



FOR IMMEDIATE RELEASE
September 13, 2022

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Butler Area Sewer Authority Presents \$231.5 Million Offer from Pennsylvania American Water Company to Acquire Wastewater System

Authority to host open houses to share benefits of proposed transaction

BUTLER, Pa.— The Butler Area Sewer Authority (BASA) Board of Directors today received an offer of \$231.5 million from Pennsylvania American Water Company (PAWC) to acquire its wastewater system. With a proposed agreement in hand, the board wants to share the benefits of the proposed transaction as well as seek input from customers and community stakeholders on the sale, and suggestions regarding the use of sale proceeds. In the coming weeks, there will be four open houses and the board welcomes BASA customers to attend.

As part of this proposed agreement, BASA's operations center will be maintained for a minimum of 10 years, and all employees will be guaranteed their jobs at current salaries and have access to substantially similar benefits to what they have now. PAWC has also agreed to assume BASA's current list of Capital Cost projects and upgrades, which total more than \$75 million as part of making improvements and upgrades to its aging facility. PAWC has committed to using Butler area contractors for the Capital Cost projects and upgrades. BASA's debt of \$49 million will be eliminated utilizing the total proceeds of the sale.

"The authority has a proven record of always putting its customers, employees, and communities first in every decision it makes—and we did that here," Paul Sybert, Chairman of BASA's Board of Directors said. "Now that we have a formal offer from PAWC, we want to give our customers, employees, and community stakeholders an opportunity to learn the benefits of this proposed transaction and seek their input. Their feedback and thoughts on this matter are very important to us."

Under the proposed offer, all employees (union and non-union) would maintain their jobs based on current salaries and collective bargaining agreements. Employees' retirement, pension, and insurance benefits will be substantially similar to what they have now. Finally, customers will have access to PAWC's existing grant and discount programs that support low-income customers.

BASA has been working exclusively with PAWC for months because the utility is familiar with Butler County residents and businesses, and already provides drinking water services to many local municipalities, including the City of Butler, Butler Township, Center Township, Connoquenessing Township, Oakland Township, Penn Township, Summit Township, and East Butler Borough.

The City of Butler and Butler Township, as the sole owners of BASA, will receive the proceeds from this proposed sale. The City of Butler and Butler Township are proposing to use the proceeds of the sale to support essential services for residents, future financial obligations, and various other community improvements that the city and township deem necessary.

"We have said from the beginning that this would be an open and transparent process," Butler Township Commissioner President Dave Zarnick said. "Negotiating terms was only the first step of the process. Not only do we welcome questions from customers about the terms of this agreement, but we also want to talk about how the proceeds of this sale could be used to benefit our local communities. That's an important part of the consideration."

As much as BASA has done to improve its system in recent years, infrastructure challenges require a significant financial commitment to maintain operations and make necessary improvements. Communities

across its coverage area are serviced by an aging sewer system that needs ongoing repairs and upgrades. A private entity like PAWC can handle infrastructure needs more efficiently and effectively since it can spread costs and work over its larger system.

“We have to be realistic about the current state of BASA’s aging facility,” Butler Mayor Bob Dandoy said. “The burden of current repairs is significant. We have done our due diligence researching this issue and speaking to other sewer authorities that sold their facilities. We need to weigh all our options, which includes talking to residents and assessing what the impacts of this proposed offer would mean to our region.”

Additionally, PAWC has agreed to BASA’s terms, which include ensuring that customers will be guaranteed a minimum one-year rate freeze. The rate freeze would take effect upon the day of closing until the later of the one-year anniversary of the closing or Jan. 1, 2025. BASA’s rates are well-below many other sewer authorities across Pennsylvania and have remained arbitrarily low for years. Because of the operational needs that BASA’s facility currently requires, it will implement a rate increase of \$2.50 prior to or on the day the acquisition is finalized. This rate increase is taking place regardless of whether the acquisition occurs because of the extensive upgrades and repairs that BASA’s facility needs. Once this acquisition is finalized, PAWC has guaranteed customers a minimum one-year rate freeze. Currently, BASA can unilaterally raise rates at any time without needing approval from an outside governing agency. If PAWC wants to raise rates on any customers in the future, by law, it must petition the Pennsylvania Public Utility Commission (PUC) and obtain approval to allow rates to be raised—a process that takes approximately nine months.

As part of the agreement, PAWC will also petition the PUC within two years of closing to request approval to initiate a pilot program that will replace or repair customers’ laterals (the pipes that connect homes and businesses to the public sewers to address the stormwater inflow). BASA customers have already experienced costly headaches caused by aging laterals that have failed and damaged their properties. Currently, if a BASA customer’s laterals need to be replaced or repaired, the customer is required to foot the bill. On average, lateral replacements can cost customers \$8,500. If PAWC acquires BASA and the PUC approves the pilot program, it will spread out the costs of these lateral projects and individual customers will not have to face the burden of spending thousands of dollars.

Toward that end, PAWC would also assume all necessary permits to operate the systems and assume all Pennsylvania Department of Environmental Protection (DEP) and U.S. Environmental Protection Agency (EPA) consents and orders related to the systems.

Representatives from BASA, the City of Butler, Butler Township, and PAWC will hold public open houses in the coming weeks so they can hear from and meet directly with customers. For more information about the formal offer and public meeting schedule, please visit www.resources4BASAcustomers.org.

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About the Butler Area Sewer Authority:

BASA serves 14,655 customers over 32.5 square miles, including the city of Butler; Butler and Center townships; East Butler Borough; and parts of Connoquenessing Borough, Summit and Oakland townships, and a small portion of Penn Township. BASA’s area is serviced by more than 230 miles of interceptor sewers, 22 pump stations, and the 10 million gallon per day sewage treatment plant on Litman Road. Learn more at www.BASApa.org.