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PUC OKs Sale of BASA to PA American Water Co.

\$230 million acquisition promises transformational changes for communities

BUTLER, Pa. (Nov. 9, 2023) – The Pennsylvania Public Utility Commission (PUC) today voted to approve the \$230 million sale agreement between the Butler Area Sewer Authority (BASA) to Pennsylvania American Water Company (PAWC).

The vote comes more than a year after considerable community engagement and public dialogue that culminated in an agreement guaranteeing significant community benefits and ratepayer protections and the preservation of jobs and benefits for BASA employees.

Both BASA and the water company will reach out to residents to provide details that explain the transition of services over the coming weeks, continuing a process that has been marked by transparency and openness from the outset.

“We are grateful to the PUC for its decision and thankful to the many residents who stayed so engaged with us throughout this very public process,” BASA Chairman Paul Sybert said.

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 a transformational moment for our communities. The investments we make from this sale will benefit residents for generations to come,” Butler Mayor Bob Dandoy said.

“We negotiated a plan that serves ratepayers, benefits communities, reduces debt, and promises significant environmental improvements. It’s a win all around --- and we are glad the PUC agreed,” said Dave Zarnick, president of the Butler Township Commissioners.

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 PUC administrative law judge over the summer. Also, 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.

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.

The sales agreement approved by the PUC includes several other important provisions.

As part of the agreement, 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).

Finally, 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.

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

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