvania Wastewater Inc., and Peoples Natural Gas Company LLC for All of the Authority and Necessary Certificates of Public Convenience to Approve a Change in Control of Peoples Natural Gas Company LLC by Way of the Purchase of All of LDC Funding LLC's Membership Interests by Aqua America Inc.*, Docket Nos. A-2018-3006061, et al., (January 25, 2020) Order at 136-162 (*Aqua-Peoples Merger*).
[39] OCA St. 2 at 20-21.

resolving the *Aqua-Peoples Merger* included the following provisions regarding contributions to the Companies' hardship funds:

> The Peoples Companies *agreed to increased funding for the Companies'* Universal Service Programs, including its Customer Assistance Program ("CAP"), Low Income Usage Reduction Program ("LIURP"), CARES, and *hardship fund* with an amended Universal Service Plan. Aqua America agreed that its shareholders would contribute historical universal service program contribution levels for the Peoples Companies' LIURP for four years after the date of closing.
>
> *Aqua PA agreed to implement a comprehensive universal service and conservation program that includes*: (1) a bill payment/customer assistance program; (2) *a hardship fund*; (3) a water conservation program; (4) a low income service repair line and replacement program; and (5) a comparable funding mechanism that exists for electric and gas utilities in Pennsylvania.
>
> Aqua America agreed that its shareholders would contribute an additional $50,000 to the hardship grant component being developed for Aqua PA's Helping Hand Program annually for four years.[40]

In addition, in more recent rate base cases, Aqua and Peoples agreed to the following terms, which OCA witness Alexander attached to her testimony as Exhibit BA-4:

> Aqua PA will contribute $200,000 each year until the Company's next base rate proceeding to the Company's Hardship Grant program. All unspent funds at the end of each program year will be rolled over and added to the budget for the Hardship Grant program in the following year. The parties reserve the right to address this contribution level in Aqua PA's next base rate proceeding.[41]
>
> Essential shareholders will contribute an additional $150,000 each year to the Peoples' Hardship Fund until Peoples files its next USECP. This increase will be over and above the funding levels that are currently in place as per the Company's current USECP, and retains the increased contribution established in the Aqua- Peoples Acquisition (Docket Numbers A-2018-3006061 – A-2018-3006063) beyond its original expiration. Nothing will

[40] OCA St. 2 at 24, 26 *citing Aqua-Peoples Merger*, Order at 136-40 (emphases added).
[41] OCA Exh. BA-4 at 6.

> preclude any party from requesting approval of a different budget amount in a subsequent proceeding.[42]

OCA witness Alexander also recommended that PAWC should increase its shareholder contribution to the Hardship Fund and expand the grants it provides for that program up to $750.[43] She further testified that, at a minimum, the level of current contribution the significant level of shareholder funding PAWC already contributes to its hardship funds should continue.[44]

The Settling Parties agreed to the following provision:

> American Water will make an additional annual contribution to Aqua PA's and Peoples' hardship funds totaling $600,000 each year for at least three years post-closing, allocated proportionally between Aqua PA and Peoples based on the number of confirmed low-income customers.[45]

This term represents a reasonable compromise between the Settling Parties. Although the term does not provide additional contributions to PAWC's hardship funds beyond what is already committed to by PAWC, it is in the public benefit to add additional shareholder-pledged funds to the hardship funds of both Aqua PA and Peoples, in addition to what is already being contributed through prior commitments. These additional funds will provide low-income customers with a substantial affirmative public benefit. As such, the OCA submits that this term is in the public interest.

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[42] OCA Exh. BA-4 at 2.
[43] OCA St. 2 at 32.
[44] OCA St. 2 at 13-14.
[45] Settlement at ¶ 51.

C. Stay Out (Settlement at ¶¶ 11-12)

The Joint Application did not propose any moratoriums on rate case filings. OCA witness Smith recommended that a three year rate case moratorium for each of the JAs subsidiaries from the date of each of their most recent rate case filings before the Commission.[46] Mr. Smith testified that imposing a moratorium on rate increases for the acquired utilities under the new ownership is one way of protecting ratepayers.[47] Mr. Smith also testified that a three-year moratorium on rate case filings by the JAs' owned Pennsylvania public utilities will also benefit the JAs by giving them sufficient time to implement best practices and achieve synergies that would be enabled by their proposed transaction.[48] OCA witness Smith testified:

> Noting again that the JAs have failed to provide any synergy estimates or otherwise quantify in the application, testimony or responses to discovery the financial savings to be realized if this application were to approved by the Commission, a rate case moratorium is one way to help ensure that ratepayers will receive at least some benefit as a result of any approval of the merger.[49]

The JAs disagreed with the OCA and argued that a moratorium on rate case filings ignores regulatory principles.[50] OCA witness Smith testified that a base rate case moratorium is not arbitrary and that the moratorium will provide the JAs with enough time

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[46] OCA St. 1 at 73.
[47] OCA St. 1 at 35.
[48] OCA St. 1 at 74
[49] OCA St. 1 at 23.
[50] JA St. 1 at 35-36.

to implement best practice and achieve synergies that would be enabled by the proposed transaction.[51]

The Settling Parties agreed to the following base rate case stay-out provisions:

> 11. Aqua PA will not file for another general rate increase under Section 1308(d) of the Code prior to June 1, 2027.
>
> 12. PAWC will not file for another general rate increase under Section 1308(d) of the Code prior to April 1, 2028.[52]

These settlement provisions are in the public interest because they provide customers of PAWC and Aqua with more time before their rates can increase again. This stay-out term provides stability and protects both PAWC and Aqua consumers from increased rates. As such, the OCA submits that these terms are in the public interest.

D. Transaction costs and goodwill (Settlement at ¶¶ 14-18, 87)

The JAs proposed in the filing that Goodwill and transaction costs would not be passed along to utility customers.[53] Transaction costs are costs incurred in connection with the completion of the proposed transaction.[54] OCA witness Smith testified that:

> Transaction Costs include, but are not limited to, any of the following: (1) consultant, investment banker, and legal fees; (2) change in control or retention payments; (3) costs associated with the shareholder meetings and proxy statement/registration statements related to the proposed transaction; and (4) costs associated with shareholder litigation related to the proposed transaction.[55]

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[51] OCA St. 1SR at 24.
[52] Settlement at ¶¶ 11-12.
[53] JA St. 1 at 17.
[54] OCA St. 1 at 58.
[55] OCA St. 1 at 58.

OCA witness Smith further testified that the completion of the transaction triggers many other costs which should be considered as part of the costs borne by the JAs. These costs include:

- Retention bonuses for Essential Utilities, Aqua and Peoples Companies' employees;
- Retention bonuses for American Water employees
- Supplemental Executive Retirement Plan ("SERP") payments to executives that are triggered by the ownership change associated with the transaction;
- Severance payments for Essential Utilities, Aqua and Peoples Companies' executives and employees related to the transaction; and
- Costs of shareholder litigation (if any) related to the proposed transaction.[56]

OCA witness Smith testified that transaction costs would not be incurred but for the proposed transaction and therefore should be borne by shareholders and not ratepayers.[57] Mr. Smith further recommended that the Commission should require as a condition of approval that the JAs not seek recovery of any "golden parachute," change-in-control, separation or severance, retention, or rebranding costs related to the merger from Pennsylvania customers.[58] Mr. Smith recommended that these costs should be specifically identified as part of any future rate review proceeding for each subsidiary.[59]

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[56] OCA St. 1 at 58-59.
[57] OCA St. 1 at 59.
[58] OCA St. 1 at 14.
[59] *Id*.

OCA witness Smith also testified that the risk of harm to ratepayers from the increased costs resulting from the proposed transaction could be avoided by the JAs committing that certain categories of costs, such as goodwill and transactions costs be borne by shareholders and not included in rates.[60] Mr. Smith also recommended that the JAs file a report of action within one hundred and twenty days after closing the transaction to protect ratepayers from bearing the cost of goodwill, transaction, and transition costs.[61] In rebuttal, the JAs agreed to eliminate future requests for recovery of transaction related costs such as goodwill and transaction costs.[62]

The Settling Parties agreed to settle these issues as follows:

> 14. Aqua PA, PAWC and Peoples will not seek recovery in rates of: (1) any transaction costs, including costs relating to new equity issuances or debt borrowing to finance such costs and solicitation costs, incurred in connection with the Merger by American Water, Essential, or their subsidiaries, or (2) any acquisition adjustment or "goodwill" associated with the Merger. As such, the goodwill associated with the Merger will not be recorded on Aqua PA's, PAWC's or Peoples' books. American Water (on behalf of itself and PAWC), Essential, Aqua PA, and Peoples shall also ensure that such goodwill is not included in and does not impact rates charged to any Pennsylvania public utility customers and is not included in the ratemaking capital structure of any Pennsylvania public utility.
>
> 15. For purposes of this Settlement, the categories of transaction costs incurred in connection with consummation of the Merger that shall not be recovered from utility customers are: (1) consultant, investment banker, legal, and regulatory support fees, (2) costs associated with the shareholder meetings and a proxy statement related to the Merger approval by Joint Applicants' respective shareholders, (3) costs associated with the imposition

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[60] OCA St. 1 at 35.
[61] OCA St. 1 at 57.
[62] OCA St. 1SR at 16.

of conditions or approval of settlement terms in other jurisdictions, (4) costs associated with shareholder litigation concerning the Merger, (5) costs associated with paying off existing debt, and (6) re-branding costs incurred immediately following closing and not in the normal course of business.

16. All transaction costs shall be recorded on American Water's or Essential's books and shall be tracked to facilitate verification that none of the transaction costs are being directly or indirectly included in cost of service for any Pennsylvania public utility.

17. All pre-merger and post-merger costs if the Merger is not consummated for any reasons, including merger agreement termination fees, shall be borne by American Water and Essential shareholders and will not be recovered from Pennsylvania customers.

18. No executive officers' golden parachute, change-in-control or retention payments or bonuses, including separation or severance compensation and the accelerated portion of supplemental executive retirement plan payments (by way of cost allocation from the parent company or affiliated companies) related to a change in control pursuant to the Merger will be claimed or allowed for recovery directly or indirectly (capitalized or expense portions) in any future rate proceedings of Aqua PA, PAWC or Peoples.

…

87. The Joint Applicants shall file a Report of Action within 120 days after closing of the Merger. The Report of Action shall contain: (1) the closing date of the Merger; (2) the actual total Essential stock sale price; and (3) the actual accounting entries records on each company's books to reflect the Merger. The Merger-related accounting entries in Aqua's and Peoples' books shall include: all transaction cost and transition cost accounting entries for Aqua PA and Peoples that are recorded on the books of each entity; all Merger-related fair value, Goodwill, and/or Acquisition Premium accounting entries for Aqua and Peoples and their subsidiaries; all Merger-related tax accounting entries for Aqua PA and Peoples and their subsidiaries; and all Merger-related debt and equity financing accounting entries for Aqua PA and Peoples and their subsidiaries.[63]

[63] Settlement at ¶¶ 14-18, 87.

These settlement terms are in the public interest because they properly assign transaction costs, including “golden parachute” affiliated costs, which would not occur but for the proposed transaction to be borne exclusively by shareholders. This provision protects ratepayers from paying costs they did not cause in a transaction they did not ask for. Further, transactions costs will be tracked and placed on American Water’s books providing increased transparency and tracking. Lastly, these settlement terms ensure that ratepayers are not charged for goodwill associated with the merger and that any goodwill associated with the transaction will not impact customer rates. As such, these terms are in the public interest.

E. Transition costs (Settlement at ¶¶ 19-23)

The Joint Application merely provided that transition costs would be captured within appropriate line items on financial statements and that separate journal entries for transition costs were not anticipated.[64] OCA witness Smith testified:

> Costs-to-achieve (referred to as “transition costs”) represent incremental out of-pocket costs rather than simply redeployed costs already existent within the business. In an acquisition and merger transaction, these costs would include expenditures in areas such as communications, facilities, information technology and certain corporate costs, among others. The costs-to-achieve may be incurred in the first years after the acquisition. "Transition costs" include costs incurred by the Applicants for costs to facilitate the integration of the companies.[65]

[64] OCA St. 1 at 64.
[65] OCA St. 1 at 63-64.

OCA witness Smith testified that transition costs should be tracked to ensure that they will never become part of any Pennsylvania regulated public utility's costs of service.[66] Mr. Smith further testified that transition costs should be recorded on the books of American Water or on the books of Pennsylvania utilities.[67] OCA witness Smith recommended that all transition costs incurred through the date of the merger's consummation be accounted for in detail and be permanently excluded from the rates of all Pennsylvania utilities which would be owned by American Water after the merger.[68]

The JAs disagreed with the OCA's recommendation and asserted that the JAs are seeking that the Commission not pre-determine an exclusion from rates of these types of costs.[69] The JAs argued that recovery of costs should be determined in the context of a rate case and determined based on whether costs are prudent and reasonable at the time costs were incurred.[70]

The Settling Parties agreed to settle the transition costs issue as follows:

> 19. Transition costs and any other incremental and incidental costs incurred prior to closing of the Merger, that would not occur absent the Merger, to facilitate integration and consolidation of business operations of utilities, will not be claimed as recoverable or be recovered directly or indirectly (as a cost allocation from the parent company or associated companies) as a part of cost of service by PAWC, Aqua PA, Aqua PA WW, and Peoples in future rate proceedings. All of these costs would be funded by shareholders and excluded for ratemaking purposes. Transition costs do not include costs to

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[66] OCA St. 1 at 64.
[67] *Id*.
[68] OCA St. 1 at 64-65.
[69] JA St. 2R at 18.
[70] *Id*. at 17.

achieve savings or synergies, or reasonable costs incurred that are necessary to provide service to customers.

20. All transition costs shall be tracked to facilitate verification that none of the costs are being directly or indirectly included in cost of service for any Pennsylvania public utility.

21.The Joint Applicants agree to make transaction costs and transition costs available to the statutory parties and the Commission, in reasonable detail, upon request.

22. American Water agrees to track and account for identifiable and quantifiable post-closing transition costs and costs to achieve synergy savings until the first Aqua PA and Peoples respective base rate cases filed after completion of the Merger.

23. The Joint Petitioners reserve the right to challenge the prudency of all costs related to the merger in Pennsylvania and other jurisdictions, including but not limited to, claimed costs to achieve savings or synergies, in future base rate cases.[71]

These terms are in the public interest because they protect consumers from paying synergy costs which occur before the merger is consummated. Further, once these costs are realized and concrete, the parties will be able to address the prudency of the costs in a future base rate case. As such, these terms are in the public interest.

F. Accumulated Deferred Income Taxes (ADIT) and Excess ADIT (Settlement at ¶ 25)

OCA witness Smith testified that the proposed transaction does not appear to prohibit an election under the Internal Revenue Code in treating the common stock

[71] Settlement at ¶¶ 19-23.

exchange as an asset purchase for federal income tax purposes.[72] OCA witness Smith testified:

> Such a tax election could eliminate the accumulated deferred income tax (ADIT) and excess ADIT (EADIT) balance that has been accumulating for years on the books of the acquired utilities. Because ADIT functions as a substantial rate base deduction, this type of tax election could result in higher rate base and higher rates (other things being equal) for the utility for several years following the acquisition, and thus presents an additional form of ratepayer harm that could result from an acquisition.[73]

OCA witness Smith explained that ADIT is a source of cost-free capital to a utility and is typically treated as a reduction to the utility's rate base.[74] As a condition of approval of the merger OCA witness Smith recommended the following:

> Joint Applicants shall ensure that consummation of the Merger shall not affect accounting and ratemaking treatments of the Aqua and Peoples Companies' accumulated deferred income taxes, including excess deferred income taxes, accumulated deferred tax credits and net operating losses (including net operating loss carrybacks and net operating loss carryforwards). No tax elections or accounting methods shall be employed related to the Merger that would in any way result in any reduction to the Aqua or Peoples Companies' net accumulated deferred income tax balances that are used to reduce rate base in the Aqua and Peoples Companies' rate cases.[75]

The Settling Parties agreed to the OCA recommendation with minor changes as follows:

> 25. The Joint Applicants confirm that the consummation of the Merger will not affect accounting and ratemaking treatments of Aqua PA's or Peoples' accumulated deferred income taxes ("ADIT"), including excess ADIT,

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[72] OCA St. 1 at 66.
[73] *Id.*
[74] OCA St. 1 at 68.
[75] OCA St. 1 at 70.

> accumulated deferred tax credits or net operating losses (including net operating loss carrybacks and net operating loss carryforwards). No tax elections or accounting methods shall be employed related to the Merger that would in any way result in any reduction to Aqua PA's or Peoples' respective net ADIT balances that are used to reduce rate base in Aqua PA's or Peoples' respective rate cases.[76]

This settlement term is in the public interest because it provides clarity to the tax treatment of the transaction and removes any impact that the transaction may have had on ADIT and EADIT.

G. Quantifiable Synergies (Settlement at ¶ 13)

In their initial filing, the JAs stated that they expect that the proposed transaction will create synergies and cost savings.[77] The JAs also averred that they expect the merger will result in benefits to their customers.[78] However, the JAs did not specifically commit or identify any quantified benefits to Pennsylvania ratepayers.[79] The JAs testified in rebuttal regarding synergy savings that "it is too early in the integration process to quantify those cost savings."[80] OCA witness Smith testified that, due to the lack of quantified cost savings by the JAs, there is a heightened need for other commitments.[81]

The Settling Parties agreed to settle the synergy issue as follows:

> 13. In their next respective rate case filings following consummation of the Merger, the proposed post-merger new rates of Aqua PA, PAWC and Peoples will reflect all identifiable and quantifiable merger benefits and

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[76] Settlement at ¶ 25.
[77] OCA St. 1 at 36.
[78] *Id*.
[79] *Id*.
[80] JA St. 1 at 11.
[81] OCA St. 1SR at 18.

> savings through the ordinary ratemaking process and consistent with established cost-of-service ratemaking principles. Full and complete quantifications of identifiable and quantifiable merger savings and related benefits will be presented with the direct testimony in each utility's first rate case following completion of the Merger.[82]

This settlement term is in the public interest because it will ensure that synergy savings are appropriately accounted for in each subsidiaries' next base rate case. The potential synergy savings resulting from this proposed transaction may be significant.[83] It is therefore appropriate to have a tracking mechanism accounting for these savings, which should produce savings for ratepayers in subsequent base rate case proceedings. This has the potential to benefit the JAs' customers through reduced future revenue requirements or other impactful measures. As such, the OCA submits that this term is in the public interest.

H. Merger Termination Costs (Settlement at ¶ 17)

In its filing the JAs proposed that termination fees could be incurred under certain circumstances.[84] OCA witness Smith testified that: "Under no circumstances should any termination fees related to the proposed Transaction be passed on to Pennsylvania public utility customers."[85] Mr. Smith further testified that all termination fees should be the responsibility of shareholders.[86] As a condition of approval OCA witness Smith recommended:

> The Joint Applicants agree that if the proposed transaction is not consummated all costs related to pursuing the transaction including all

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[82] Settlement at ¶ 13.
[83] CAUSE St. 1 at 7.
[84] OCA St. 1 at 62.
[85] *Id*.
[86] *Id*.

> termination fees are the "responsibility of shareholders" (i.e. the costs will be borne by the respective applicant companies themselves and will not be recovered from Pennsylvania utility ratepayers).[87]

The Settling Parties agreed with the OCA's recommendation with minor modifications as follows:

> 17. All pre-merger and post-merger costs if the Merger is not consummated for any reasons, including merger agreement termination fees, shall be borne by American Water and Essential shareholders and will not be recovered from Pennsylvania customers.[88]

This settlement term protects ratepayers by explicitly stating that shareholders must bear all costs associated with the transaction if it is not consummated. This settlement term appropriately allocates risk by requiring 100% of the cause be borne by shareholders who are the cost causers. It is inequitable to require ratepayers to pay for a failed transaction they did not choose or ask for. The risk of the transaction not closing therefore must be borne entirely by shareholders and cannot be allowed to be passed on to ratepayers. As such, the OCA submits that this term is in the public interest.

I. Ring Fencing (Settlement at ¶ 7775)

In its filing the JAs agreed to continue existing ring fencing.[89] OCA witness Smith testified that the commitment to continue existing ring fencing is needed to prevent harm but does not in itself result in an affirmative public benefit.[90]

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[87] OCA St. 1 at 63.
[88] Settlement at ¶ 17.
[89] OCA St. 1 at 27.
[90] *Id*.

The Settling Parties agreed to settle the ring-fencing issue as follows:

> 77. For so long as each Pennsylvania utility subsidiary remains a separate legal entity, American Water and Essential commit to implementing appropriate ring-fencing protections to the extent necessary for business operations (water and wastewater operations, gas operations, and non-utility operations) and related financial transactions of each business segment, which are no less protective than the ring-fencing protections currently in effect. The ring fencing will include but is not limited to the following:
>
> - American Water and Essential utility subsidiaries maintaining their status as corporate subsidiaries with their own corporate officers.
> - Each of the utility subsidiaries maintaining and issuing their own sets of financial statements pursuant to the Commission's requirements, specifically maintaining separate books and records, each in accordance with the applicable Uniform System of Accounts for their type of utility.
> - Each utility subsidiary maintaining the capability to issue its own long-term debt (with such debt issues subject to Chapter 19 of the Code).
> - The maintenance of an optimal capital structure for the utility subsidiaries.[91]

The ring-fencing provisions within the Settlement demonstrate a compromise between American's desire to acquire Essential and the OCA's concerns with regard to the financial integrity and separation of these companies. The Settlement's ring-fencing conditions will ensure that these companies operate as separate corporate entities and will ensure that the appropriate protections are in place to protect the ratepayers of the Joint Applicants. The ring-fencing provisions within the Settlement are wholly consistent with the OCA witnesses' recommendations, are in the public interest and in the interest of the Joint Applicants' customers.

[91] Settlement at ¶ 77.

J. Most Favored Nation Status (Settlement at ¶ 89)

The Joint Application did not contain a most-favored nation commitment for Pennsylvania. However, Pennsylvania's substantial affirmative public benefit standard is not found in other jurisdictions where the transaction is pending.[92] Furthermore, it is possible that the JAs will agree to commitments in other jurisdictions that they currently have not agreed to in Pennsylvania.[93] As such, a most favored nation provision is necessary before approving the joint application. OCA witness Smith testified:

> A "Most Favored Nation" commitment would assure that Pennsylvania obtains benefits from the proposed transaction that the Joint Applicants have not yet agreed to provide in this proceeding but which the Joint Applicants would agree to provide, or which would be ordered to provide, in merger approval related proceedings in other jurisdictions. Commitments made by the Joint Applicants in other state merger approval related proceedings that are beyond the commitments they have made to date in Pennsylvania can be an important source of providing public benefits to the proposed transaction. Illustrative examples would include requiring customer bill credits and base rate case moratoriums and additional identification of categories of costs related to the transaction that are required to be borne by shareholders.[94]

OCA witness Smith testified that the purpose of having the "Most Favored Nation" commitment is to assure that Pennsylvania ratepayers obtain benefits at least equal to those received in other jurisdictions, particularly in ones rendering decisions after Pennsylvania.[95]

The Settling Parties agreed to settle the "most favored nation" issue as follows:

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[92] Tr. 678.
[93] OCA St. 1SR at 18.
[94] OCA St. 1SR at 18-19.
[95] OCA St. 1SR at 21.

> 89. If the Joint Applicants agree to benefits in any other state regulatory jurisdiction that must approve the proposed transaction that are materially more beneficial than the terms of this Order with respect to the same category of benefits, then American Water shall increase the benefit in each such respective category that is to be provided to Pennsylvania public utility customers as set forth below. In no event shall the operation of this condition cause the Pennsylvania rate credit amount or any other financial or non-financial benefit to be reduced. Specifically, this condition will only apply to the following categories of benefits: (1) providing customer bill credits to Aqua PA and Peoples customers equal to the highest per-customer amounts committed to by the Joint Applicants in other jurisdictions that approve the proposed transaction, (2) offering shareholder funded charitable donations at a per-customer dollar amount per year that are higher than the Joint Applicants' commitment in the current Pennsylvania case for the Aqua PA and Peoples service areas, and (3) requiring implementation of ring-fencing provisions that the Joint Applicants agree to that are more protective of ratepayers than the ones made by Joint Applicants in the current Pennsylvania case.[96]

This settlement term is in the public interest because it has the potential to provide additional consumer protections and benefits to Pennsylvania ratepayers who are facing affordability challenges. Requiring the JAs to at least match other benefits being provided in other jurisdictions helps to ensure that the substantial affirmative public benefit standard is met. As such, this term is in the public interest.

K. Acquisition of Troubled Utilities (Settlement at ¶ 31)

The Joint Application did not contain any commitments regarding the acquisition of troubled systems. However, Article I, Section 27 of the Pennsylvania Constitution, also known as the Environmental Rights Amendment (ERA), provides Pennsylvania citizens with unique rights, namely:

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[96] Settlement at ¶ 89.

> 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. Pennsylvania's public natural resources are the common property of all the people, including generations yet to come. As trustee of these resources, the Commonwealth shall conserve and maintain them for the benefit of all the people.[97]

OCA witness Smith testified that the ERA provides Pennsylvania citizens with a right to clean water.[98] Mr. Smith further testified that it is important to assure that Pennsylvania water utilities that will be owned by American Water, including PAWC and Aqua PA, continue to acquire troubled water utilities in the state that are not providing adequate service.[99] As a condition of approval OCA witness Smith recommended:

> Joint Applicants commit that the merger will not interfere with Aqua's or PAWC's ability to finance or pursue acquisitions of troubled PUC regulated Pennsylvania water and wastewater utilities and that Aqua PA and AW on behalf of its subsidiary PAWC commit to continuing to pursue such acquisitions.[100]

The Settling Parties agreed on OCA witness Smith's recommendation as follows:

> 31. The Joint Applicants commit that the Merger will not interfere with Aqua PA's or PAWC's ability to finance or pursue acquisitions of troubled Commission-regulated Pennsylvania water and wastewater utilities and that Aqua PA, and American Water on behalf of PAWC, commit to continuing to pursue such acquisitions, as appropriate.[101]

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[97] Pa. CONST. art. I, § 27.
[98] OCA St. 1 at 22.
[99] *Id*.
[100] OCA St. 1 at 12.
[101] Settlement at ¶ 31.

A settlement provision containing a commitment that the transaction will not interfere with the financing or acquisition of troubled systems is in the public interest given both American and Essential's prior history of acquiring troubled systems.

L. Natural Gas Leadership (Settlement at ¶¶ 67, 73)

American Water does not currently own a natural gas utility in Pennsylvania, or in any other state in which it operates, nor has American Water ever owned a natural gas utility in any other state.[102] OCA witness Smith recommended as condition of approval of the merger the following:

- American Water will assure that the executive management of the Peoples Companies possess substantial experience at a natural gas utility and with pipeline safety issues and gas utility pipeline integrity management. American Water will assure that turnover of Peoples Companies executive management and key employees does not present public safety risks to the public, and that executive management and personnel in key positions who leave the Peoples Companies are promptly replaced with qualified and knowledgeable replacements.

- The American Water Board of Directors shall meet with the Peoples Companies executive management at least once per month for the first three years post-merger and shall meet at least once per year in the Pittsburgh, PA headquarters office and/or at a location in the utility service area of the Peoples Companies.[103]

OCA witness Smith testified that the "[r]isks to public safety from leaking gas pipes differ from risks related to leaking water pipes"[104] and because the decisions affecting Peoples, including gas pipeline maintenance and safety issues, would be ultimately

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[102] Tr. at 682: 11-24; *see also* OCA St. 1 at 29, 33, 78.
[103] OCA St. 1 at 81.
[104] OCA St. 1 at 79.

controlled by American Water,[105] it is important that at least one member of the combined company's Board of Directors has the substantial experience necessary to run a natural gas utility. Mr. Smith also testified that it is crucial that the JAs maintain Peoples' executive management team that has extensive experience with natural gas utility operations and with pipeline safety issues and gas utility pipeline integrity management.[106]

The JAs argued that the OCA's concerns were unwarranted because Peoples' day to day operations will continue to be managed locally.[107] The JAs further argued that American Water's board of directors usually meet in one of its business operating areas across the county each year and that Pittsburgh would be considered as part of that rotation.[108]

After deliberation, the Settling Parties agreed to settle these issues as follows:

> 67. Aqua PA's, PAWC's, and Peoples' day-to-day operations will continue to be locally managed by dedicated local employees serving their customers and living in and giving back to their communities. This includes retaining Michael Huwar as President of Peoples.
>
> 75.The American Water Board of Directors and Executive Committee shall include the Pittsburgh, Pennsylvania area and service area of Peoples among the locations of their meetings.[109]

These settlement terms are in the public interest because they help minimize any additional public safety risks associated with natural gas line safety, since American Water

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105 OCA St. 1 at 80.
106 OCA St. 1 at 80-81.
107 JA St. 1R at 32.
108 Id. at 33.
109 Settlement at ¶¶ 67, 75.

has no prior experience or expertise in owning and operating a natural gas utility.[110] Further, having American Water hold board and executive committee meetings in the Peoples' service area will ensure that American Water board and executive management team are receptive to local concerns, concerns regarding pipeline safety, and the operations of Peoples' natural gas distribution systems. As such, these terms are in the public interest.

M. Aqua Headquarters and Testing Facility (Settlement at ¶¶ 72-74)

The Joint Application contained no firm commitments regarding Aqua's headquarters and testing facility. Instead, the JAs merely committed that Essential's corporate offices in Bryn Mawr and Pittsburgh, Pennsylvania, will each continue to maintain a strong operational presence.[111] However, the proposed merger would shift the second largest water and wastewater utility in Pennsylvania (Aqua PA and Aqua PA WW) away from a local parent company to being ultimately owned and operated by an out-of-state parent company (American) headquartered in Camden, New Jersey.[112] OCA witness Smith recommended that as a condition of approval of the merger the JAs commit that the current headquarters of Essential, Aqua PA and Aqua PA WW be maintained in Bryn Mawr, PA, and the People's headquarters in Pittsburgh, for at least five years after the close of any approved merger.[113] Mr. Smith also recommended that American Water be allowed to move these corporate headquarters after any closing of the proposed merger from Bryn

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[110] Tr. 682.
[111] JA St. 2 at 3-4.
[112] OCA St. 1 at 33-34.
[113] OCA St. 1 at 17-18, 28, 78, 82.

Mawr and the Pittsburgh area only upon application to and approval by the Commission.[114] Further, OCA witness Smith recommended that American Water be required to maintain Aqua's recently opened state-of-the-art testing facility in Bryn Mawr for ten years.[115]

In rebuttal, the Joint Applicants committed to maintaining the headquarters in Bryn Mawr and Pittsburgh for five years after the Merger but stated that requiring American Water to obtain the Commission's approval if American Water seeks to make changes after the initial five years would be "burdensome and inefficient" and "unnecessary."[116]

The Settling Parties agreed to settle this issue as follows:

> 72. Aqua PA's headquarters located in Bryn Mawr (including the testing facility) and Peoples' headquarters located in Pittsburgh shall be maintained for at least five years from Merger consummation.
>
> 73. Peoples agrees not to move its headquarters outside of Peoples' Pennsylvania service territory after closing of the Merger without application to, and approval of, the Commission.
>
> 74. American Water agrees not to move Aqua PA's headquarters in Bryn Mawr for so long as it is a separate legal entity, and will only sell the Bryn Mawr headquarters building upon application to, and approval of, the Commission.[117]

These settlement terms are in the public interest because they provide necessary protections for Pennsylvania. These terms require that the headquarters and testing facility located in Pennsylvania cannot be moved out of Pennsylvania or abandoned without a proceeding before the Commission where American Water must prove why such a move

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[114] *Id.*
[115] OCA St. 1 at 17-18; OCA St. 1SR at 39.
[116] JA St. 1SR at 28.
[117] Settlement at ¶¶ 72-74.

is necessary. The headquarters and testing facility represent significant investments in Pennsylvania funded by Pennsylvania ratepayers and should not be abandoned absent a showing of need. By maintaining Aqua's headquarters and testing facility in Bryn Mawr for a minimum of five years and committing not to move or sell these buildings absent approval from the Commission will ensure these buildings continue to be used and useful for the benefit of Pennsylvania ratepayers for a significant amount of time. The Settlement acknowledges the importance of maintaining the headquarters of the Peoples companies in Pittsburgh and the Aqua companies in Bryn Mawr while Peoples and Aqua transitions into ownership by American and requires Commission approves of any proposed relocation. As such, they are in the public interest.

N. Charitable Contributions (Settlement at ¶ 76)

As a condition of approval of the merger, OCA witness Smith recommended the JAs be required to provide for ten years following the merger at least $10 million in annual contributions to public 501(c)(3) charities that are not industry association or donor-advised funds of which $8.84 million must go to an organization providing services in Pennsylvania.[118]

In rebuttal, the JAs agreed to commit to continue charitable contributions for two years.[119] The JAs argued that it is inappropriate to require American Water to contribute

118 OCA St. 1 at 75.
119 JA St. 1R at 41.

shareholder funds at the highest levels in recent history without allowing for flexibility in how much is contributed in future years.[120]

The Settling Parties agreed to settle charitable contributions as follows:

> 76. American Water shall ensure that Aqua PA, Peoples, and PAWC provide for the next three years annual contributions to 501(c)(3) charities or municipalities/government bodies, of at least their respective three-year average annual amount based on the three years pre-merger. American Water shall file by April 30 of each year an annual report on the contributions made in the prior calendar year, which shall at minimum specify which company(ies) made the contribution (Aqua PA, PAWC, or Peoples), the amount of the contribution, and the recipient of the funds. These charitable contributions shall not be recovered in rates.[121]

This settlement term is in the public interest because it will require the JAs to continue their charitable contributions for at least three years based on their historic average contributions.

O. Reporting on Financial Metrics (Settlement at ¶ 84)

The Joint Application did not provide for any reporting on financial metrics. However, OCA witness Smith testified that credit metric reporting is needed to ensure that the Commission and statutory advocates are alerted promptly to financial problems, such as credit downgrades or negative crediting rating developments.[122]

OCA witness Smith recommended that, as a condition of approval of the merger the Commission, should require reporting of key credit metrics and maintaining credit ratings as follows:

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[120] JA St. 1R at 40.
[121] Settlement at ¶ 76.
[122] OCA St. 1 at 77.

> Require reporting of key credit metrics including Funds from Operations ("FFO")/debt, FFO/interest, and debt/capitalization for Essential Utilities and each Pennsylvania utility that has its own bond credit rating, and requiring that Joint Applicants use reasonable efforts to maintain the Essential Utilities, Aqua and Peoples Companies' credit ratings at investment-grade for each of their publicly-traded debt securities.[123]

The Settling Parties agreed to the OCA's recommendation as follows:

> 84. The Joint Applicants will report key credit metrics including Funds from Operations ("FFO")/debt, FFO/interest, and debt/capitalization for American Water and each Pennsylvania utility that has its own bond credit rating, and will use reasonable efforts to maintain the American Water, Aqua PA, and Peoples credit ratings at investment-grade for each of their publicly-traded debt securities.[124]

This settlement term is in the public interest because it will give the Commission and other interested parties the ability to monitor key financial metrics to ensure that action can be taken before catastrophic financial events such as a credit downgrade. The ability for a utility to obtain low-cost debt is critical to maintaining just and reasonable rates. This reporting requirement ensures that all interest parties have the ability to protect ratepayers and assist the financial health and integrity of the utilities.

P. Customer Service Performance Objectives

1. Extending Aqua PA and Peoples' commitments from their previous merger settlement (Settlement at ¶¶ 35-38; 42-44).

The Joint Application as filed did not reflect any specific commitments for Aqua PA and Peoples to meet service quality and customer service performance standards or

[123] OCA St. 1 at 16-17.
[124] Settlement at ¶ 84.

provide sufficient assurances that service would not deteriorate as a result of the merger.[125] Instead, the Joint Application and supporting testimony included only general statements about the customer service performance benefits to this transaction to Pennsylvania customers of Aqua and Peoples.[126] JA witness Prine additionally testified in rebuttal that "[n]o customer service … changes are proposed by the Joint Applicants in this proceeding."[127]

OCA witness Alexander reviewed the Joint Application and the Joint Applicants' commitments in the area of customer service and quality of service.[128] OCA witness Alexander concluded from her review, that "[a]s written, the Joint Application fail[ed] to provide for substantial affirmative public benefits."[129] She recommended that, if the merger were to be approved, the Commission should, at a minimum, require Aqua PA[130] and Peoples to meet the service quality and customer service performance standards the companies had agreed to implement in the 2020 merger between Aqua PA and Peoples, as well as any additional standards or commitments agreed to in recent base rate cases for five years following the Final Order in this proceeding.[131]

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[125] *See* Joint Application Exh. C.
[126] OCA St. 2 at 8.
[127] JA St. 6R at 10.
[128] OCA St. 2 at 20.
[129] *Id.* at 21.
[130] Throughout Ms. Alexander's testimony, Aqua PA refers to both Aqua Pennsylvania Inc. and Aqua Pennsylvania Wastewater, Inc.
[131] OCA St. 2 at 20-28.

Ms. Alexander testified that, in the *Aqua-Peoples Merger*, Aqua PA agreed to the following performance conditions:

> Aqua first committed to improving its call center performance for the next five calendar years after closing. Specifically, Aqua committed to meeting or exceeding the metrics of answering at least 82% of calls within 30 seconds, having a busy-out rate of no more than 0.25%, and an average call abandonment rate no higher than 2.5%.
>
> Aqua further committed to developing a live Excel spreadsheet system to track its customer complaints, reviewing the information through conducting a root cause analysis of adverse trends, and, within 24 months, reducing the average number of days to respond to customer complaints to less than 10 days.
>
> To track appointments that were made and kept for field operations, Aqua PA committed to developing and adopting a methodology similar to that used by the Peoples Companies, and adopting internal performance standards meeting or exceeding those of the Peoples Companies for five years following closing.
>
> Aqua PA also committed to meeting multiple performance objectives for five years after closing at a comparable or stricter level than provided for in the settlement. The objectives were an estimated read rate of less than 0.5%, and actual read rate of 99%, 19 lost time accidents, 4.1 responsible vehicle accidents, a 99.5% compliance with water regulations, and a 94.5% compliance with wastewater regulations.[132]

Ms. Alexander further testified that Peoples had made the following additional commitments in the *Aqua-Peoples Merger*:

> The Peoples Companies committed to meeting multiple performance objectives for five years after closing at a comparable or stricter level than provided for in the settlement. The committed to standards were a call center service level of 82%, a 2.0% call abandonment rate, a 0% busy-out rate, a.008% rate of bills not rendered each billing period, a .15% rate of meters not read within 6 months, a 1% rate of company disputes not answered within 30 days, and an average emergency response time of 27.5 minutes.

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[132] *Id.* at 21-22 *citing Aqua-Peoples Merger* at 152-55.

The Peoples Company further committed to tracking their field operations appointments and continuing its standard of meeting 99% of all appointments for five years, as well as meeting the overall average performance customer survey results reflected in the 2017-2018 results.

Finally, Aqua America and the Peoples Companies committed to maintaining or increasing the location and staffing of call center employees in PA, maintaining the Peoples Companies' call center within Peoples service territory and in or near Pittsburgh. If it becomes apparent that the Pittsburgh call center performance lags the results of the other call centers, Aqua America reserved the right to initiate discussion with the Commission and interested parties to explore mitigation alternatives if it became apparent that the Pittsburgh call center performance lagged the results of the other call centers, but any significant reductions in Pennsylvania call center staffing or transfer of call center employment outside of Pennsylvania remains subject to Commission approval.[133]

The Settling Parties agreed to resolve their differences over this issue, as follows:

35. For so long as each remains a separate legal entity, American Water on behalf of PAWC, Aqua PA, and Peoples agree to the following performance objectives for five years after closing of the merger.

a). Aqua PA and PAWC

(1) Percentage of calls answered within 30 seconds of at least 82%,
(2). Busy-out rate of no more than 0.25%, and
(3). Average call abandonment rate that is no higher than 2.5%.

b). Peoples

(1) Percentage of calls answered within 30 seconds of at least 82%,
(2) Busy-out rate of no more than 0%,
(3) Average call abandonment rate that is no higher than 2.0%,
(4) Percentage of bills not rendered each billing period of no more than 0.008%,

[133] *Id*. at 23 (citing *Aqua-Peoples Merger*, Order at 152-55).

(5) Percentage of meters not read within six months of 0.15%,
(6) Percentage of company disputes not answered within 30 days of not more than 1%, and
(7) Average emergency response time of no more than 27.5 minutes.

36. Aqua PA and Peoples will develop a live Excel spreadsheet system to track customer complaints, review the information through conducting a root cause analysis of adverse trends, and, within 24 months, reduce the average number of days to respond to customer complaints to less than 10 days.

37. Aqua PA will continue to track appointments that are made and kept for field operations in a manner consistent with that adopted following the Peoples acquisition and to continue to utilize internal performance standards consistent with those adopted following the Peoples acquisition until its next general rate case filed following Merger closing.

38. Aqua PA will meet comparable or more strict performance objectives as listed below until its next general rate case filed after closing of the Merger:

a). Estimate read rate – less than 0.5%
b). Actual read rate – 99%
c). Lost time accidents – 19
d). Responsible vehicle accidents – 4.1
e). Compliance with water regulations – 99.5%
f). Compliance with wastewater regulations – 94.5%

…..

42. Peoples will continue to track its field operations appointments and continue the performance standard of meeting 99% of all appointments for five years following Merger closing.

43. Peoples will maintain the location and staffing of call center employees in Pennsylvania. American Water will further commit to maintain the Peoples' call center within Peoples service territory in or near Pittsburgh. If it becomes apparent that the Pittsburgh call center performance lagged the results of the other call centers, American Water reserves the right to initiate discussion with the Commission and interested parties to explore mitigation alternatives, but any significant reductions in Pennsylvania

call center staffing or transfer of call center employment outside of Pennsylvania remains subject to Commission approval.

44. Peoples agrees to continue the "Help at Peoples Now" program that allows field employee personnel to make referrals to Peoples for payment and payment arrangements in lieu of termination of service at least until its first base rate case filed after closing.[134]

These settlement terms are in the public interest because they will ensure that the quality of service and customer service performance for Aqua PA and Peoples will not deteriorate as a result of this Merger being approved. The terms above fully adopt, for five years after the closing of the merger, the service quality and customer service performance standards Aqua PA and Peoples previously agreed to in the *Aqua-Peoples Merger*, apart from a slight modification removing Peoples' commitment to meet the overall average performance customer survey results in the historical 2017-2018 results. These settlement terms should be adopted as they essentially mirrored those recommended by the OCA.

The percentage of calls answered within 30 seconds, the busy out rate and call abandonment provisions in the settlement are in the public interest because they maintain the customers' current experience with the JAs call center representatives which can often times be a source of frustration for customers of major companies and ensure that the customers' experience will not deteriorate as a result of the merger. Requiring Aqua PA and Peoples to continue to track customer complaints and all field appointments in a detailed manner will also help maintain the customer experience and ensure no

[134] This term is more specifically addressed by the OCA under the Universal Service Program terms, infra Section X.A.

deterioration in field service. To the extent that they differ, the above terms represent a reasonable compromise on the issues and as such, are in the public interest and provide substantial affirmative public benefits.

2. PAWC Commitments (Settlement at ¶¶ 35, 39-41).

The Joint Application as filed did not reflect any commitments for PAWC to meet service quality and customer service performance standards or provide sufficient assurances that service would not deteriorate as a result of the merger.[135] OCA witness Alexander made recommendations as to customer service and conditions that PAWC should be required to adopt as a part of any approval of the merger application.[136]

Specifically, her recommendations included those made by the OCA in the then-pending PAWC base rate case.[137] Ms. Alexander testified that, as a part of this merger being approved, "PAWC should be held to a [call center] performance level that is no less than the call center performance agreed to by Aqua PA and Peoples in their prior merger and recent rate case settlements."[138] She further testified that "[t]his commitment will require an improved performance compared to PAWC's current call center performance, particularly with respect to the abandonment rate."[139] In addition, she recommended that "PAWC's internal goals for reliability of service, field operations appointments, outage

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[135] *See* Joint Application Exh. C.
[136] OCA St. 2 at 29-31.
[137] *Id.*
[138] *Id.* at 29-30.
[139] *Id.* at 30.

response time, and compliance with water quality requirements as described in Exhibit BA-5 should also be included as specific commitments in this proceeding" and that PAWC should be required to conduct a proper root cause analysis of customer disputes, informal, and formal complaints.[140]

In the settlement, the Settling Parties agreed to the following provisions:

> 35. For so long as each remains a separate legal entity, American Water on behalf of PAWC, Aqua PA, and Peoples agree to the following performance objectives for five years after closing of the merger.
>
> a). Aqua PA and PAWC
>
> (1) Percentage of calls answered within 30 seconds of at least 82%,
> (2). Busy-out rate of no more than 0.25%, and
> (3). Average call abandonment rate that is no higher than 2.5%.
>
> ….
>
> 39. PAWC will conduct a root cause analysis of customer disputes, informal, and formal complaints to identify complaint trends, underlying causes, and reforms or other steps undertaken to respond to these findings. PAWC will share its plan to conduct, and methodology for, a root cause analysis with stakeholders prior to undertaking such analysis. A root cause analysis that complies with this commitment should be completed within six months of the final order in this proceeding and submitted annually as part of the annual report described in Paragraph 45 below.
>
> 40. PAWC will continue to meet its internal goals for reliability of service, field operations appointments, outage response time, and compliance with water quality requirements for the five year period following the final order in this proceeding.
>
> 41. To the extent that service quality provisions of the Settlement applicable to PAWC conflict with provisions set forth in the Commission's Opinion and

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[140] *Id.* at 30-31.

> Order entered July 27, 2026 in its most recent rate case at Docket No. R-2025-3057983 (the "PAWC Rate Case Order"), PAWC will implement the more favorable provision to customers.[141]

The OCA submits that the above terms represent a reasonable compromise on the issues. The Joint Applicants' agreement to the call center performance metrics for PAWC represent a requirement for PAWC to improve their performance to match that of Aqua PA. Additionally, it attaches PAWC's internal goals for reliability of service and other quality of service metrics to the approval of this merger and provides metrics to which PAWC can be held accountable by the parties, given the reporting requirements agreed to in this merger. These terms are in the public interest and provide substantial affirmative public benefits when viewed holistically in context with the overall Settlement.

3. Reporting Commitment (Settlement at ¶¶ 45-46)

The Joint Application did not propose any compliance reporting commitment to ensure quality of service or customer service will not deteriorate. JA witness Prine testified that:

> [N]either additional reporting requirements nor non-compliance credits are reasonable conditions for this Merger. The BCS [Bureau of Consumer Services] already monitors and reports on the state utilities' customer service performance on a quarterly basis. The PUC will continue to retain the ability to audit and/or investigate each of the state utilities. The intervenors continue to have the ability to file complaints against the utilities.[142]

In response, OCA witness Alexander's testimony referenced the following reporting commitment that Aqua PA and Peoples had agreed to in the *Aqua-Peoples Merger*:

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[141] Settlement at ¶¶ 35, 39-41.
[142] JA St. 6R at 11.

> Aqua PA committed to providing a yearly report to OCA, I&E, and OSBA for five years after closing demonstrating its achievement of its service quality metrics, outlining the actual metrics achieved and expected actions for the following year to further improve their customer service. Aqua PA's yearly report is to include reasons for any failure to achieve its service quality metrics and its plan to achieve the metric. Aqua PA also committed to convening a collaborative with OCA, I&E, and OSBA to discuss the report. Aqua America made the same commitments regarding the Peoples Companies' service quality metrics.[143]

OCA witness Alexander recommended that as a result of this merger, the Joint Applicants should be required to provide an annual report to the Commission and that parties to the current proceeding should be offered an opportunity for comments and recommendations based on the companies' performance.[144] She recommended that any failure to meet the commitments should result in a formal proceeding followed by a Commission Order to implement a proper response that "include[s] a credit to the applicable customer charge, the amount and duration of such credit to reflect the level of non-compliance and the timetable required to ensure future compliance."[145]

The Settling Parties agreed to resolve their differences over this issue, as follows:

> 45. Aqua PA, PAWC, and Peoples will each provide a report to I&E, the OCA, and the OSBA each calendar year for five years following Meger closing regarding its achievement of the service quality metrics required under the Settlement.
>
> 46. If at any time any of the service quality performance objectives are not met (e.g., due to extreme weather events), American Water on behalf of PAWC, Peoples, and Aqua PA shall explain the reason the objective was not achieved, identify the basis for the failure to meet any performance objective, the steps taken to correct performance, and the time frame

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[143] *Id.* at 21-22 *citing Aqua-Peoples Merger*, Order at 152-55.
[144] *Id.* at 33.
[145] *Id.* at 34.

> during which the performance objective will be met in the annual report to OCA, I&E, and OSBA. Any party reserves the right to bring such lack of compliance to the Commission's attention for a formal proceeding.[146]

The above terms represent a reasonable compromise on the issues. The annual reports will provide the parties to this proceeding with specific information regarding the performance objectives beyond what is collected and reported on by BCS. The compliance reports also maintain a clear link between the Merger approval and the performance objectives. As such, these terms are in the public interest.

Q. Universal Service Program Commitments (Settlement at ¶¶ 44, 51-64)

The Joint Application as filed did not reflect any specific commitments for Aqua PA, Peoples, and PAWC to meet any additional objectives or make any changes to the Companies' Universal Service Programs.[147] Instead, the Joint Application and supporting testimony included only general statements about the universal service program benefits to this transaction to Pennsylvania customers of Aqua and Peoples.[148]

OCA witness Alexander reviewed the Joint Application and the JAs' commitments in the area of affordability, including examining the Application for any universal service program commitments.[149] OCA witness Alexander concluded that "[a]s written, the Joint Application fail[ed] to provide for substantial affirmative public benefits."[150] Ms.

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[146] Settlement at ¶¶ 45-46.
[147] *See* Joint Application at Exh. C.
[148] OCA St. 2 at 8.
[149] *Id.* at 20.
[150] *Id.* at 21.

Alexander testified that, in the *Aqua-Peoples Merger*, Aqua PA and Peoples agreed to the following universal service program conditions:

> The Peoples Companies agreed to increased funding for the Companies' Universal Service Programs, including its Customer Assistance Program ("CAP"), Low Income Usage Reduction Program ("LIURP"), CARES, and hardship fund with an amended Universal Service Plan. Aqua America agreed that its shareholders would contribute historical universal service program contribution levels for the Peoples Companies' LIURP for four years after the date of closing.[151]
>
> Aqua America agreed that its shareholders would contribute an additional $100,000 each year for four years after closing to Dollar Energy.
>
> Aqua America agreed that it would increase the Peoples Companies' LIURP emergency furnace repair by $75,000 and that the program will amend eligibility criteria to include renters as well as homeowners. This increase would be paid by Aqua America shareholders for a three-year period post-closing.
>
> Aqua America agreed to continue to use community-based organizations within the Peoples Companies' service territories for delivery, implementation, and community financial support of Universal Service programs. The Peoples Companies will also continue to promote their hardship fund through its public advertising and sponsorship of 19 such activities that bring in additional non-shareholder revenue to the Dollar Energy Fund.
>
> Regarding the administration of its CAP and hardship fund, the Peoples Companies agreed to partner with an agency that: (a) can increase the number of intake sites; (b) is an administrator of utility CAP programs for the electric distribution companies ("EDCs") or natural gas distribution companies ("NGDCs") in its service territory; (c) recruits and partners with multi-service agencies; and, (d) uses a case management system to track and monitor referrals and enrollments into utility programs.
>
> The Peoples Companies agreed to continue the Peoples Universal Service Advisory Group and invite community-based organizations ("CBOs"), Low-

[151] This provision is addressed above in Section XX (Hardship Funds).

Income Advocates, the OCA and other interested stakeholders. The Group will meet quarterly to discuss all universal service issues including, but not limited to, recommendations concerning LIURP, LIURP eligibility, concerns and landlord issues that may present a barrier to customer participation.

Aqua PA agreed to leverage the Peoples Companies' experience with programming for low-income customers for the benefit of Aqua PA's low-income customers.

Aqua PA agreed to invite at least one member of the Peoples Companies' current Universal Service Staff to its Helping Hand Collaborative meetings and agreed to invite staff in charge of collections to the Peoples Companies' Universal Service Advisory Committee meetings.

Aqua PA agreed to extensive new data collection and reporting requirements to identify estimated and confirmed low-income customers and bill payment experience for customers.

Aqua PA agreed to implement a comprehensive universal service and conservation program that includes: (1) a bill payment/customer assistance program; (2) a hardship fund; (3) a water conservation program; (4) a low income service repair line and replacement program; and (5) a comparable funding mechanism that exists for electric and gas utilities in Pennsylvania.

Aqua America agreed that its shareholders would contribute an additional $50,000 to the hardship grant component being developed for Aqua PA's Helping Hand Program annually for four years.[152]

The Peoples Companies agreed to continue the current Universal Service organization structure and staffing levels for its Universal Service Programs as outlined and explained in the Peoples Companies' current Universal Service and Energy Conservation Plan for at least five years. In addition, Aqua America committed to ensuring that the Peoples Companies' universal service staff had the appropriate authority and discretion to continue to operate the Peoples Companies' Universal Service programs in a manner which is reasonably consistent with the manner in which the programs were operated prior to the acquisition.

The Peoples Companies agreed to continue the "Help at Peoples Now" program that allows field employee personnel to make referrals to the

[152] This provision is addressed above in Section XX (Hardship Funds).

> Peoples Companies for payment and payment arrangements in lieu of termination of service for at least the next five years after closing.[153]

OCA witness Alexander recommended that, if the merger were to be approved, the Commission should, at a minimum, require Aqua PA and Peoples to meet the universal service program commitments listed above, as well as any additional standards or commitments agreed to in recent base rate cases[154] for five years following the Final Order in this proceeding.[155] In Aqua PA's most recent rate base case, Aqua agreed to propose in its next base rate proceeding, a plan to implement an arrearage forgiveness plan that would provide full forgiveness after 36 months.[156]

OCA witness Alexander also made recommendations regarding PAWC's universal service programs, including recommendations that PAWC's arrears management program should provide full forgiveness over a 24-month period, and that PAWC should develop a low-income comprehensive conservation and leak repair/replacement assistance program.[157]

The Settling Parties agreed to the following Universal Service Program provisions:

> 44. Peoples agrees to continue the "Help at Peoples Now" program that allows field employee personnel to make referrals to Peoples for payment and payment arrangements in lieu of termination of service at least until its first base rate case filed after closing.

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[153] OCA St. 2 at 24-26 *citing Aqua-Peoples Merger*, Order at 136-140.
[154] *See* OCA St. 2, Exh. BA-4.
[155] OCA St. 2 at 20-28.
[156] OCA Exh. BA-4 at 4.
[157] OCA St. 2 at 32.

52. In its next filed rate case, Aqua PA and Peoples will propose to transition their respective arrearage forgiveness assistance for low-income customers so that participating customers are eligible for full forgiveness over a period of no more than 24 months. PAWC will make this change consistent with the PAWC Rate Case Order. Aqua PA, PAWC, and Peoples will work with their respective assistance advisory groups to discuss an appropriate plan for informing customers about this change, and consider feedback of advisory group members in good faith.

53. Aqua PA, PAWC, and Peoples will maintain data collection and reporting requirements that identify estimated and confirmed low-income customers and bill payment experience for those customers.

54. The Commission has found that the sharing of customer information between the Companies for the purpose of supporting low-income program enrollment and coordination of low-income or universal service programs constitutes an authorized disclosure pursuant to 52 Pa. Code §§ 56.11(b)(8) and 56.261(b)(8), and therefore no separate customer consent is required for the sharing of this information between Aqua PA, PAWC, and Peoples following completion of the Merger. Billing system integration following the Merger will allow Aqua PA, PAWC, and Peoples to share information related to low income status and program enrollment. Aqua PA, PAWC, and Peoples will provide updates to their advisory groups related to the progress of this integration and conversion process at each advisory group meeting.

55. As part of any billing system conversion or integration, Aqua PA, PAWC, and Peoples will standardize enrollment criteria for their universal service and low-income customer assistance programs, and develop a combined application. This application will be available to customers within one year after the launch of the integrated and standardized customer information and billing system.

56. Within one year of closing, PAWC, Aqua, and Peoples agree to coordinate with their respective assistance advisory groups to develop a plan to more broadly coordinate their usage reduction and repair services. This coordination should eliminate customers providing duplicative information across the companies, including information related to household income and renter status. This plan should also include coordination with Peoples' usage reduction and repair programs so that eligible customers can be referred across these programs. This increased coordination should include a plan for how low income customers can receive additional measures to improve efficiency/conservation, which are not duplicative of current conservation and kit offerings, including line repair services.

57. For so long as each remains a separate legal entity, American Water on behalf of PAWC and Aqua PA agree to maintain for five years after closing of the Merger, or propose in their next base rate case if not currently in existence, low-income customer assistance programs that include: (1) a bill payment/customer assistance program; (2) a hardship fund; (3) a conservation and repair line and replacement program; and (4) appropriate cost recovery. Aqua PA will also maintain a water conservation program and will include renters and homeowners in the eligibility criteria for its low-income customer assistance programs. Prior to the filing of its next base rate case, PAWC will consult with its customer assistance advisory group related to the contents of its Petition for approval of a conservation and leak and line repair/replacement program, and consider members' feedback in good faith.

58. The Joint Applicants agree to increase Peoples' Low-Income Usage Reduction Program ("LIURP") budget by $500,000 to a total of $4,000,000 annually, and to increase its Emergency Furnace and Line Repair Program budget by 10%.

59. American Water commits to continue to use community-based organizations ("CBOs") within Peoples' service territories for delivery, implementation, and community financial support of universal service programs. Peoples will also continue to promote its hardship fund through its public advertising and sponsorship of such activities that bring in additional non-shareholder revenue to the Dollar Energy Fund.

60. Regarding the administration of its customer assistance program ("CAP") and hardship fund, Peoples agrees to continue to partner with an agency that: (a) can increase the number of intake sites; (b) is an administrator of utility CAP programs for the electric distribution companies or natural gas distribution companies in its service territory; (c) recruits and partners with multi-service agencies; and (d) uses a case management system to track and monitor referrals and enrollments into utility programs.

61. Peoples shall continue the Peoples Universal Service Advisory Group ("USAG") and invite CBOs, low-income customer advocates, the OCA, and other interested stakeholders. The USAG will meet quarterly to discuss all universal service issues including, but not limited to, recommendations concerning LIURP, LIURP eligibility, and concerns and landlord issues that may present a barrier to customer participation.

62. Peoples will continue the current universal service organization structure and staffing levels for its universal service programs as outlined and explained in Peoples' current Universal Service and Energy Conservation

Plan at least until its first rate case following completion of the Merger. In addition, American Water commits to ensuring that Peoples' universal service staff has the appropriate authority and discretion to continue to operate Peoples' universal service programs in a manner that is reasonably consistent with the manner in which the programs were operated prior to the Merger.

63. Within 60 days of the closing of the Merger, Aqua PA and PAWC will file a tariff supplement effective on 60 days' notice, that waives reconnection fees for all residential households with income at or below 150% of the federal poverty level customers. Aqua and PAWC agree to work in conjunction with their respective assistance advisory groups to develop a plan for how to inform customers about this change. Aqua PA and PAWC will be permitted to create a regulatory asset to track reconnection fees that they otherwise would have been able to recover from customers that they can then present for recovery in their next respective base rate proceedings following completion of the Merger.

64. To the extent that any of provisions set forth in Section II.C of the Settlement applicable to PAWC conflict with those set forth in the PAWC Rate Case Order, PAWC agrees to implement the provision more favorable to eligible customers.[158]

The above terms represent a reasonable compromise of these issues. The terms adopt many of the terms from the prior *Aqua-Peoples Merger*, in particular those related to the administration and structure of Peoples' universal service programs which will maintain the level of support Peoples' currently provides to its low-income customers. Continuing the Help to Peoples Now program is in the public interest because it will help Peoples' customers avoid termination and maintain vital utility service. Continuing the Peoples Universal Service Advisory Group is also in the public interest because it provides

[158] Settlement at ¶¶ 44, 52-64.

stakeholders with the continued ability to discuss Peoples' Universal Service Programs and provide additional recommendations.

The terms additionally adopt the OCA's recommendation regarding PAWC's arrearage management program and includes Aqua PA and Peoples, such that all customers of these Companies that are paying arrears will be eligible to have their arrears completely forgiven after 24 months. This represents a new benefit to PAWC's customers and an increased benefit to Aqua PA's customers given the shortened timeframe for complete arrearage forgiveness. Additionally, PAWC will be required to propose a conservation and leak and line repair/replacement program, which was an OCA recommendation, and which will provide public benefit to its customers.

The above Universal Service terms are in the public interest and provide substantial affirmative public benefits. The OCA requests that these terms be adopted by the Commission without modification.

IV. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement represent a fair and reasonable resolution of the issues and claims arising in this proceeding. The OCA further submits that, for the reasons detailed above, the Commission should approve the Settlement without modification as it is in the public interest and supported by substantial record evidence.

Respectfully submitted,

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Dated: September 15, 2026

STATEMENT D

Statement in Support of Joint Petition for Non-Unanimous Settlement of the Office of Small Business Advocate

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application of American Water Works Company, Inc., Essential Utilities, Inc., Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., Peoples Natural Gas Company LLC, and Alpha Merger Sub, Inc. for a Certificate of Public Convenience under Sections 1102(a)(3) and 2210(c) of the Public Utility Code and All Other Necessary Approvals to Effect a Change of Control of Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., and Peoples Natural Gas Company LLC	**: Docket Nos. A-2025-3058927 A-2025-3058928 A-2025-3058929**

STATEMENT OF
THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR NON-UNANIMOUS SETTLEMENT

I. Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate ("OSBA") filed a notice of intervention in response to the Joint Application of American Water Works Company, Inc., Essential Utilities, Inc., Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., Peoples Natural Gas Company LLC, and Alpha Merger Sub, Inc. (collectively, "JA" or the "Joint Applicants") for a Certificate of Public

Convenience under Sections 1102(a)(3) and 2210(c) of the Public Utility Code and All Other Necessary Approvals to Effect a Change of Control of Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., and Peoples Natural Gas Company LLC, which was filed with the Pennsylvania Public Utility Commission ("Commission") on November 26, 2025.

The OSBA actively participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Petition for Non-Unanimous Settlement ("*Joint Petition*"). The *Joint Petition* resolves the issues raised by this office in this proceeding. Therefore, the OSBA submits this statement in support of the *Joint Petition*.

II. Standards for Approval of Settlements

Section 5.231(a) of the Commission's regulations, 52 Pa. Code § 5.231(a) (Formal Proceedings; Hearings; Settlement and Stipulations; Offers of Settlement) states, as follows:

> It is the policy of the Commission to encourage settlements.

Similarly, Section 69.401 of the Commission's regulations, 52 Pa. Code § 69.104 (Settlement Guidelines and Procedures for Major Rate Cases – Statement of Policy; General) states, as follows:

> In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding.

III. Specific Settlement Terms

A. Transaction and Other Merger-Related Costs

In her Direct Testimony, OSBA expert witness Celia Hashlamoun testified that she did not oppose the proposed transaction if certain conditions were implemented.[1] The first of those conditions was that there be a stay-out period for the JA's to file their next rate case.[2] The *Joint Petition* proposes that Aqua PA will not file for another general rate increase prior to June 1, 2027.[3] The *Joint Petition* also proposed that PAWC will not file for another general rate increase prior to April 1, 2028.[4]

For her second of her conditions, Ms. Hashlamoun testified that costs associated with the proposed transaction should be tracked and excluded from recovery in future rates.[5] The *Joint Petition* follows Ms. Hashlamoun's recommendations and proposes to exclude those transaction costs[6] from future rates as well as track transaction costs to ensure that they are not charged to JA customers.[7] The *Joint Petition* also provides that certain transition costs and other incremental and incidental costs incurred prior to

[1] OSBA Statement No. 2, at 4.

[2] OSBA Statement No. 2, at 5.

[3] *Joint Petition*, Paragraph 11.

[4] *Joint Petition*, Paragraph 12.

[5] OSBA Statement No. 2, at 5.

[6] *Joint Petition*, Paragraphs 14, 15.

[7] *Joint Petition*, Paragraph 16.

closing that would not occur absent the Merger will be funded by shareholders and excluded for ratemaking purposes.[8]

Finally, as her third condition, Ms. Hashlamoun testified that bonuses, incentive compensation, and severance should also be excluded from future rates.[9] Once again, the *Joint Petition* conforms to Ms. Hashlamoun's recommendations and excludes all those expenditures from future rates.[10] The *Joint Petition* also commits the JA's to tracking those expenditures to confirm no ratepayers are charged for such expenditures.[11]

B. Aqua PA's Commercial Customer Class

In his Direct Testimony, OSBA expert witness Joseph Kubas recommended that, beginning with Aqua PA's first rate case after the completion of the proposed transaction, Aqua PA split its Commercial customer class into a separate class of service.[12] Mr. Kubas also recommended that Aqua PA show the cost of providing service to its Third-Party sales customers as a separate class.[13]

The *Joint Petition* proposes adopting both recommendations of Mr. Kubas.[14]

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[8] *Joint Petition*, Paragraph 19.

[9] OSBA Statement No. 2, at 5.

[10] *Joint Petition*, Paragraphs 18, 19.

[11] *Joint Petition*, Paragraph 20.

[12] OSBA Statement No. 1, at 3.

[13] OSBA Statement No. 1, at 3.

[14] *Joint Petition*, Paragraph 66.

C. An Aqua PA Small Business Payment Plan

The *Joint Petition* proposes that will propose, in its next rate case, Aqua PA will propose a formal payment plan for its small business customers.[15] The OSBA appreciates Aqua PA's agreement on this issue.

IV. <u>Conclusion</u>

Therefore, for the reasons set forth in the *Joint Petition*, as well as the factors that are enumerated in this statement, the OSBA supports the proposed *Joint Petition* and respectfully requests that the ALJs and the Commission approve the *Joint Petition* in its entirety.

Respectfully submitted,

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Dated: September 15, 2026

[15] *Joint Petition*, Paragraph 65.