

BUTLER AREA SEWER AUTHORITY
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www.basapa.org

April 17, 2023

Dear Customer:

As you may be aware, on Oct. 11, 2022, the Butler Area Sewer Authority's (BASA) board of directors voted unanimously to approve a resolution to accept Pennsylvania American Water's offer to purchase the authority's assets. As sole municipal incorporators of BASA, the City of Butler and Butler Township voted to affirm the sale on Oct. 13 and Oct. 17, 2022, respectively.

The decision was made to sell BASA for a few reasons, including that the facilities' infrastructure is aging and needs significant repairs. While our facilities are maintained well, when infrastructure ages and as environmental regulations become increasingly stringent, it becomes very costly to maintain. Pennsylvania American Water has the financial resources and professional expertise needed to operate and provide long-term investments in our wastewater system. Pennsylvania American Water also currently provides water services throughout our region, so many of you have experienced the company's excellent work firsthand.

Important to you as a wastewater customer, Pennsylvania American Water has agreed to adopt and charge BASA's existing rates at the time of the wastewater system sale closing. Additionally, Pennsylvania American Water has agreed not to propose to increase rates until the later of one year from the closing date or Jan. 1, 2025 as part of this acquisition. In Pennsylvania American Water's first base rate case after closing, it will propose to transition billing from a flat rate fee to a metered rate, meaning customers would only be charged based on their metered water usage. While the exact closing date is not known yet, we are committed to providing you with updates as this process continues.

Because Pennsylvania American Water is regulated by the Pennsylvania Public Utility Commission (PUC), any future proposed changes to your wastewater rates after the end of the "rate freeze" or in the future 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 wastewater rates. Unlike Pennsylvania American Water, BASA does not need approval from the PUC to raise rates.

Towards that end, BASA's rates have been kept arbitrarily low for years, lagging in price from other sewer authorities across Pennsylvania. Considering our facilities' immediate operational needs, a \$2.50 per month rate increase will be implemented by BASA before or on the acquisition closing date.

On Feb. 14, 2023, Pennsylvania American Water filed an application with the PUC requesting approval to purchase BASA's assets. As part of the PUC's approval process, Pennsylvania American Water is required to provide certain notices to customers. Included with your monthly water bill should be a copy of the notice that contains a non-binding estimate of potential future rate impacts on your water because of this acquisition.

While this letter contains a non-binding estimate of potential future wastewater rate projections, the reality is that any future increase after the "rate freeze" 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 strongly 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).

Pennsylvania American Water provides water and wastewater services to hundreds of communities throughout the Commonwealth and its team of experts will undoubtedly serve our customers well in the future. To learn more and to stay updated on the latest information about this acquisition process, please visit www.resources4BASAcustomers.org.

Sincerely,

BASA Governing Board of Directors
Paul F. Sybert, Chairman
Fred M. Vero, Vice Chairman
Mavrik W. Goepfert, Treasurer
Lance R. Calvert, Secretary
Steven C. Braden, Assistant Secretary and Treasurer