

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF AMERICAN	)	
WATER WORKS COMPANY, INC., ALPHA	)	
MERGER SUB, INC., ESSENTIAL UTILITIES,	)	
INC., LDC FUNDING, LLC, PNG COMPANIES	)	CASE NO.
LLC, AND DELTA NATURAL GAS COMPANY,	)	2025-00408
INC. FOR APPROVAL OF THE TRANSFER OF	)	
CONTROL OF DELTA NATURAL GAS COMPANY,	)	
INC.	)	

ORDER

On December 22, 2025, American Water Works Company, Inc. (American Water), Alpha Merger Sub, Inc. (Merger Sub), Essential Utilities, Inc. (Essential), LDC Funding, LLC (LDC Funding), PNG Companies, LLC (PNG), and Delta Natural Gas Company, Inc. (Delta) (collectively, Joint Applicants), filed a Joint Application for approval by the Commission of the change of indirect control of Delta by American Water pursuant to KRS 278.020(6) and 278.020(7) to be effected by the merger of Essential and Merger Sub, a wholly owned subsidiary of American Water (the “Merger”).

There are no intervenors in this matter. American Water responded to two requests for information.<sup>1</sup> Essential and Delta responded to two requests for information.<sup>2</sup>

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<sup>1</sup> American Water’s Response to Commission Staff’s First Request for Information (Staff’s First Request) (filed Feb. 6, 2026); American Water’s Response to Commission Staff’s Second Request for Information (Staff’s Second Request) (filed Mar. 6, 2026).

<sup>2</sup> Essential and Delta’s Responses to Commission Staff’s First Request for Information (Staff’s First Request) (filed Feb. 6, 2026); Essential and Delta’s Responses to Commission Staff’s Second Request for Information (Staff’s Second Request) (filed Mar. 6, 2026).

Joint Applicants filed a statement waiving a hearing for this matter on March 11, 2026.<sup>3</sup>

This matter now stands submitted to the Commission for a decision.

## JOINT APPLICANTS

### American Water

American Water is a Delaware corporation based in New Jersey.<sup>4</sup> 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 the Commonwealth of Kentucky, through its regulated operating subsidiaries and on 18 military installations.<sup>5</sup> American Water utilities' primary operating assets include approximately 80 surface water treatment plants, 520 groundwater treatment plants, 190 wastewater treatment plants, 54,500 miles of transmission, distribution, and collection mains and pipes, 1,200 groundwater wells, 1,800 water and wastewater pumping stations, 1,100 treated water storage facilities, and 75 dams.<sup>6</sup>

### Merger Sub

Merger Sub is a Pennsylvania corporation and a wholly owned subsidiary of American Water that was formed for the sole purpose of effecting the Merger.<sup>7</sup> Upon completion of the Merger, Merger Sub will cease to exist.<sup>8</sup>

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<sup>3</sup> Joint Applicants' Statement Regarding a Hearing (filed Mar. 11, 2026).

<sup>4</sup> Joint Application at 1.

<sup>5</sup> Joint Application at 4.

<sup>6</sup> Joint Application at 4.

<sup>7</sup> Joint Application at 2.

<sup>8</sup> Joint Application at 2.

## Essential

Essential is a Pennsylvania corporation, initially incorporated as the Philadelphia Suburban Corporation, later changing its name to Aqua America, Inc., and then to Essential Utilities, Inc.<sup>9</sup> Essential provides water, wastewater, and natural gas service to approximately 5.5 million people through its operating subsidiaries in Kentucky, Pennsylvania, Ohio, North Carolina, Illinois, Indiana, New Jersey, Texas, and Virginia.<sup>10</sup>

## LDC Funding and PNG

LDC Funding is a Delaware limited liability company, which is a wholly owned subsidiary of Essential.<sup>11</sup> PNG, a Delaware limited liability company based in Pennsylvania, is wholly owned by LDC Funding.<sup>12</sup>

## Delta

Delta, a Kentucky corporation wholly owned by PNG, provides natural gas utility service and is subject to the jurisdiction of the Commission.<sup>13</sup> Delta serves approximately 40,000 residential, commercial, and industrial customers in 33 counties in central and eastern Kentucky.<sup>14</sup> Delta is an indirect subsidiary of Essential.<sup>15</sup> Essential owns 100 percent of the membership interests of LDC Funding, which owns 100 percent of the

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<sup>9</sup> Joint Application at 2.

<sup>10</sup> Joint Application at 2.

<sup>11</sup> Joint Application at 2.

<sup>12</sup> Joint Application at 3.

<sup>13</sup> Joint Application at 5.

<sup>14</sup> Joint Application at 5-6.

<sup>15</sup> Joint Application at 6.

ownership interests in PNG.<sup>16</sup> PNG owns 100 percent of the ownership interests in Delta.<sup>17</sup>

### OVERVIEW OF THE TRANSACTION

Under the terms of the Agreement and Plan of Merger dated October 26, 2025 (Merger Agreement), American Water will become the ultimate corporate parent of Essential and all its subsidiaries, including Delta.<sup>18</sup> Merger Sub will be merged with and into Essential, after which Merger Sub will cease to exist, and Essential will continue as the surviving corporation.<sup>19</sup> When the transaction is complete, Essential will be a wholly owned subsidiary of American Water.<sup>20</sup>

The Merger is an equity-only transaction.<sup>21</sup> 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.<sup>22</sup> Following the Merger, the existing shareholders of American Water will own approximately 69 percent of the combined company, and the former shareholders of Essential will own approximately 31 percent of the combined company on a fully diluted basis.<sup>23</sup>

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<sup>16</sup> Joint Application at 6.

<sup>17</sup> Joint Application at 6.

<sup>18</sup> Joint Application at 6.

<sup>19</sup> Joint Application at 6.

<sup>20</sup> Joint Application at 6.

<sup>21</sup> Joint Application at 6.

<sup>22</sup> Joint Application at 6.

<sup>23</sup> Joint Application at 6-7.

As noted above, American Water will become the ultimate corporate parent of Essential and all its subsidiaries, including Delta.<sup>24</sup> However, according to the application, the leadership and employees of Delta will be retained, and the day-to-day operations will continue to be locally managed by current Delta employees.<sup>25</sup> Joint Applicants stated that the merger will have no immediate effect on Delta customers' rates, which will remain the same as set forth in Delta's current tariffs.<sup>26</sup>

### COMMITMENTS

Joint Applicants made the following post-merger commitments regarding retention of Delta management and employees, community involvement, economic development, and corporate governance:

- Merger Impact on Rates<sup>27</sup>
  - "Delta will not seek recovery in rates of any transaction costs incurred in connection with the Merger and as such, the goodwill associated with the Merger will not be recorded on Delta's books.
  - Delta's approved rates and tariffs in effect when the Merger closes will not change as a result of the Merger."<sup>28</sup>
- Quality of Service<sup>29</sup>
  - "Delta will continue to devote the necessary resources to maintain, at a minimum, current service quality.
  - American Water is committed to providing safe, reliable and affordable utility services to customers. American Water will continue to invest in infrastructure replacement, renewal, upgrades or additions to support the provision of safe, reliable and affordable service."<sup>30</sup>

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<sup>24</sup> Joint Application at 7.

<sup>25</sup> Joint Application at 10.

<sup>26</sup> Joint Application at 12.

<sup>27</sup> Joint Application, Exhibit C.

<sup>28</sup> Joint Application, Exhibit C.

<sup>29</sup> Joint Application, Exhibit C.

<sup>30</sup> Joint Application, Exhibit C.

- Local Presence and Commitments to Employees<sup>31</sup>
  - Delta’s day-to-day operations will continue to be locally managed by dedicated local employees serving our customers and living in and giving back to our communities. This includes retaining John Brown as President of Delta.
  - American Water commits to maintaining sufficient workforce, operational facilities and offices to continue to provide safe, reliable and affordable utility services to customers. This includes honoring all Essential collective bargaining agreements under their current terms, as well as Delta’s pension obligations to employees.”<sup>32</sup>
  
- Charitable Contributions and Community Support<sup>33</sup>
  - “American Water will continue to make charitable contributions at levels consistent with those historically provided by Delta in its service areas for the next two years after completion of the Merger, and thereafter, at levels consistent with American Water’s contributions in the areas it serves.”<sup>34</sup>
  
- Corporate Organization and Financial Integrity<sup>35</sup>
  - “Delta will continue to maintain separate financial statements reflecting its own assets and liabilities.
  - Delta has and will continue to have its own capital structure, which is a function of its own debt and equity.
  - American Water will provide Delta with no less than the same access to short-term debt, commercial paper and other liquidity that Delta currently has in place. If this does not provide sufficient liquidity for day-to-day needs, additional short-term loans, at market rates, will be available. Neither American Water nor any of its affiliates will make any loan to Delta that bears interest at rates that are greater than the rates being paid at the time of such loan by American Water or such other affiliate on its own debt issued at the same time. Delta will not assume liability for debts issued by American Water or its financing subsidiary, American Water Capital Corp. (“AWCC”). Although Delta may become a party to a financing services agreement with AWCC, and AWCC may issue debt for the benefit of several operating companies, each company, including Delta, will be liable only for its individual borrowings or issuances under those arrangements.
  - The Joint Applicants will not use Delta assets to secure debt for the benefit of utilities or operations in other states.

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<sup>31</sup> Joint Application, Exhibit C.

<sup>32</sup> Joint Application, Exhibit C.

<sup>33</sup> Joint Application, Exhibit C.

<sup>34</sup> Joint Application, Exhibit C.

<sup>35</sup> Joint Application, Exhibit C.

- Unless first approved by the Commission, Delta will not transfer any material asset to an affiliate except in an arm's length transaction and in compliance with Kentucky law."<sup>36</sup>

### LEGAL STANDARD

The Commission reviews the proposed transaction pursuant to KRS 278.020(6) and KRS 278.020(7).

KRS 278.020(6) provides that:

No person shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission by sale of assets, transfer of stock, or otherwise, or abandon the same, without prior approval by the commission. The commission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service.<sup>37</sup>

KRS 278.020(7) provides, in relevant part, that the Commission shall approve a proposed acquisition of control upon a finding that the proposed transaction is "made in accordance with law, for a proper purpose and is consistent with the public interest."<sup>38</sup>

### DISCUSSION

#### Approval Pursuant to KRS 278.020(6)

American Water argued it has the technical, managerial, and financial ability to become the indirect owner of the Delta system.<sup>39</sup> American Water stated it serves 3.5 million customer connections in fourteen states through its regulated operating subsidiaries, and has access to American Water's resources to support the Delta

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<sup>36</sup> Joint Application, Exhibit C.

<sup>37</sup> KRS 278.020(6).

<sup>38</sup> KRS 278.020(7).

<sup>39</sup> Joint Application at 10.

operations.<sup>40</sup> American Water acknowledged it has not previously acquired any natural gas utilities but pointed out its extensive experience in owning and managing regulated utility infrastructure in Kentucky, and the fact that Delta's existing management team will continue to oversee daily operations and maintain the authority and resources necessary to deliver safe, reliable, and affordable natural gas service.<sup>41</sup> American Water stated the Merger brings together two highly skilled teams within the regulated utility sector, aligning their shared commitment to delivering clean, safe, reliable, and affordable utility services, and increasing the combined company's ability to attract, develop, and retain employees across water, wastewater, and natural gas operations and to create long-term career growth opportunities.<sup>42</sup>

American Water stated that Delta's management will continue to have day-to-day responsibility, authority and resources to provide safe, reliable, and affordable natural gas distribution service.<sup>43</sup> Delta's existing employees will be retained, thus ensuring the continuity of existing service and management.<sup>44</sup> American Water further stated the merger will not result in multiple tiers of management that will have to be penetrated to access decision makers in the combined company.<sup>45</sup> American Water stated Delta's office will be maintained in Winchester, Kentucky.<sup>46</sup>

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<sup>40</sup> Joint Application at 10-11.

<sup>41</sup> American Water's Response to Staff's First Request, Item 2.

<sup>42</sup> American Water's Response to Staff's First Request, Item 2.

<sup>43</sup> Joint Application at 10.

<sup>44</sup> Joint Application at 10.

<sup>45</sup> Joint Application at 11.

<sup>46</sup> Joint Application at 11.

American Water further argued the expanded size and scope of the combined organization will deliver operational efficiencies, enhanced customer service, broader customer reach, and a financially stronger parent company that is well-positioned to compete for and attract capital on reasonable terms for its public utility subsidiaries, including Delta.<sup>47</sup> The Joint Applicants further argued that the combined company would benefit from diversified service areas and regulatory exposure, as well as a broader customer and revenue base that should provide more stable cash flow and that the all-stock transaction is expected to improve the financial metrics of the combined company.<sup>48</sup> American Water also argued that this transfer of control is an equity-only transaction,<sup>49</sup> the Joint Applicants did not request any changes to Delta's rates in this proceeding, and the commitments made herein provide that Delta will not seek rate recovery of any acquisition adjustment or "goodwill" associated with the merger costs incurred by the Joint Applicants.<sup>50</sup>

The Commission notes that, as part of its most recent application for a general adjustment of rates, Case No. 2024-00346, Delta entered into a Joint Settlement with the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention.<sup>51</sup> The Settlement, which was accepted by the Commission in full, contained a 'stay-out clause' by which it agreed to not file an application to adjust the base rates

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<sup>47</sup> Joint Application at 11.

<sup>48</sup> Joint Application at 11.

<sup>49</sup> American Water's Response to Staff's First Request, Item 4(b).

<sup>50</sup> Joint Application at 12.

<sup>51</sup> Case No. 2024-00346, *Electronic Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates* (Ky. PSC July 1, 2025) Order at 3 & 5.

where such adjustment would have an effective date at the conclusion of the Commission's suspension period under KRS 278.190, for service rendered prior to Delta's January 2029 billing cycle.<sup>52</sup> Delta confirmed, in a response to a request for information, that<sup>53</sup> it expects the proposed transfer of control to have no effect on the date Delta plans to apply for any further adjustments of its rates for service.<sup>54</sup> Delta also explained it expects the proposed transfer of control to have no material impact on Delta's stay-out clause.<sup>55</sup>

The Commission, based on the evidence of record and being otherwise sufficiently advised, finds that American Water has the financial, technical, and managerial abilities to provide reasonable utility service pursuant to KRS 278.020(6).

Approval Pursuant to KRS 278.020(7)

KRS 278.020(7) provides, in relevant part, that the Commission shall approve a proposed acquisition of control upon a finding that the proposed transaction is "made in accordance with law, for a proper purpose and is consistent with the public interest."

Joint Applicants argue the Merger will be in accordance with the law because the Merger will not be consummated until all necessary regulatory approvals are obtained, including approval by this Commission pursuant to KRS 278.020(6) and (7).<sup>56</sup> Joint Applicants also argued the Merger is for a proper purpose because it is intended to

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<sup>52</sup> Case No. 2024-00346, July 1, 2025 Order at 11, Appendix C. The stay out provision did contain several exceptions that allowed for the utility to come in for a rate adjustment prior to the 2029 billing cycle.

<sup>53</sup> Essential and Delta's Response to Staff's First Request, Item 9.

<sup>54</sup> Essential and Delta's Response to Staff's First Request, Item 9.

<sup>55</sup> Essential and Delta's Response to Staff's First Request, Item 9.

<sup>56</sup> Joint Application at 12.

transition the ownership of Delta and other Essential subsidiaries to American Water, an experienced and highly capable utility provider.<sup>57</sup> Joint Applicants further stated the Merger allows for the continued delivery of safe and reliable gas service to Delta's customers and the terms of the Merger contain numerous provisions that are intended to maintain the day-to-day operations of Delta.<sup>58</sup> For example, Delta will maintain its current management, which has decades of institutional knowledge and experience.<sup>59</sup> Joint Applicants asserted these are proper purposes for the acquisition of control of a utility.<sup>60</sup>

Joint Applicants avowed that the proposed Merger is consistent with the public interest, as it will produce benefits arising from the advantages of a larger, more diversified company; allow for greater access to capital needed to support further investment in facilities and systems that currently serve Delta's customers; and generate operational benefits for Delta customers.<sup>61</sup> The Joint Applicants stated they anticipate that the Merger may enable them to achieve efficiencies in the future, the benefit of which will accrue to Delta and ultimately flow to customers in future rate cases.<sup>62</sup> Joint Applicants asserted those economies would help to offset future increases in the costs of providing regulated natural gas service and, thus, would yield, over time, lower rates than would otherwise be the case.<sup>63</sup>

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<sup>57</sup> Joint Application at 12-13.

<sup>58</sup> Joint Application at 13.

<sup>59</sup> Joint Application at 13.

<sup>60</sup> Joint Application at 13.

<sup>61</sup> Joint Application at 12.

<sup>62</sup> Joint Application at 12.

<sup>63</sup> Joint Application at 12.

The Commission finds that the proposed change of indirect control of Delta by American Water is in accordance with law, for a proper purpose, and will be consistent with the public interest, pursuant to KRS 278.020(7). The proposed Merger is in accordance with the law, as it will not be consummated until all necessary regulatory approvals are obtained. The Commission finds that Joint Applicants shall file notice of all regulatory and judicial approvals that are pending as of the date of this Order, within ten days of approval. The proposed Merger is for a proper purpose, as it allows for the continued delivery of safe and reliable gas service to Delta's customers, with terms of the Merger that are intended to maintain the day-to-day operations of Delta. The Commission also finds the proposed Merger is in the public interest, based on the information provided that this is an equity-only transaction, with no immediate expense impact being passed to its ratepayers or Delta's current ratepayers. The Commission would note that this finding is also largely based on Joint Applicants' agreement to be bound to commitments made as part of this proceeding, including no immediate impact on Delta's local offices, employees, or day-to-day management. The Commission further finds that, in Kentucky-American Water Company's and Delta's next base rate proceedings following the completion of the transfer of control, the Companies shall file, with the Commission, any efficiencies created as a result of the acquisition, as the Joint Applicants claim are anticipated herein.

IT IS THEREFORE ORDERED that:

1. Joint Applicants' request for approval of the acquisition as set forth in the joint Application is granted.

2. The Joint Applicants shall adhere to all of the commitments set forth in Exhibit C of the Joint Application.

3. Within five days of consummation of the acquisition, American Water shall file a written notice setting forth the date of acquisition.

4. Within 20 days of the consummation of the acquisition, American Water shall file the journal entries it proposes to record the acquisition. The acquisition shall be recorded in accordance with the Uniform System of Accounts.

5. Within ten days of receipt of regulatory and judicial decisions on pending applications related to this transaction, Joint Applicants shall file notice of all regulatory and judicial approvals that are pending as of the date of this Order.


6. In both Kentucky-American Water Company's and Delta's next base rate proceedings subsequent to the closing of the transfer of control, the Companies shall file, with the Commission, any efficiencies created as a result of the acquisition described herein.

7. Any document filed in the future pursuant to ordering paragraphs 2 and 3 shall reference this case number and shall be retained in the post-case correspondence file.

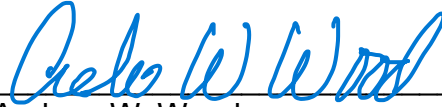
8. This case is closed and removed from the Commission's docket.

Entered on this 21st day of April, 2026.

PUBLIC SERVICE COMMISSION

  
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Angie Hutton  
Chair

  
\_\_\_\_\_  
Mary Pat Regan  
Commissioner

  
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Andrew W. Wood  
Commissioner

ATTEST:

   
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Linda C. Bridwell, PE  
Executive Director

Case No. 2025-00408

## Service List for 2025-00408

\* Honorable Lindsey W Ingram, III  
Attorney at Law  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KY 40507-1801

\* Molly Van Over  
Kentucky-American Water Company  
2300 Richmond Road  
Lexington, KY 40502

\* Monica Braun  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KY 40507-1801

\* Delta Natural Gas Company, Inc.  
3617 Lexington Road  
Winchester, KY 40391

\* Rebecca C. Price  
Sturgill, Turner, Barker & Moloney  
155 East Main Street  
Lexington, KY 40507

\* M. Todd Osterloh  
Sturgill, Turner, Barker & Moloney, PLLC  
333 West Vine Street  
Suite 1400  
Lexington, KY 40507