

Indian Creek Valley Water Authority

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Dear Customers of the Indian Creek Valley Water Authority:

In 1965, community leaders recognized the benefits of creating a water system to serve the Indian Creek Valley. So, with support from the elected officials of both Springfield and Saltlick Townships, the Indian Creek Valley Water Authority was formed. For the past 60 years, members of the community have volunteered their time to serve on the Board of Directors and to oversee a staff of hard-working and dedicated individuals to provide a public source of water to the area. With the financial assistance of much government grant funding and local contributions, the small water system serving 50 homes and businesses in the coal mining village of Melcroft has grown to serve over 2,700 customers across 140 square miles of the Indian Creek Valley.

Unfortunately, operating and maintaining the water system has been a growing concern in recent years. The cost of materials for operations and repairs and increasing regulatory compliance requirements have forced the Authority to raise rates. While the Authority has been able to provide drinking water that meets regulatory standards, these concerns for system maintenance and growth, where needed, have raised concerns about the system's future.

Several years ago, Pennsylvania American Water Company (PAWC) approached the Townships and Authority Board and offered to bring their resources and management expertise to address the Authority's struggles with maintaining the system. Following much discussion, discernment, and negotiation, the Townships and the Authority Board approved a resolution to accept PAWC's offer to purchase the Authority's assets. After the acceptance of the offer, PAWC filed an application with the Pennsylvania Public Utilities Commission (PUC) to acquire the system. As part of the PUC's approval process, Pennsylvania American Water is required to provide certain notices to customers, including a notice that contains a non-binding estimate of standalone water rates if the entire cost of the acquisition were placed on Authority customers alone without spreading across all Pennsylvania American Water customers.

Upon PUC approval, details will be finalized and a date will be determined for completion of the sale, which we anticipate will occur prior to the end of the year. The financial proceeds from the sale will be turned over and divided between the two Townships. Both Townships have indicated that the proceeds will be used to support and improve their municipal operations, projects, and initiatives without resorting to tax increases.

After the sale is completed, Pennsylvania American Water will adopt the current rates of the Authority. Because Pennsylvania American Water is regulated by PUC, any future proposed changes to your water rates after the transfer will require a rate filing with the PUC and will be subject to extensive governmental review and approval. If that occurs, you as a customer will have an opportunity to participate in the PUC process for any proposed change to your water rates. Unlike Pennsylvania American Water, the Authority does not need approval from the PUC to raise rates.

While the notice you will receive includes a non-binding estimate of potential future water rate projections, the reality is that any future increase would be subject to approval by the PUC, so the enclosed notice may not reflect the actual rate that is ultimately approved by the PUC. As noted previously, any proposed rate increase by Pennsylvania American Water will be subject to extensive governmental review and approval by the PUC. The PUC is required by law to set rates that are "just and reasonable." (*Section 1301 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1301*). We believe that the PUC will continue to follow its policy of gradualism, which entails making slower, incremental adjustments toward the actual cost of service and avoiding sudden, sharp increases in rates (*PUC, "A Guide to Utility Ratemaking," p. 148, Feb. 2018*).

NOTICE OF PROPOSED WATER ACQUISITION AND RATE BASE ADDITION (Docket No. A-2025-3055741)



On March 3, 2026, the Pennsylvania Public Utility Commission (“PUC”) conditionally accepted for filing the application of Pennsylvania-American Water Co. (“Pennsylvania-American” or “PAWC”) for approval to acquire the water system assets owned and operated by Indian Creek Valley Water Authority (“ICVWA”). ICVWA serves approximately 2,400 customers in Fayette and Westmoreland Counties. Pennsylvania-American’s application also requests that the PUC authorize an addition of \$32.8 million to Pennsylvania-American’s rate base pursuant to 66 Pa. C.S. § 1329. A utility’s rate base is the value of property used by the utility to provide service to its customers and is one of many components used to establish customer rates.

PAWC periodically makes applications to the PUC for newly acquired systems, which require PAWC to send these types of notices. This notice is specific to the ICVWA acquisition. PAWC is not requesting a rate increase in this acquisition proceeding. Accordingly, this acquisition will not immediately, but may in the future, affect water bills of Pennsylvania-American customers, including new ICVWA water customers. Your current rates will not change as a result of this acquisition until the conclusion of Pennsylvania-American’s first base rate case where Pennsylvania-American requests and receives PUC approval to increase its rates. At that time, based on a preliminary analysis of the potential rate impacts, PAWC estimates that the rates of the average customer could increase, but the Company would propose gradual increases. The amount of the increase will be determined in PAWC’s next base rate case and will be dependent on how the PUC chooses to apportion the increase among PAWC’s acquired and existing customers. Any promise to freeze rates may be unenforceable. The table below present non-binding, estimated incremental rate effects of the proposed rate base addition on ICVWA’s existing water customers if the PUC were to apportion it entirely to ICVWA customers on a standalone basis.

Rate Class	Average Usage	Estimated Monthly Increase	Estimated Percentage Increase
Residential	3,201 gallons/month	\$69.90	100.4%
Commercial	22,094 gallons/month	\$429.40	100.4%
Industrial	685,947 gallons/month	\$12,492.82	100.4%

These amounts could change and will depend on how the PUC chooses to apportion any increase among different types of utility service, rate zones and classes of customers.

PUC ROLE

The state agency that approves acquisitions and rates for regulated public utilities is the PUC. The PUC will review and investigate the proposed acquisition. After examining the evidence, the PUC may approve, modify or deny the acquisition and may approve, modify or deny the requested addition to rate base.

ACTIONS YOU CAN TAKE

You can support or challenge Pennsylvania-American’s request by:

- 1. Sending a letter to the PUC.** You can tell the PUC why you support or object to the application in your letter. This information can be helpful when the PUC investigates the application. Send your letter to the Pennsylvania Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265.
- 2. Attending or presenting testimony at a PUC public input hearing.** You can attend or be a witness at a PUC public input hearing. The PUC holds public input hearings if it opens an investigation of Pennsylvania-American’s transaction and if there is enough interest in the case. At these hearings, you can present your views in person to the PUC judge and to company representatives. Testimony under oath becomes part of the application case record. The PUC holds these hearings in the service area of the company. For more information, call the PUC at 1-800-692-7380.

- 3. Filing a protest or a petition to intervene.** If you want to be a party to the case, you must file a protest or a petition to intervene. You then have an opportunity to take part in all the hearings about the proposed acquisition. You can receive copies of all materials distributed by the other parties. Filings must be made with the Secretary of the Pennsylvania Public Utility Commission at P.O. Box 3265, Harrisburg, PA 17105-3265, with a copy served on Pennsylvania-American’s counsel at:

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The documents filed in support of the application are available on the PUC’s website at www.puc.pa.gov, and for inspection and copying at the Office of the Secretary of the PUC between 8 a.m. and 4:30 p.m., Monday through Friday. The PUC docket number is A-2025-3055741. For more information, you may contact the PUC’s Bureau of Consumer Services at 1-800-692-7380.