

BUTLER AREA SEWER AUTHORITY
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February 20, 2023

Dear Customer:

For over 60 years, the Butler Area Sewer Authority (BASA) has provided wastewater services to communities in the Butler area. Throughout our history, we have always prioritized the needs of our customers, employees, and community in our decision-making. As you may be aware, BASA's board of directors voted unanimously to accept Pennsylvania American Water's offer to purchase the authority's wastewater system assets for \$231.5 million on October 11, 2022. Both the City of Butler and Butler Township, **as the sole owners of BASA**, voted to affirm the sale on October 13 and 17, 2022 respectively.

We sent letters on September 13, 2022, and on October 19, 2022, which informed you that BASA had received a formal purchase offer from Pennsylvania American Water and that we had signed an Asset Purchase Agreement with the company. Because we are committed to keeping you updated every step of the way, we write today to inform you that on February 14, 2023, Pennsylvania American Water filed an application with the Pennsylvania Public Utility Commission (PUC) requesting approval to purchase BASA.

Pennsylvania American Water's application filing with the PUC represents the next step in this acquisition process. The PUC regulates mergers and acquisitions as well as rates and services of investor-owned water and wastewater utilities, and the company must receive the regulatory body's approval. Together, BASA, the City of Butler, and Butler Township will play an active role in this process as intervenors and demonstrate to the PUC through facts, information, and testimony on how and why this acquisition benefits customers.

We are confident that upon reviewing Pennsylvania American Water's application and hearing directly from BASA, the City of Butler, and Butler Township, the PUC will conclude that this acquisition serves the best interests of BASA's customers, employees, and our local community.

The decision to sell BASA was made for several reasons. While BASA's facilities are well-maintained, they are older and aging infrastructure becomes increasingly costly to repair. Pennsylvania American Water has the capabilities to make upgrades, operate the facilities and invest long-term in the wastewater system. Additionally, the company has a long and respected history of providing both water and wastewater services to communities across the Commonwealth.

As part of this acquisition, we guaranteed:

- ***Pennsylvania American Water will take on BASA's current list of capital cost projects, totaling over \$75 million in upgrades to its facilities and infrastructure, and will hire Butler-area contractors for the work when possible.***
- ***BASA's approximately \$46.5 million of debt and other liabilities will be eliminated using the total proceeds of the sale.***
- ***BASA's operation center will be maintained for a minimum of 10 years.***
- ***All of BASA's employees, both union and non-union, will keep their jobs with current salaries and retain access to similar retirement and insurance benefits (retirees' pensions are unaffected).***
- ***Pennsylvania American Water agreed to not propose a rate increase for BASA customers until the later of the one-year anniversary of the closing date or Jan. 1, 2025.***

- ***BASA's rates, which have been arbitrarily low for years, will increase by \$2.50 before or on the acquisition closing date.***
- ***Pennsylvania American Water will petition the Public Utility Commission (PUC) for approval to launch a pilot program to replace or repair customers' laterals to address stormwater inflow—potentially eliminating the need for individual customers to pay for lateral repairs which average around \$8,500.***

Our goal has always been to make this acquisition as transparent as possible for our customers, employees, and the local community. Once the PUC begins to review Pennsylvania American Water's application, as well as BASA, the City of Butler, and Butler Township's submitted information in support of the company's application, the regulatory body will set a public input hearing date. Once the PUC schedules the public input hearing date, BASA will share this information with you. We will do this by posting information pertaining to the public input hearing on our website (www.resources4BASAcustomers.org) prior to the hearing date should you decide to participate in it. Notices will also be mailed to all BASA and Pennsylvania American Water customers containing information about the proposed acquisition and what actions customers can take. Any BASA customer or member of the public can choose to provide their perspective on this acquisition, and an Administrative Law Judge (ALJ) will preside over this public input hearing. Historically, the PUC conducts the public input hearing telephonically.

Ultimately, the ALJ will make a recommendation to the PUC, and the regulatory body will then host a public meeting that is available for anyone to watch virtually. The members of the PUC will analyze the recommended decision, deliberate on it, and at the public meeting vote on whether to allow this acquisition to occur.

Officials from BASA, the City of Butler, and Butler Township spent nearly a year thoroughly studying and researching the impact that this acquisition would have on our community. We spoke with other municipalities and sewer authorities that have gone through similar acquisitions with Pennsylvania American Water. Additionally, we engaged directly with BASA customers like you. This included individual conversations, hosting four open houses, sending two letters to customers, as well as developing and maintaining a website where customers could obtain information on this matter and share their opinions with us. Please know that as your neighbors, friends, and individual ratepayers—the decision to sell BASA is not one that we took lightly. We continue to remain steadfast in our position that this acquisition serves the best interests of all of BASA's customers.

As this acquisition moves forward, the process is expected to take anywhere between six to nine months to complete. To stay updated and share your opinion on this matter, 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