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September 22, 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 **Initial Brief of the Joint Applicants.**

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

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Enclosures

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

DB1/ 174312950.1

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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	:	Docket Nos. A-2025-3058927
CONVENIENCE UNDER SECTIONS	:	A-2025-3058928
1102(A)(3) AND 2210(C) OF THE PUBLIC	:	A-2025-3058929
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	:	

CERTIFICATE OF SERVICE

I hereby certify that I have on this date served true and correct copies of the **Initial Brief of the Joint Applicants** on the following individuals in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54:

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Dated: September 22, 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	:	DOCKET NOS. A-2025-3058927
CERTIFICATE OF PUBLIC CONVENIENCE	:	A-2025-3058928
UNDER SECTIONS 1102(A)(3) AND 2210(C)	:	A-2025-3058929
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	:	

**INITIAL BRIEF OF JOINT APPLICANTS AMERICAN WATER WORKS COMPANY, INC.,
ALPHA MERGER SUB, INC., ESSENTIAL UTILITIES INC., AQUA PENNSYLVANIA, INC.,
AQUA PENNSYLVANIA WASTEWATER, INC., AND PEOPLES NATURAL GAS COMPANY
LLC**

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Dated: September 22, 2026

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I. INTRODUCTION AND PROCEDURAL HISTORY

A. History of Proceeding

On November 26, 2025, American Water Works Company, Inc. (“American Water”), Essential Utilities, Inc. f/k/a Aqua America, Inc. (“Essential”),¹ Aqua 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”) filed a Joint Application to obtain the approval of the Commission under Chapters 11 and 22 of the Public Utility Code (“Code”)³ 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.

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*”).

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

³ 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.

Accompanying the Joint Application, the Joint Applicants submitted written testimony of five witnesses and exhibits describing the Merger and discussing the substantial affirmative public benefits the post-merger combined company is expected to produce for Aqua PA and Peoples, their customers, and the communities they serve. The Joint Applicants' direct testimony also explained that the Merger will not result in adverse effects on either Pennsylvania's competitive retail gas market or Peoples employees.

A notice of filing of the Joint Application was published in the *Pennsylvania Bulletin* on December 13, 2025. Additionally, as directed by the Commission, notices of the filing of the Joint Application were published in newspapers of general circulation.

On January 13, 2026, a telephonic Prehearing Conference was scheduled before Administrative Law Judge Mary D. Long. 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;⁴ (10) Upland Borough; and (11) Utility Workers Union of America, AFL-CIO, Local 612 ("Local 612"). All of the foregoing intervenors,

⁴ 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").

protestants, and statutory advocates were granted party status by operation of law or by ruling of the presiding Administrative Law Judges.

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. On February 5, 2026, this matter was reassigned to the presiding Administrative Law Judges, Emily I. DeVoe and Ann Quimby (the, “ALJs”). 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.

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 collectively 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, Delco, and Montco collectively 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.

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 were admitted into evidence.⁵

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 OCA, and the OSBA (collectively, the “Joint Petitioners”) were able to agree to a settlement, which resolves all issues in this proceeding among the Joint Petitioners (the “Settlement”).⁶ Accordingly, on August 25, 2026, the Joint Applicants notified the ALJs that the Settlement had been achieved.⁷

As set forth in greater detail in Section II below, on September 15, 2026, the Joint Applicants filed with the Commission and served on the ALJs and all parties of record a Joint Petition for Non-Unanimous Settlement (“Joint Petition”). The Joint Petition was supported by Statements in Support of the Joint Applicants, I&E, the OCA, and OSBA.⁸ This brief should be read in conjunction with the comprehensive Joint Petition, which sets forth the substantial affirmative public benefits that will be realized as a result of the

⁵ 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.

⁶ 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.

⁷ On August 25, 2026, the ALJs issued an Interim Order Setting Requirements for Briefs in this proceeding. 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.

⁸ *See* Joint Petition, Statements A-D.

Merger, as supplemented by the Settlement, and the Statements in Support accompanying the Joint Petition.

B. Description of the Transaction

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 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.⁹

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,

⁹ See JA St. 1 (Norton), pp. 4-5, 7.

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.¹⁰

American Water, Essential, and Merger Sub¹¹ are parties to an Agreement and Plan of Merger (“Merger Agreement”).¹² Under the terms of the Merger Agreement, Essential will merge with Merger Sub and, as the surviving corporation, Essential will become a wholly-owned subsidiary of American Water.¹³ Upon consummation of the Merger, Essential shareholders will receive 0.305 shares of American Water common stock for each share of Essential common stock that they hold.¹⁴ Following the Merger, the existing shareholders of American Water will own approximately 69% of the combined company, and the former shareholders of Essential will own approximately 31% of the combined company on a fully diluted basis.¹⁵

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

¹⁰ See JA St. 3 (Arnold), pp. 4-5; JA St. 4 (Huwar), p. 4; JA St. 5 (Schuller), pp. 5-6.

¹¹ 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. See JA St. 2 (Bowler), p. 3.

¹² See Joint Application, Ex. A.

¹³ See JA St. 2 (Bowler), pp. 2-3.

¹⁴ *Id.*, pp. 3-4.

¹⁵ *Id.*

and all of its subsidiaries, including Aqua PA, Aqua PA WW, and Peoples.¹⁶ American Water is not proposing to merge PAWC and Aqua PA at this time.¹⁷

The corporate headquarters of the combined company will be in Camden, New Jersey.¹⁸ Essential's offices in Bryn Mawr and Pittsburgh, Pennsylvania will each continue to maintain a strong operational presence.¹⁹

Following completion of the Merger, American Water will increase the size of its board of directors from 10 to 15 members.²⁰ The combined company's 15-member board of directors will include the 10 directors serving on American Water's board of directors prior to the closing of the Merger, including John C. Griffith, American Water President and Chief Executive Officer ("CEO"), and five directors designated by Essential, including Christopher H. Franklin, Essential's current Chairman and CEO.²¹ Mr. Griffith will serve as CEO and President of the combined company following the Merger.²² Mr. Franklin will become the Executive Vice Chair of the board of directors of the combined company.²³

After the Merger, Aqua PA, PAWC, and Peoples will continue to operate as separate Pennsylvania public utilities subject, as they have been, to the continuing jurisdiction of

¹⁶ See Joint Application, Ex. B; JA St. 2 (Bowler), pp. 3-5.

¹⁷ See JA St. 2 (Bowler), p. 3; JA Ex. CN-1R (Item 16); JA Ex. CN-2R (Item 2).

¹⁸ See JA St. 1 (Norton), pp. 3-4.

¹⁹ *Id.*; see also JA St. 2-R (Bowler), p. 28; JA Ex. CN-1R (Item 13b.); JA Ex. CN-2R (Item 47).

²⁰ See JA St. 2 (Bowler), p. 5.

²¹ *Id.*

²² *Id.*

²³ *Id.*

the Commission and without any reduction in the PUC's existing oversight or any diminishment in the authority of the Commission over these public utilities.²⁴ Thus, the Merger will not adversely impact any of the day-to-day operations of these utilities.²⁵ Indeed, as set forth in more detail below, the Merger will enhance the capabilities of Aqua PA and Peoples to fulfill their obligations to provide clean, safe, reliable, and affordable service to their customers in Pennsylvania.

C. Regulatory Approvals Sought

1. Change In Control

The Joint Applicants request that the Commission issue certificates of public convenience evidencing its approval, under Section 1102(a) of the Code, as interpreted by the Commission's Statement of Policy at 52 Pa. Code § 69.901, for a change in control of Aqua PA and Peoples. Additionally, pursuant to Section 2210(a), the Joint Applicants request that the Commission find, as part of its approval granted under Section 1102, that the Merger will not result in adverse effects on either Pennsylvania's competitive retail gas market or Peoples employees.

2. Affiliate Interest Agreements

The Joint Applicants also request that the Commission approve, under Chapter 21 of the Code, new affiliate interest agreements attached to the Joint Application as Exhibit D, in the same form as already approved by the PUC for PAWC or Aqua PA, to

²⁴ See JA St. 1 (Norton), pp. 3-4; JA St. 5 (Schuller), pp. 4-5; JA Ex. CN-1R (Item 16); JA Ex. CN-2R (Item 2).

²⁵ See JA St. 1 (Norton), pp. 3-4; JA St. 3 (Arnold), pp. 5-6; JA St. 4 (Huwar), pp. 5, 11.

become effective upon closing of the merger. These agreements 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.

II. NON-UNANIMOUS SETTLEMENT

On September 15, 2026, the Joint Applicants filed with the Commission and served on the ALJs and all parties of record the Joint Petition. All but four parties – Chester Water Authority, Delco, East Whiteland, and Montco – either joined or do not oppose the Settlement. The Joint Petitioners are in full agreement that the Merger, as described in the Joint Application and as supplemented by the Settlement, will produce substantial affirmative public benefits and is in the public interest. The terms of the Settlement include commitments regarding rate credits, rate case stay-out provisions, charitable contributions and community support, and enhancements in a variety of areas including customer service and low-income customer assistance programs, as discussed further in the Joint Applicants’ Statement in Support and Section V below.

While the Joint Applicants firmly believe 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 Merger²⁶ in subsequent rebuttal and rejoinder testimony to reflect more than 70 concessions requested by other parties in this proceeding.²⁷ Nonetheless, Chester Water Authority, Delco, East

²⁶ See JA Ex. C.

²⁷ 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

Whiteland, and Montco did not join the Joint Petition and indicated that they oppose the Settlement.²⁸ The reasons for the opposition of Delco, East Whiteland, and Montco are, presumably, those previously articulated in the testimony submitted on their behalf in this case. Contested conditions that those parties sought to impose on the Merger in testimony are addressed in Section V.B below. Chester Water Authority did not submit testimony in this case and, therefore, the Joint Applicants await receipt of Chester Water Authority's Initial Brief to discover the grounds on which it opposes the Settlement. As necessary, the Joint Applicants will respond to Chester Water Authority in their Reply Brief.

III. LEGAL STANDARDS

A. Burden of Proof

Section 332(a) of the Code provides that the party seeking a rule or order from the Commission has the burden of proof in that proceeding.²⁹ Accordingly, as the parties seeking relief, the Joint Applicants bear the burden of proving by a preponderance of the evidence, that the proposed Merger serves the public interest, as required to support the grant of a certificate of public convenience under Section 1102(a)(3) of the Code.³⁰ The preponderance of the evidence standard “means only that one party has presented evidence

Application. 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.

²⁸ The York Area Intervenors did not confirm their position regarding the Settlement.

²⁹ 66 Pa. C.S. § 332(a).

³⁰ See *Popowsky v. Pa. P.U.C.*, 937 A.2d 1040, 1055 (Pa. 2007) (“*Popowsky*”).

that is more convincing, by even the smallest amount, than the evidence presented by the other party.”³¹

B. Sections 1102 and 1103

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.”³² The Commission issued a Statement of Policy on October 22, 1994 “to establish clear standards regarding what transfer of voting interest constitutes a change in *de facto* control of the utility.”³³ The Statement of Policy provides that [a] transaction or series of transactions resulting in a new controlling interest is jurisdictional when the transaction or transactions result in a different entity becoming the beneficial holder of the largest voting interest in the utility or parent, regardless of the tier.” The Commission recently determined that its jurisdiction under the Statement of Policy applies when a transaction involves more than 20% of shares of a public utility or if it involves a different entity becoming the largest controlling interest of a public utility.³⁴

³¹ *New Garden Twp. v. Pa. P.U.C.*, 244, A.3d 851, 867 (Pa. Commw. Ct. 2020) (internal citations omitted).

³² 66 Pa. C.S. § 1102(a)(3).

³³ 52 Pa. Code § 69.901.

³⁴ *See Joint Application of Pa-American Water Co. and Appalachian Utils., Inc. Pursuant to Section 1102 of the Public Utility Code for approval of (1) the transfer to American Water Works Co., Inc., by merger, of all property of Appalachian Utils., Inc. used and useful in the public service; (2) the transfer to Pa.-Am. Water Co., by merger, of all*

Applying the standards set forth in the PUC’s Statement of Policy, the Merger would effect a “change in control” of Aqua PA and Peoples requiring the Commission’s approval. The Joint Applicants respectfully submit that the Merger satisfies the standards that have evolved for approving changes in control of jurisdictional utilities.

Section 1103(a) of the Code articulates the standard an applicant must meet to obtain a certificate of public convenience evidencing the Commission’s approval under Section 1102, namely, that granting the requested approval is “necessary or proper for the service, accommodation, convenience, or safety of the public.” In *City of York vs. Pennsylvania Public Utility Commission*, 295 A.2d 825 Pa. 1972 (“*City of York*”) the Supreme Court of Pennsylvania (“Supreme Court”) held that those seeking approval of a utility merger³⁵ must demonstrate that the merger “will affirmatively promote the ‘service, accommodation, convenience, or safety of the public’ in some substantial way.” The 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.³⁶ Rather, that test is satisfied when the record evidence shows that a proposed transaction, viewed as a whole, will

property of Appalachian Utils., Inc. used or useful in the public service; (3) the right of Pa.-Am. Water Co. to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Twps. of Pine Creek and Dunnstable, Clinton Cty, Pa.; and (4) the abandonment by Appalachian Utils, Inc. of all water service, Docket Nos. A-2024-3046084 et al. (Opinion and Order entered Sept. 25, 2025), pp. 79-81.

³⁵ *City of York* involved the merger of public utilities themselves, not the merger or change in control of the parent or grandparent of a utility.

³⁶ See *Popowsky v. Pa. P.U.C.*, 937 A.2d 1040, 1056-60 (Pa. 2007).

produce an affirmative public benefit.³⁷ Evidence that the Commission has found sufficient to satisfy the Section 1103(a) 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.³⁸

The Commission’s application of the *City of York* standard was recently affirmed by the Supreme Court in upholding the Commission’s order approving Aqua PA WW’s acquisition of East Whiteland’s wastewater assets.³⁹ Significantly, the Supreme Court reversed a decision of the Commonwealth Court of Pennsylvania (“Commonwealth Court”) that had overturned the PUC’s order for considering Aqua PA WW’s size, financial strength, and fitness to provide service as affirmative public benefits despite purportedly “known harms” from potential rate increases that would result from the transaction.⁴⁰ In so doing, the Supreme Court held that the *City of York* standard does not bar the Commission from considering benefits emanating from the acquiring utility’s fitness in the

³⁷ *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.”).

³⁸ *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.

³⁹ *Lawrence v. Pa. P.U.C.*, 348 A.3d 108 (Pa. 2025) (“*Lawrence*”).

⁴⁰ *See id.* at 127-133.

affirmative public benefits analysis.⁴¹ Additionally, the Supreme Court rejected the Commonwealth Court’s view that the applicants could only satisfy the *City of York* standard if the transaction results in lower rates for customers.⁴²

As explained in Section V. below, American Water has a successful track record of owning and managing essential utility infrastructure in Pennsylvania and the Merger, as modified by the Settlement, will produce substantial affirmative public benefits that clearly satisfy the *City of York* standard.

C. Section 2210

Section 2210(a) of the Code also requires that the Commission consider the potential anti-competitive effects and the impact on employees of a merger or combination “in the exercise of *authority the commission otherwise may have* to approve mergers or consolidations” involving natural gas distribution companies.⁴³ Section 2210(a) does not confer any authority upon the Commission to approve mergers or consolidations of public utilities or a change in control of a public utility beyond the authority the Commission otherwise possesses under Chapter 11 of the Code. As explained in Section V.C below,

⁴¹ *Id.* at 129-30.

⁴² *Id.* at 131. The transaction at issue in *Lawrence* involved the acquisition of a municipal wastewater system under Section 1329, which includes a determination of the ratemaking rate base for the acquired utility. In granting a certificate of public convenience in the context of a Section 1329 transaction, the Commission must address the impact of the ratemaking rate base when deciding whether there is a substantial public benefit.

⁴³ *See* 66 Pa. C.S. § 2210(a)(1) (emphasis added).

the Merger will have no adverse effects on either Pennsylvania’s competitive retail gas market or Peoples employees.

D. Section 2102(b)

Section 2102(b) of the Code provides that the Commission shall approve a proposed affiliated interest agreement if the PUC finds that such agreement is “reasonable and consistent with the public interest.”⁴⁴ As discussed in Section IV.D below, if the Merger is approved, no party disputes that the new affiliate interest agreements to facilitate sharing of services between American Water and Essential utilities post-Merger are reasonable and in the public interest.

E. Settlements

In order to approve a settlement, the Commission must determine that the proposed terms and conditions, viewed in the context of the settlement as a whole, are in the public interest.⁴⁵ The Commission’s policy and precedent embodied in its regulation at 52 Pa. Code § 5.231 and its Policy Statement on Settlements at 52 Pa. Code § 69.401 encourage parties to resolve contested proceedings by settlement. In its Policy Statement, the Commission stated that “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.*” (emphasis added).

⁴⁴ 66 Pa. C.S. § 2102(b).

⁴⁵ See *Pa. P.U.C. v. CS Water & Sewer Ass’n*, 74 Pa. P.U.C. 767, 771 (1991); *Pa. P.U.C. v. Phila. Elec. Co.*, 60 Pa. P.U.C. 1, 22 (1985).

IV. SUMMARY OF ARGUMENT

The merger of American Water and Essential brings together two industry leaders with a shared mission and core values, creating a stronger combined company with improved credit quality, a balanced capital structure, and stable cash flow to support long-term growth and reliable service. As American Water’s Chief Financial Officer David Bowler testified, the credit profile of the combined company falls comfortably within American Water’s current credit ratings of A (S&P Global Ratings or “S&P”) and Baa1 (Moody’s Ratings or “Moody’s”), and the combined equity market capitalization of \$40 billion will rank among the top 250 in the S&P 500.⁴⁶ The Merger presents opportunities to leverage expertise and resources from complementary platforms to drive high-quality, affordable service, and sustain investment in infrastructure to help solve water, wastewater, and natural gas challenges in Pennsylvania and across the country. The Merger also unites two highly skilled and experienced teams in the regulated utility space with greater ability to attract top talent and retain employees by offering broader career advancement prospects across the organization.

The Joint Applicants presented substantial evidence that the Merger, as proposed in the Joint Application, satisfies the “affirmative benefit” test for Commission approval delineated in *City of York*. In addition, the Joint Applicants and the statutory advocates have agreed to a settlement that provides the means for many of the Merger benefits to have further positive effects on American Water’s and Essential’s Pennsylvania customers

⁴⁶ JA St. 2 (Bowler), pp. 8-9.

and the communities those utilities serve. Aqua PA, PAWC, and Peoples customers will receive an immediate tangible benefit of approximately \$82 million through the Rate Stabilization Fund described in the Joint Petition, and all Pennsylvania customers served by the combined company will receive the ongoing synergy benefits realized from the Merger in the form of lower cost of service than would have otherwise been the case in future rate cases. The Settlement also provides for extended base rate stability for Aqua PA and PAWC customers until June 1, 2027 and April 1, 2028, respectively. Apart from these rate benefits for customers, the commitments the Joint Petitioners agreed to in the Settlement assure that the Merger will deliver benefits in a variety of areas, including financial strength and enhanced access to capital, customer service improvements, connecting more low-income customers with assistance and conservation programs, and maintaining shareholder charitable contributions and community support. In addition, the record evidence demonstrates that the concerns raised by parties opposing the Settlement about affordability and potential rate increases are unsupported or fully addressed by the Joint Applicants' commitments. In sum, the Merger as supplemented by the Settlement, taken as a whole, provides substantial affirmative public benefits and serves the public interest.

The Joint Applicants also presented substantial unrefuted evidence demonstrating that the Merger will have no adverse effects on either 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 explained by the President of Peoples, Michael Huwar, who will remain in that role post-Merger, Peoples will retain its

experienced management and employees with natural gas expertise and will continue to comply with all applicable safety requirements, including its Distribution Integrity Management Plan and Long-Term Infrastructure Improvement Plan.⁴⁷ Moreover, the Settlement includes commitments to Peoples employees that provide workforce protections.

Finally, the new affiliate interest agreements proposed by the Joint Applicants are reasonable, in the public interest and should be approved. In fact, and as noted previously, no party opposes the proposed agreements.

The Joint Petition should therefore be approved and the conditions requested by East Whiteland, Montco, and Delco should be rejected.⁴⁸ Witnesses for these parties proposed that the Commission should impose a limited number of conditions on the Merger in the areas of rate benefits and protections, service quality, employee protections, and Aqua PA's contractual obligations with respect to the Delaware County Regional Water Quality Control Authority ("DELCORA"). As set forth in greater detail in Section V below, the Settlement includes terms that (i) provide concrete financial benefits and rate protections to customers; (ii) require the Joint Applicants to comply with specific performance standards and numerous other commitments to enhance service quality; and (iii) ensure that employees are protected. Moreover, the issues raised by these parties

⁴⁷ See JA St. 4-R (Huwar, pp. 3-6); Joint Petition, ¶ 29.

⁴⁸ As noted earlier, Chester Water Authority did not submit any testimony in this proceeding. The Joint Applicants will respond to Chester Water Authority in their Reply Brief.

related to DELCORA have no merit and are not appropriate for this proceeding. The separate proceeding related to Aqua PA WW's acquisition of the DELCORA assets remains pending before the PUC, and Aqua PA WW's legal status as a separate entity and public utility will not change after the closing of the Merger.

V. ARGUMENT

A. Overall Position on the Transaction and Settlement

The Joint Applicants have satisfied the *City of York* legal standard for Commission approval of the proposed change in control of Aqua PA and Peoples. The evidence in this case confirms that the Merger will result in affirmative public benefits. Simply put, customers and the Commonwealth will be better off with the Merger. The Merger will 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.⁴⁹

The Merger, backed by a set of extensive and robust commitments set forth in the Settlement, will affirmatively benefit the public in substantial ways. Significantly, Aqua PA, PAWC, and Peoples customers will realize immediate and tangible financial benefits

⁴⁹ 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.

from shareholder-funded rate credits totaling approximately \$82 million,⁵⁰ which far exceeds the \$23 million in rate credits that the Commission found served the public interest in approving the Peoples acquisition.⁵¹ Combining the expertise, experience, and resources of two industry leaders with a shared mission and core values offers many significant benefits and, when coupled with the commitments agreed to in the Settlement, ensures that the Merger will yield substantial affirmative benefits to customers and the Commonwealth.

Immediate and Ongoing Rate Benefits for Pennsylvania Customers. American Water shareholders will fund a Rate Stabilization Fund that will provide a \$40 bill credit to each customer of Aqua PA, PAWC, and Peoples within one year of Merger closing.⁵² Under the Settlement, Aqua PA and PAWC also will not seek any base rate increases before June 1, 2027 and April 1, 2028, respectively.⁵³ Moreover, the Joint Applicants expressly commit to track and flow all synergy savings to 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, or transition costs incurred prior to Merger closing.⁵⁴

⁵⁰ JA St. 2-RJ (Bowler), pp. 3-4; Joint Petition, ¶¶ 28-29.

⁵¹ *See Aqua-Peoples 2020*, pp. 73, 175-79, 207.

⁵² Joint Petition, ¶ 10. Under the Settlement, American Water agreed to expand the shareholder-funded rate credits described in Mr. Bowler’s testimony. *See* JA St. 2-RJ (Bowler), pp. 3-4; Tr. 724.

⁵³ Joint Petition, ¶¶ 11-12.

⁵⁴ *See* JA St. 2-R (Bowler), p. 19; JA Ex. CN-1R (Item 1); JA Ex. CN-2R (Item 5, 34, 38); Joint Petition, ¶¶ 13-24.

Increased Financial Strength and Operational Flexibility. 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.⁵⁵ 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. Improvements to financial performance from the Merger are expected to result in lower overall financing costs over time than they otherwise would be under applicable market conditions.⁵⁶

Delco witness Christine A. Reuther suggests that the financial benefits of the Merger related to scale and enhanced access to capital should be afforded little weight because Aqua PA and Peoples are both financially strong companies.⁵⁷ However, as Mr. Bowler testified, American Water's higher credit quality reduces the cost of interest expense driven by the credit spread (or yield) that compensates investors for the risk of lending to a specific borrower rather than the government.⁵⁸ Since mid-2020 following Essential's acquisition of Peoples, Aqua PA's average credit spread has been 49 basis points higher than the credit

⁵⁵ See JA St. 2 (Bowler), pp. 6-10; JA St. 2-R (Bowler), pp. 2-4; JA St. 5 (Schuller), pp. 7-8.

⁵⁶ JA St. 2 (Bowler), pp. 7-9.

⁵⁷ See Delco St. 1-S (Reuther), pp. 10-11.

⁵⁸ See JA St. 2-R (Bowler), pp. 5-8.

spread on the debt issued by American Water Capital Corp. (“AWCC”) for PAWC.⁵⁹ That additional 49 basis points translates to a \$10.7 million annual increase in Aqua PA’s interest expense on its nearly \$2.2 billion of long-term debt.⁶⁰ The increase in Aqua PA’s credit spread corresponds to the downgrade in its credit rating following an approximately \$2 billion increase in Essential’s debt, including the assumption of \$1.1 billion of debt to purchase Peoples.⁶¹ In contrast, the Merger is an all-stock transaction and, as a result, will not increase American Water’s leverage or materially alter its risk profile.⁶² In short, the favorable credit spread of American Water is expected to result in lower financing costs for Aqua PA and Peoples than they would have realized absent the Merger.

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.⁶³ 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.⁶⁴ Similarly, American Water’s customer base and existing systems will

⁵⁹ *See id.*, pp. 6-8.

⁶⁰ *Id.*, p. 9.

⁶¹ *Id.*, pp. 7-8; *see also* Tr. 729-30.

⁶² JA St. 2-RJ (Bowler), p. 8; Tr. 726, 735-36.

⁶³ *See* JA St. 1 (Norton), pp. 8-15; JA St. 3 (Arnold), pp. 8-10.

⁶⁴ *See* JA St. 1 (Norton), pp. 9-12; JA St. 3 (Arnold), pp. 9-10.

benefit from having access to Aqua PA's local certified laboratory located at its Bryn Mawr office.⁶⁵ 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.⁶⁶

Witnesses for Delco, East Whiteland, and Montco imply that the sharing of best practices is a nebulous concept entitled to minimal consideration by the PUC in assessing merger benefits because the Joint Applicants have not identified operational changes that may be made after the Merger.⁶⁷ While the integration process for the proposed merger is in progress, Ms. Arnold testified that Aqua PA will benefit from American Water's centralized approach to training, more robust procurement process, research and development program, and deeper bench of engineering professionals.⁶⁸ Similarly, Peoples will be able to take advantage of exclusive access to American Water's large pool of safety and engineering professionals.⁶⁹ The centralized expertise of the combined company will strengthen both organizations through the exchange of knowledge and experience, and therefore, will benefit the customers they serve in Pennsylvania.⁷⁰

⁶⁵ JA St. 3 (Arnold), p. 10.

⁶⁶ See JA St. 1 (Norton), p. 12; JA St. 3 (Arnold), p. 9-10.

⁶⁷ See Delco St. 1 (Reuther), pp. 3-4; Delco St. 1-S (Reuther), pp. 3-6, 15; East Whiteland St. 1 (Brown), pp. 3-4; Montco St. 1 (Ramkissoon), pp. 3-4; Montco St. 1-S (Ramkissoon), p. 2.

⁶⁸ See JA St. 3 (Arnold), pp. 9-10; JA St. 3-R (Arnold), p. 2.

⁶⁹ See JA St. 4-R (Huwar), p. 9.

⁷⁰ See JA St. 1-R (Norton), pp. 12-13.

Customer Service Improvements. The Joint Applicants commit to continuing Aqua PA and Peoples customer service commitments that the PUC concluded provided substantial affirmative public benefits in *Aqua-Peoples 2020* (pp. 159-60) for another five years after the Merger.⁷¹ Those commitments include performance objectives in the areas of call handling, responses to customer complaints, and field appointments.⁷² The Settlement further provides specific service quality improvements at PAWC, including for example, answering at least 82% of calls within 30 seconds and maintaining a 2.5% call abandonment rate.⁷³

Supporting Affordability Through Customer Assistance and Conservation Program Enhancements. The Merger will allow Aqua PA, PAWC, and Peoples to work together to develop additional enrollment tools that will allow each of the utilities to identify income-eligible customers more efficiently. Notably, post-Merger, Peoples and PAWC will have overlapping service areas and will be in a better position to identify income-eligible customers.⁷⁴ Aqua PA, PAWC, and Peoples will also more broadly share customer assistance program learnings and best practices to determine what customer-focused initiatives could be replicated across the broader utility enterprise.⁷⁵ Under the Settlement, the Joint Applicants made substantial additional and concrete commitments

⁷¹ See JA St. 4-R (Huwar), p. 9; JA St. 5-R (Schuller), pp. 3-4;

⁷² See JA Ex. CN-1R (Item 11); JA Ex. CN-2R (Item 63); Joint Petition, ¶¶ 35-38, 42.

⁷³ Joint Petition, ¶¶ 35, 39-41.

⁷⁴ See JA St. 6-R (Prine), pp. 25-26.

⁷⁵ See JA St. 6-R (Prine), pp. 3-4.

related to customer assistance programs, including additional contributions to Aqua PA's 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, and the development of a conservation and leak and line repair/replacement program by PAWC. Aqua PA and PAWC will also file a tariff supplement within 60 days after closing of the merger to waive reconnection fees for all residential households with income at or below 150% of the federal poverty level customers.⁷⁶

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.⁷⁷ In addition, American Water 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.⁷⁸ Further, American Water has agreed to honor all Essential collective bargaining agreements and pension obligations, along with

⁷⁶ See Joint Petition, ¶¶ 51-64.

⁷⁷ 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.

⁷⁸ See JA St. 1-R (Norton), p. 23; JA Ex. CN-1R (Item 13); JA Ex. CN-2R (Items 22, 50, 61); Joint Petition, ¶ 71.

other staffing and workforce commitments that, among other things, prevent a material reduction in the union workforce in the 12-month period following the Merger.⁷⁹

Three Years of Guaranteed Charitable Giving and Community Support at Current Levels. 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. Contrary to Delco witness Reuther's assertion,⁸⁰ the Merger with the Settlement commitments will strengthen Aqua PA's, PAWC's, and Peoples' charitable and community involvement by converting what are now voluntary contributions into a binding commitment.⁸¹ 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.⁸² Thereafter, American Water will continue to support local charities at levels consistent with its commitments to other communities it serves, which would result in over \$2 million annually in charitable contributions across the Commonwealth.⁸³

⁷⁹ 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); Joint Petition, ¶¶ 43, 48, 67-75.

⁸⁰ See Delco St. 1-S, p. 9.

⁸¹ See JA St. 1-R (Norton), pp. 12, 38-41.

⁸² Joint Petition, ¶ 76. The Settlement expands the Joint Applicant's original commitment for charitable contributions and community support. See JA St. 1 (Norton), p. 16; JA Ex. CN-1R (Item 15).

⁸³ See JA St. 1-R (Norton), pp. 38-40.

Together, the Joint Application and the Settlement ensure that the Merger will result in substantial affirmative benefits for Aqua PA and Peoples, Pennsylvania customers, and the communities the combined company will serve.

B. Contested Conditions Requested by the Parties Opposing the Settlement

In their testimony, Delco witness Ruether, East Whiteland witness Steven C. Brown, and Montco witness Devi Ramkissoon raise concerns about possible Merger-driven adverse impacts to Pennsylvania customers and contend that the Merger should not be approved without attaching certain conditions. As explained hereafter, Delco, East Whiteland and Montco did not present any valid reason for the Commission to withhold approval of the Merger, and their proposed conditions are either addressed by the Settlement or unnecessary.

1. Rate Benefits and Protections

According to Delco, East Whiteland, and Montco, the Merger benefits claimed by the Joint Applicants are inadequate and of little value to customers because American Water has not quantified future costs and savings from the transaction.⁸⁴ On that basis, witnesses for Delco, East Whiteland, and Montco express concern about the potential impact of the Merger on rates in Pennsylvania and recommend that the PUC condition approval of the Merger on shareholder-funded rate credits, preemptive disallowances of rate recovery of some (unspecified) categories of merger costs, and/or a moratorium on

⁸⁴ See 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.

rate increases.⁸⁵ The Joint Applicants are confident 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.⁸⁶ Nonetheless, to provide immediate rate benefits to customers, under the Settlement, American Water agreed to provide \$82 million of shareholder rate credits to customers and extended rate stability through base rate case stay-outs for Aqua PA and PAWC.⁸⁷ Those benefits to American Water's and Essential's Pennsylvania customers, including residents of Delco, East Whiteland, and Montco, would not otherwise be available absent the Merger.

The Settlement also reflects the Joint Applicants' commitments to ensure that accounting treatments associated with the transaction do not affect customer rates.⁸⁸ 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

⁸⁵ See Delco St. 1 (Ruether), p. 5; East Whiteland St. 1 (Brown), p. 5; Montco St. 1 (Ramkissoon), p. 5.

⁸⁶ 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.

⁸⁷ Joint Petition, ¶¶ 10-12.

⁸⁸ 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.

Pennsylvania utilities.⁸⁹ Accordingly, the conditions proposed by Delco, East Whiteland and Montco regarding rate protections are already incorporated in the Settlement.

2. Service Quality

Witnesses for Delco, East Whiteland, and Monto each offer a general recommendation that the PUC consider conditions that will enhance customer service and service quality, such as meeting or exceeding certain (but undefined) metrics after closing.⁹⁰ As part of the Settlement, the Joint Applicants agreed to specific performance objectives for Aqua PA, Peoples, and PAWC and reporting on each company's performance.⁹¹ The Settlement further includes commitments related to root cause analysis activities, field appointments, call center staffing, and service quality metric compliance reporting.⁹² Under the Settlement, Aqua PA made service-related commitments specific to Delco and Montco, including customer education regarding lead service lines and per- and polyfluoroalkyl substances.⁹³ In short, the Settlement provides clear, concrete, and specific commitments for enhancing service quality in contrast to the undefined condition proposed by Delco, East Whiteland, and Montco, which should, therefore, be rejected.

⁸⁹ 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.

⁹⁰ See Delco St. 1 (Ruether), p. 5; East Whiteland St. 1 (Brown), p. 5; MontCo St. 1 (Ramkissoon), p. 5.

⁹¹ See Joint Petition, ¶¶ 35, 36, 38, 40, 42, 45, 46.

⁹² See *id.*, ¶¶ 39, 40, 42, 43, 48.

⁹³ See *id.*, ¶¶ 49-50.

3. Employment and Workforce

In their surrebuttal testimony, Delco witness Ruether and Montco witness Ramkissoo criticize the Joint Applicants for not committing to maintain a specific number of employees in Pennsylvania.⁹⁴ Ms. Ruether identifies commitments to maintain staffing at or about 90% of headcount for one year, to honor collective bargaining agreements, and to not diminish retiree benefits as examples of employee protections the Commission found in the public interest in other proceedings.⁹⁵

However, the Settlement squarely addresses the concerns raised by Delco and Montco. The numerous commitments made by the Joint Applicants with respect to their employees and workforce include the following: (1) the Merger will not materially reduce the union workforce for 12 months following the Merger; (2) the total compensation and benefits for Aqua PA's and Peoples' existing employees will be maintained at levels no less favorable than those in effect immediately prior to closing for at least one year after the Merger closing date; (3) American Water will maintain a sufficient workforce and operational facilities to continue to provide clean, safe, reliable, and affordable water and wastewater utility services in Pennsylvania; (4) all Aqua PA, Peoples, and PAWC pension obligations and collective bargaining agreements will continue to be honored; and (5) Aqua PA, PAWC, and Peoples will retain local management.⁹⁶ Those provisions of the

⁹⁴ See Delco St. 1-S (Ruether), p. 8; Montco St. 1-S (Ramkissoo), pp. 1, 3.

⁹⁵ See Delco St. 1-S (Ruether), p. 8.

⁹⁶ See Joint Petition, ¶¶ 67-69, 71.

Settlement, while not identical to the commitments in other cases referenced by Ms. Reuther and Ms. Ramkissoon, provide appropriate employee and workforce protections.

4. Aqua PA Contractual Obligations (DELCORA)

On March 3, 2020, Aqua PA WW filed an Application with the PUC pursuant to Section 1102, 1329 and 507 of the Code, for approval of its acquisition of the DELCORA wastewater system.⁹⁷ While the procedural history of Aqua PA WW's request for approval to acquire the DELCORA wastewater assets is complex, it remains ongoing and Aqua PA WW has not received the requested approvals as of the date of this filing.⁹⁸

Despite the fact that Aqua PA WW's acquisition of the DELCORA wastewater assets remains the subject of a separate, ongoing proceeding before the PUC (and proceedings before other tribunals), Delco witness Reuther claimed that the Asset Purchase Agreement ("APA") between Aqua PA WW and DELCORA will not be enforceable if the Merger closes.⁹⁹ Delco further maintains that the Joint Applicants "have given no indication" as to how DELCORA or the APA are to be handled after the closing of the

⁹⁷ *See Application of Aqua Pa. Wastewater, Inc. pursuant to Sections 507, 1102 and 1329 of the Pub. Util. Code for Approval of its Acquisition of the Wastewater System Assets of the Del. Co. Regional Water Quality Control Auth.*, Docket No. A-2019-3015173 (the "DELCORA Transaction").

⁹⁸ The most recent status report submitted by Aqua PA in this matter indicates that the proceeding at Docket No. A-2019-3015173 remains stayed by Order of the E.D. of PA Bankruptcy Court, in relation to pending bankruptcy proceedings initiated by the City of Chester, wherein it claimed reversionary interests in certain assets constituting a small portion of the DELCORA wastewater system. *See Aqua Pennsylvania Wastewater, Inc.'s Twelfth Status Report*, Docket No. A-2019-3015173 (dated Sept. 14, 2026).

⁹⁹ Delco St. 1 (Reuther), p. 6.

Proposed Merger, and speculated that “if the result of the [Merger] is that the Joint Applicants will abandon efforts to acquire DELCORA, it would be of significant benefit to the County and its residents.”¹⁰⁰ None of these claims or concerns have any merit.

At the outset, the Joint Applicants note that Ms. Reuther’s testimony relates to an entirely separate proceeding, which will not be impacted in any way by the Merger. The APA at issue in the DELCORA Transaction is between DELCORA and Aqua PA WW.¹⁰¹ It is undisputed that the Merger will not result in any change in the legal status of Aqua PA WW.¹⁰² Aqua PA WW will still remain a direct subsidiary of Aqua PA, an indirect subsidiary of Essential,¹⁰³ and separate certificated public utility providing wastewater service in Pennsylvania after closing of the Merger.¹⁰⁴ Thus, even after the close of the Merger, Aqua PA WW will remain a party to the DELCORA Transaction APA, and this agreement will remain enforceable.

¹⁰⁰ *Id.*

¹⁰¹ JA St. 3-R (Arnold), p. 3; Delco St. 1 (Reuther), p. 6. While the Joint Applicants maintain that the DELCORA Transaction is simply not relevant to the instant Merger, they note that the APA is a public document on file with the PUC. Exhibit B1 – Asset Purchase Agreement, Docket No. A-2019-3015173, available at: <https://www.puc.pa.gov/pcdocs/1682281.pdf>. To the extent necessary, the ALJs could take judicial notice of the APA as a part of their Initial Decision, pursuant to 52 Pa. Code § 5.408.

¹⁰² JA St. 2 (Bowler), p. 3 (“Essential, Aqua PA, and Peoples will each remain separate in terms of their respective corporate existence, franchises, obligation, and privileges, including their names and logos.”).

¹⁰³ Joint Application, ¶ 15, Ex. B.

¹⁰⁴ JA St. 3-R (Arnold), pp. 3-4.

Moreover, Delco witness Reuther's testimony appears to suggest that the PUC should condition approval of the Merger on Aqua PA WW abandoning the DELCORA Transaction in order to benefit Delco and its residents.¹⁰⁵ Ms. Reuther's testimony appears to be an attempt to obtain Delco's desired outcome in the DELCORA Transaction (while that matter remains stayed), through an entirely separate proceeding before the PUC that has no impact upon the DELCORA Transaction. Such an end-run around the PUC's stayed proceeding regarding the DELCORA is impermissible,¹⁰⁶ and should be rejected.

C. Impact on Pennsylvania's Competitive Retail Gas Market and Peoples Employees

The Joint Applicants demonstrated that, consistent with Section 2210(a) of the Code, 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'

¹⁰⁵ See Delco St. 1 (Ruether), p. 6.

¹⁰⁶ See *AT&T Communications of Pa., LLC et al. v. Armstrong Telephone Co. – Pa., et al.*, Docket Nos. C-2009-2098380, et al., 2009 Pa. PUC LEXIS 1752 (Opinion and Order entered July 23, 2009), at *21-*23 (concluding that, even when all elements of the *lis pendens* doctrine are not satisfied, it is not appropriate for the Commission to allow two actions that could create duplication of efforts and resources by the parties and the Commission to proceed, where first and primary action has been stayed); *Shirley Tumelty White v. PECO Energy Co.*, Docket No. C-2010-2189848 (Order entered October 1, 2010) at 5 (dismissing a Complainant's rate increase challenge pursuant to the doctrine of *lis pendens* because the claim is the subject of a separate, pending prior proceeding).

management team will remain in place, with the technical fitness necessary to operate a natural gas distribution system, and operations will continue to be managed by local employees, including Michael Huwar as President of Peoples.¹⁰⁷

Furthermore, the substantial employee benefits that will be realized as a result of the Merger will directly benefit Peoples' employees.¹⁰⁸ For example, the Joint Applicants made commitments that protect Peoples' call center employees and locations in Pennsylvania and Aqua PA customer service representatives.¹⁰⁹ The Joint Applicants also committed in the Settlement to 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, honor all Essential collective bargaining agreements and pension obligations, and prevent a material reduction in union workforce in the 12-month period following the Merger.¹¹⁰ These benefits, which will not be realized absent the Merger, show that Peoples' employees will clearly benefit from, and will not be adversely impacted by, the Merger.

D. Affiliated Interest Transactions

Both American Water and Essential have service company subsidiaries that make available to their respective operating company affiliates a broad range of accounting,

¹⁰⁷ JA St. 1 (Norton), pp. 17-18; JA St. 4 (Huwar), pp. 5, 12; JA St. 5 (Schuller), pp. 10-11.

¹⁰⁸ *See, e.g.*, JA Ex. CN-2R (Items 21, 22, 45-56, 61); Joint Petition ¶¶ 43, 48, 67-75.

¹⁰⁹ Joint Petition ¶ 43.

¹¹⁰ *See* Joint Petition, ¶¶ 68, 69, 71.

financial, legal, and other services.¹¹¹ PAWC is party to a service agreement with American Water Works Service Company, Inc. (“Service Company”) that was approved by the Commission in 1989 at Docket No. G-880131. American Water also has a subsidiary, American Water Capital Corp. (“AWCC”), that was established to provide certain financial services, including short-term loans, long-term borrowings, and cash management to American Water and its regulated subsidiaries as cost-effectively as possible over the long-term. PAWC is a party to a financial service agreement with AWCC that was approved by the Commission on June 22, 2000 at Docket No. G-00000763. Aqua PA has an office space lease agreement with Aqua Services, Inc. (one of the aforementioned service companies of Essential) whereby Aqua Services, Inc. leases space from Aqua PA in Essential’s corporate headquarters in Bryn Mawr (“Lease”). The Lease was approved by the Commission on September 15, 2022 at Docket No. G-2022-3031183.

The merging companies have established an integration task force to determine how the Essential utilities will be integrated into the American Water organization model. Although the integration process is still ongoing, the Joint Applicants believe that substantial benefits can be derived by enabling Service Company and AWCC to provide services to Aqua PA and Peoples, and from shared office space in Bryn Mawr.¹¹² The Joint Applicants therefore request that the Commission approve the following new affiliate

¹¹¹ JA St. 2 (Bowler), p. 12.

¹¹² *Id.*

interest agreements, in the same form as already approved by the PUC for PAWC or Aqua PA, to become effective upon closing of the merger:

- (a) The execution of a service agreement with Service Company by Aqua PA, Aqua PA WW, and Peoples;
- (b) The execution of a financial services agreement with AWCC by Aqua PA, Aqua PA WW, and Peoples; and
- (c) The execution of an office space lease by Aqua PA and Service Company.¹¹³

The proposed agreements, which have not been opposed, will give the combined company more operational flexibility to share best practices and to make the most productive use of all available resources as soon as possible after the Merger. If any additional changes to the scope, manner, terms, or conditions of the proposed affiliated interest agreements are necessary or desired in the future, further Commission approvals will be sought under Section 2102 of the Code.¹¹⁴

VI. CONCLUSION

For the reasons set forth above, the Commission should approve the Joint Petition for Non-Unanimous Settlement filed September 15, 2026, without modification, and deny the relief and conditions sought by the parties opposing the Settlement.

[Signature Page Follows]

¹¹³ *Id.*, pp. 12-13.

¹¹⁴ *See* JA Ex. CN-1R (Item 24); JA Ex. CN-2R (Item 7); Joint Petition, ¶ 85.

Respectfully submitted,



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Dated: September 22, 2026

APPENDIX A

JOINT APPLICANTS' 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

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, Ex. D.

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 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

³ See JA St. 1 (Norton), pp. 4-5, 7.

natural gas service to approximately 700,000 customers in 18 counties in Western Pennsylvania.⁴

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

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

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.

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

10. The Joint Application included written testimony and exhibits describing the Merger and the substantial affirmative public benefits produced by the Merger, including (1) increased financial strength and operational flexibility; (2) synergies, efficiencies and cost savings over the long-term; (3) enhanced expertise in infrastructure improvement, innovation, and environmental stewardship; (4) commitments to employees; and (5) strengthening Aqua PA's and Peoples' community presence in Pennsylvania.¹¹

11. Aqua PA and Peoples are Pennsylvania public utilities subject to the jurisdiction of the Commission.¹²

12. 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.

13. 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

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

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

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;¹³ (10) Upland Borough; and (11) Utility Workers Union of America, AFL-CIO, Local 612 (“Local 612”).

14. A telephonic Prehearing Conference was held on August 12, 2025 before presiding Administrative Law Judge (“ALJ”) Mary D. Long.¹⁴ 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, and for rejoinder testimony to be offered in writing in advance of hearings or orally at the hearings.

15. 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.

16. On May 21, 2026, I&E, the OCA, the OSBA, CAUSE-PA and the Municipal Intervenors collectively submitted 13 written statements and accompanying exhibits constituting their direct testimony in this case. On June 25, 2026, the Joint Applicants

¹³ 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”).

¹⁴ On February 5, 2026, this matter was reassigned to the presiding ALJs, Emily I. DeVoe and Ann Quimby.

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, Delco, and MontCo collectively 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.

17. Chester Water Authority did not submit any testimony during the course of the proceedings.

18. Witnesses for I&E, the OCA, the OSBA, CAUSE-PA, and the Municipal Intervenor 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.¹⁵

19. The Joint Applicants' witnesses responded to the concerns raised by I&E, the OCA, OSBA, CAUSE-PA and the Municipal Intervenor in rebuttal and rejoinder testimony.¹⁶ The Joint Applicants' rebuttal testimony included a list of commitments that

¹⁵ 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 (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.

¹⁶ 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).

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.¹⁷

20. 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.¹⁸

21. On September 15, 2026, the Joint Applicants, I&E, the OCA, and the OSBA (collectively, the “Joint Petitioners”) filed and served a Joint Petition for Non-Unanimous Settlement (“Joint Petition”). The settlement embodied in the Joint Petition (“Settlement”) resolves all issues raised in this proceeding among the Joint Petitioners.

22. The following parties authorized the Joint Petitioners to represent that they do not oppose the Settlement: CAUSE-PA, City of Butler, East Norriton Township, Local 542, Local 612, Lower Makefield Township, and Upland Borough. Chester Water Authority, Delco, East Whiteland and MontCo are not signatories to the Joint Petition and indicated that they oppose the Settlement. The York Area Intervenors did not confirm their position regarding the Settlement.

¹⁷ See JA Exhibit CN-1R and JA Exhibit CN-2R. See also JA St. 1-R (Norton), pp. 2-5.

¹⁸ 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.

23. JA Exhibit CN-1R and JA Exhibit CN-2R detail the commitments proposed by the Joint Applicants in support of the Merger which are, to a large extent, also reflected in the Settlement.¹⁹

24. The record evidence establishes 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.²⁰

25. The record evidence establishes that Merger will affirmatively benefit the public in the following substantial ways:

(a) **Increased Financial Strength and Operational Flexibility.** 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

¹⁹ 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.

²⁰ 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.

(3) enhanced access to capital at competitive rates.²¹ 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.²² 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.²³

(b) **Rate Benefits for Pennsylvania Customers.** The Joint Applicants are confident 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.²⁴ In the Joint Applicants' rejoinder testimony, American Water committed to shareholder-funded rate credits totaling more than \$30 million to provide an 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.²⁵

(c) **Enhanced Expertise in Infrastructure Improvement, Innovation, and Environmental Stewardship.** The combined company will be able to draw upon the

²¹ JA St. 2 (Bowler), pp. 6-10; JA St. 2-R (Bowler), pp. 2-4; *see also* JA St. 5 (Schuller), pp. 7-8.

²² JA St. 2 (Bowler), pp. 6-10; JA St. 2-R (Bowler), pp. 2-9.

²³ JA St. 2 (Bowler), pp. 7-9.

²⁴ *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.

²⁵ JA St. 2-RJ (Bowler), pp. 3-4.

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.²⁶ 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.²⁷ 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.²⁸ 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.²⁹

(d) **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.³⁰ In addition, American Water 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.³¹ Further,

²⁶ See JA St. 1 (Norton), pp. 8-15; JA St. 3 (Arnold), pp. 8-10.

²⁷ See JA St. 1 (Norton), pp. 9-14; JA St. 3 (Arnold), pp. 9-10.

²⁸ JA St. 3 (Arnold), p. 10.

²⁹ See JA St. 1 (Norton), p. 12; JA St. 3 (Arnold), p. 9-10.

³⁰ 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.

³¹ See JA St. 1-R (Norton), p. 23; JA Ex. CN-1R (Item 13); JA Ex. CN-2R (Items 22, 50, 61).

consistent with the terms of the Merger Agreement, American Water has agreed to honor all Essential collective bargaining agreements and pension obligations.³²

(e) **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.³³ 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.³⁴

26. The Settlement ensures that there will be substantial affirmative public benefits in the immediate future and over time in addition to those described in the Joint Application and the Joint Applicants' evidence admitted in this case.

27. 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 PA, PAWC, and Peoples a \$40 rate credit, which will deliver an immediate tangible benefit to customers.³⁵

28. The Settlement also provides for extended base rate stability for Aqua PA and PAWC. Under the Settlement, American Water committed that Aqua PA and PAWC

³² 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).

³³ See JA St. 1 (Norton), p. 16; JA St. 3 (Arnold), p. 9; JA St. 5 (Schuller), p. 9.

³⁴ See JA St. 1 (Norton), p. 16; JA St. 1-R (Norton), pp. 38-39; JA Ex. CN-1R (Item 15); JA Ex. C.

³⁵ Joint Petition, ¶ 10.

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.³⁶

29. 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.³⁷

30. 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.³⁸

31. Under the Settlement, American Water made an overall commitment to maintain current levels of service quality³⁹ and also agreed to specific performance objectives for Aqua PA, Peoples, and PAWC and reporting on each company's performance.⁴⁰ The Settlement also includes additional terms related to customer service (e.g., root cause analysis activities and call center staffing)⁴¹ and infrastructure investment

³⁶ *Id.*, ¶¶ 11-12.

³⁷ *Id.*, ¶ 13.

³⁸ *Id.*, ¶¶ 14-20.

³⁹ *Id.*, ¶ 26.

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

⁴¹ *See, e.g., id.*, ¶¶ 37, 39, 43-44.

(e.g., Peoples and Aqua PA will continue to meet their Commission-approved Long-Term Infrastructure Improvement Plan obligations).⁴²

32. 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.⁴³

33. The Settlement also includes commitments regarding maintaining local management and employees for Aqua PA and Peoples, including retaining Michael Huwar as President of Peoples,⁴⁴ staffing levels, compensation and honoring existing obligations under applicable collective bargaining agreements,⁴⁵ and maintaining Aqua PA's Bryn Mawr headquarters and testing facility and Peoples' Pittsburgh headquarters.⁴⁶

34. 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

⁴² See, e.g., *id.*, ¶¶ 28-29.

⁴³ See *id.*, ¶¶ 51-64.

⁴⁴ *Id.*, ¶ 67.

⁴⁵ *Id.*, ¶¶ 68-71.

⁴⁶ *Id.*, ¶¶ 72-74.

their respective three-year average annual amount. Charitable contributions will not be recovered in rates.⁴⁷

35. 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.⁴⁸

36. Witnesses for Delco, East Whiteland and MontCo recommended that the Commission attach various conditions to its approval of the Merger.⁴⁹

37. Delco's, East Whiteland's and MontCo's proposed conditions dealing with Merger costs and benefits, rate protections, service quality, and employee and workforce protections have been adequately addressed in the Settlement.

38. Delco's and MontCo's remaining proposed conditions are unwarranted and should be rejected.

39. On March 3, 2020, Aqua PA WW filed an Application with the PUC pursuant to Section 1102, 1329 and 507 of the Code, for approval of its acquisition of the

⁴⁷ *Id.*, ¶ 76.

⁴⁸ *Id.*, ¶¶ 77-88.

⁴⁹ *See* Delco St. 1 (Reuther), pp. 5-6; Delco St. 1-S (Reuther), pp. 8, 13-14; East Whiteland St. 1 (Brown), p. 5; Monto St. 1 (Ramkissoon), pp. 4-5; MontCo St. 1-S (Ramkissoon), pp. 1, 3.

wastewater system assets of the Delaware County Regional Water Quality Control Authority (“DELCORA”).⁵⁰

40. The DELCORA Transaction is the subject of a separate, ongoing proceeding that is currently stayed.

41. The Merger will not result in any change in the legal status of Aqua PA WW.⁵¹

42. Aqua PA WW will remain a direct subsidiary of Aqua PA, an indirect subsidiary of Essential after closing of the Merger.⁵²

43. Aqua PA WW will remain a separate certificated public utility providing wastewater service in Pennsylvania after closing of the Merger.⁵³

44. American Water does not own or operate any companies that directly or indirectly compete with Peoples, and the record evidence establishes that the Merger will not result in anticompetitive or discriminatory conduct in the retail market for natural gas in Pennsylvania.⁵⁴

⁵⁰ See *Application of Aqua Pa. Wastewater, Inc. pursuant to Sections 507, 1102 and 1329 of the Pub. Util. Code for Approval of its Acquisition of the Wastewater System Assets of the Del. County Regional Water Quality Control Auth.*, Docket No. A-2019-3015173 (the “DELCORA Transaction”).

⁵¹ JA St. 2 (Bowler), p. 3 (“Essential, Aqua PA, and Peoples will each remain separate in terms of their respective corporate existence, franchises, obligation, and privileges, including their names and logos.”).

⁵² Joint Application, ¶ 15, Ex. B.

⁵³ JA St. 3-R (Arnold), pp. 3-4.

⁵⁴ 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.

45. Both American Water and Essential have service company subsidiaries that make available to their respective operating company affiliates a broad range of accounting, financial, legal and other services. PAWC is party to a service agreement with American Water Works Service Company, Inc. (“Service Company”) that was approved by the Commission in 1989 at Docket No. G-880131.⁵⁵

46. American Water also has a subsidiary, American Water Capital Corp. (“AWCC”), that was established to provide certain financial services, including short-term loans, long-term borrowings, and cash management to American Water and its regulated subsidiaries as cost-effectively as possible over the long-term. PAWC is a party to a financial service agreement with AWCC that was approved by the Commission on June 22, 2000 at Docket No. G-00000763.⁵⁶

47. Aqua PA has an office space lease agreement with Aqua Services, Inc. whereby Aqua Services, Inc. leases space from Aqua PA in Essential’s corporate headquarters in Bryn Mawr that was approved by the Commission on September 15, 2022 at Docket No. G-2022-3031183.⁵⁷

48. The new affiliate interest agreements set forth in Exhibit D to the Joint Application, which have not been opposed, will allow Service Company and AWCC to provide resources to Essential utilities and give the combined company more operational

⁵⁵ JA St. 2 (Bowler), pp. 12-13.

⁵⁶ *Id.*

⁵⁷ *Id.*

flexibility to share best practices and to make the most productive use of all available resources as soon as possible after the Merger.⁵⁸

⁵⁸ *Id.*

APPENDIX B

JOINT APPLICANTS' PROPOSED CONCLUSIONS OF LAW

1. The Commission has the jurisdiction and authority to consider and approve the Joint Application and Joint Petition.¹

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

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.”³

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.⁴

5. The Joint Applicants have demonstrated by a preponderance of substantial evidence that the proposed Merger, implemented in accordance with the terms and conditions of the Joint Application as supplemented by the Settlement, will “affirmatively

¹ 66 Pa. C.S. § 1102(a)(3).

² 66 Pa.C.S. § 332(a).

³ 66 Pa.C.S. § 1103(a).

⁴ *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).

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.⁵

6. The Joint Applicants have established by a preponderance of substantial evidence that the Merger, implemented in accordance with the terms and conditions of the Joint Application as supplemented by the Settlement, satisfies the requirements of Section 2210(a) of the Code.

7. The Joint Applicants have established by a preponderance of substantial evidence that the affiliated interest agreements proposed by the Joint Applicants should be approved under Section 2102 of the Code.

8. 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.

⁵ *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).

APPENDIX C

JOINT APPLICANTS' 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, and the OSBA, 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.