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BASA, PA American Water Finalize Sale Agreement

Butler City, Butler Township set to invest \$230 million in sale proceeds for community benefits

BUTLER, Pa. (Oct. 29, 2024) – The Butler Area Sewer Authority (BASA) and Pennsylvania American Water Co. (PAWC) today finalized their \$230 million sale agreement, wrapping up a closely watched deal that promises to deliver a multitude of benefits to customers, residents, the regional economy, and the local environment.

“This has been a monumental effort by so many partners who worked tirelessly to get this deal across the finish line,” Butler Mayor Robert Dandoy said. “Now, we can finally get down to work on investing the proceeds in a way that brings transformational changes to our communities and benefits our residents for years to come.”

Butler and Butler Township will split the proceeds from the \$230 million sale, following the payment of debts and liabilities. Butler and Butler Township were the sole incorporators of BASA and original investors in the wastewater system.

“This is an exciting time,” Butler Township President Commissioner James Lokhaiser Jr. “It’s not often that you’re presented with a such an amazing opportunity like this one. We are so grateful to the residents who engaged with us and shared their ideas to ensure we got the best deal possible. This is the start of something new and big for our communities.”

The agreement is significant because of the many benefits it includes. Among them:

- The original \$231.5 million sales agreement between BASA and PAWC was **adjusted to \$230 million as part of a joint settlement agreement** after public hearings before a Public Utility Commission administrative law judge over the summer. As part of that agreement, **the water company can recoup only \$228 million through customer rates**, meaning the overall cost to be recovered in future rates will be lower, ultimately benefiting customers.
- **PAWC will contribute \$3.5 million, or \$700,000 annually over five years, to the company’s statewide hardship grant program**, which helps low-income families pay

overdue water and wastewater bills in emergencies. The company also will **increase eligibility for hardship grants from 200% to 250% of federal poverty income guidelines.**

- **Customers also will enjoy a minimum one-year rate freeze from the closing date or Jan. 1, 2025**, whichever is later. Following the rate freeze, the company will propose moving BASA customer wastewater rates to only 1.4 times the current system rate or PAWC's proposed Rate Zone 1 system-average wastewater rates, whichever is lower. Any future proposed rate adjustments must undergo thorough governmental review and require PUC approval.
- PAWC will **assume responsibility for BASA's ongoing capital cost projects**, totaling over \$75 million in critical infrastructure upgrades, and will prioritize local contractors for the work whenever possible. **BASA's \$49 million debt will be eliminated entirely**, using the proceeds from the sale.
- BASA's **operation center will be maintained for a minimum of 10 years**, and all current BASA employees, both union and non-union, will **retain their jobs with existing salaries** while continuing to have access to similar retirement and insurance benefits (retirees' pensions will remain unaffected).
- Pennsylvania American Water will petition the PUC to launch a **pilot program aimed at replacing or repairing customers' laterals**, potentially relieving individual customers of the burden of lateral repair costs, which can result in thousands of dollars in savings.

The settlement today comes after the deadline for appeals has passed.

Pennsylvania Commonwealth Court on Sept. 26 dismissed an appeal filed by Center and Summit townships against the sale. In dismissing the case, the judge made clear that both townships had reached an agreement in August 2023, saying that they would not contest the sale, only to reverse course later, and they did so without filing written objections by an Aug. 21, 2023, deadline.

The deadline to appeal Commonwealth Court's decision was Oct. 28.

The Pennsylvania Public Utility Commission (PUC) voted to approve the \$230 million sale agreement between the BASA to PAWC in November 2023. That vote came more than a year after considerable community engagement and public dialogue that culminated in a unanimous settlement agreement guaranteeing significant community benefits and ratepayer protections and the preservation of jobs and benefits for BASA employees.

That unanimous settlement agreement was reached between several key stakeholders, including BASA, PAWC, the Pennsylvania Office of Consumer Advocate, the Pennsylvania

Office of Small Business Advocate, the PUC's Bureau of Investigation and Enforcement,
and Butler and Butler Township.

For more information, please visit www.resources4BASAcustomers.org.

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