



**Elizabeth Rose Triscari**  
Director, Corporate Counsel  
852 Wesley Drive | Mechanicsburg, PA 17055  
Phone: 717-550-1574 | Fax: 717-550-1255  
[elizabeth.triscari@amwater.com](mailto:elizabeth.triscari@amwater.com)

February 17, 2023

**FILED VIA ELECTRONIC FILING**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17105-3265

In re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. § § 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority, (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the City of Butler, and portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland, and Summit, in Butler County, Pennsylvania

**Docket No: A-2022-3037047**

Dear Secretary Chiavetta:

Attached please find an Amendment to the Application of Pennsylvania-American Water Company ("PAWC") for approval to acquire substantially all of the assets, properties and rights related to the wastewater collection and treatment system owned by Butler Area Sewer Authority at the above-referenced docket ("Application"). The Application was originally filed on February 14, 2023.

This Amendment is being filed to amend the following documents:

- 1. Application**
- 2. Appendix A-13 – Response only (not testimony)**
- 3. Appendix A-14 – Direct Testimony of Scott D. Fogelsanger, PAWC Statement No. 1**
- 4. Appendix A-25 – Contracts**

This Amendment is being filed due to PAWC determining that one of the municipal agreements for which the Company initially requested approval of pursuant to Section 507 is unnecessary and will not be assumed by PAWC at closing (**Appendix A-25.4**, December 14, 2005 Service Agreement between

Township of Connoquenessing and Butler Area Sewer Authority for Winterwood Drive Service Area) (necessitating amendments to **Application, Appendix A-14 PAWC Statement No. 1**, and **Appendix A-25**).

Furthermore, it was also discovered that the Mayor of the City of Butler, Robert A. Dandoy's name was misspelled, and those references are being corrected as well (**Application, Appendix A-13** (response only), and **Appendix A-14 PAWC Statement No. 1**).

Finally, copies of this Amendment have been served upon the statutory advocates in accordance with the attached Certificate of Service and in accordance with the Commission's *Final Supplemental Implementation Order* entered February 28, 2019 at Docket No. M-2016-2543193.

Thank you for your attention to this matter. Please do not hesitate to contact me if you have any questions.

Sincerely,



Elizabeth Rose Triscari

cc: All Parties on the Attached Certificate of Service (*via electronic mail*)  
Thomas Wyatt, Esquire (*via electronic mail*)

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. § § 1102(a) and 1329, approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority, (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the City of Butler, and portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland, and Summit, in Butler County, Pennsylvania

Docket No. A-2022-3037047

In re: Application of Pennsylvania-American Water Company under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. § 1329, for approval of the use for ratemaking purposes of the lesser of the fair market value or the negotiated purchase price of the assets related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority

Docket No. A-2023

In re: Petition of Pennsylvania-American Water Company, related to its acquisition of the wastewater collection and treatment system owned by the Butler Area Sewer Authority, for approval under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1329, to (i) collect a distribution system improvement charge, (ii) for book and ratemaking purposes, accrue Allowance for Funds Used During Construction for post-acquisition improvements not recovered through the distribution system improvement charge, (iii) for book and ratemaking purposes, defer depreciation related to post-acquisition improvements not recovered through the distribution system improvement charge, and (iv) include, in its next base rate case, a claim for transaction and closing costs.

Docket No. P-2023

In re: Filing by Pennsylvania-American Water Company under Section 507 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 507, of (i) the Asset Purchase Agreement By and Among Butler Area Sewer Authority and Pennsylvania-American Water Company, and (ii) three agreements with municipal corporations to be assumed by Pennsylvania-American Water Company upon closing of its acquisition of substantially all of the assets related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority

Docket Nos. U-2023-\_\_\_\_\_, *et al.*

**CERTIFICATE OF SERVICE**

I hereby certify that I have this 17<sup>th</sup> day of February served a true copy of the foregoing Amended Application of Pennsylvania-American Water Company regarding the acquisition of the Butler Area Sewer Authority's wastewater treatment, transportation, and distribution facilities upon the parties, listed below and in the manner below in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a party).

**VIA ELECTRONIC MAIL ON FEBRUARY 17, 2023**

Patrick Cicero, Consumer Advocate  
Erin Gannon, Esquire  
Christine Maloni Hoover, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
*(via electronic mail)*

NazAarah Sabree, Small Business Advocate  
Steven Gray, Esquire  
Teresa Wagner, Executive Director  
Office of Small Business Advocate  
555 Walnut Street  
1<sup>st</sup> Floor, Forum Place  
Harrisburg, PA 17101  
*(via electronic mail)*

Allison Curtain Kaster, Esquire  
Erica McLain, Esquire  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
400 North Street, F West  
Harrisburg, PA 17120  
*(via electronic mail – One Drive Link)*

Kevin C. Higgins  
Energy Strategies  
111 East Broadway, Suite 1200  
Salt Lake City, Utah 84111  
*(via electronic mail)*

Sean Donnelly  
Bureau of Technical Utility Services  
Pennsylvania Public Utility Commission  
400 North Street  
Harrisburg, PA 17120  
*(via electronic mail)*

Respectfully submitted,



Elizabeth Rose Triscari, Esquire (PA ID #306921)  
Erin K. Fure, Esquire (PA ID #312245)  
Pennsylvania-American Water Company  
852 Wesley Drive  
Mechanicsburg, PA 17055  
(717) 550-1574  
elizabeth.triscari@amwater.com  
erin.fure@amwater.com

David P. Zambito, Esquire (PA ID #80017)  
Jonathan P. Nase, Esquire (PA ID #44003)  
Cozen O'Connor  
17 North Second Street, Suite 1410  
Harrisburg, PA 17101  
(717) 703-5892  
dzambito@cozen.com  
jnase@cozen.com

**Attorneys for**  
***Pennsylvania-American Water Company***

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. § 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority, (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the City of Butler, and portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland, and Summit, in Butler County, Pennsylvania

Docket No. A-2022-3037047

In re: Application of Pennsylvania-American Water Company under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. § 1329, for approval of the use for ratemaking purposes of the lesser of the fair market value or the negotiated purchase price of the assets related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority

Docket No. A-2023-

In re: Petition of Pennsylvania-American Water Company, related to its acquisition of the wastewater collection and treatment system owned by the Butler Area Sewer Authority, for approval under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1329, to (i) collect a distribution system improvement charge, (ii) for book and ratemaking purposes, accrue Allowance for Funds Used During Construction for post-acquisition improvements not recovered through the distribution system improvement charge, (iii) for book and ratemaking purposes, defer depreciation related to post-acquisition improvements not recovered through the distribution system improvement charge, and (iv) include, in its next base rate case, a claim for transaction and closing costs.

Docket No. P-2023-

In re: Filing by Pennsylvania-American Water Company under Section 507 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 507, of (i) the Asset Purchase Agreement By and Among Butler Area Sewer

Docket Nos. U-2023-\_\_\_\_\_, *et al.*

Authority and Pennsylvania-American Water :  
Company, and (ii) three agreements with municipal :  
corporations to be assumed by Pennsylvania-American :  
Water Company upon closing of its acquisition of :  
substantially all of the assets related to the wastewater :  
collection and treatment system owned by the Butler :  
Area Sewer Authority :

**TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION:**

1. Pennsylvania-American Water Company (“PAWC” or “Applicant”) hereby respectfully requests that the Pennsylvania Public Utility Commission (“Commission”) issue such Certificates of Public Convenience as necessary to evidence its approval under Section 1102(a) of the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. § 1102(a), of: (a) the transfer, by sale of substantially all of the assets, properties and rights related to the wastewater collection and treatment system (the “System”) owned by the Butler Area Sewer Authority (“BASA” or “Authority”) to PAWC; (b) PAWC’s right to begin to offer, render, furnish and supply wastewater service in the areas served by the System in the City of Butler, portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland, and Summit, in Butler County, Pennsylvania (hereinafter the “Service Area”) and (c) PAWC’s right to make effective upon closing the *pro forma* tariff supplement attached hereto as **Appendix A-12**.

2. PAWC also respectfully requests that the Commission approve, pursuant to Code Section 1329, 66 Pa. C.S. § 1329: (a) the use for ratemaking purposes of the lesser of the fair market value or the negotiated purchase price of BASA’s assets related to the System;<sup>1</sup> (b) the collection of a distribution system improvement charge (“DSIC”) related to the System prior to the first base rate case in which the System plant-in-service is incorporated into rate base; (c) to record

---

<sup>1</sup> PAWC reserves its right in future proceedings to make rate base claims related to the acquisition as may otherwise be permitted under the Code.

the acquisition at the net value of the assets, (d) the accrual of Allowance for Funds Used During Construction (“AFUDC”) for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; (e) the deferral of depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; and (f) the inclusion, in its next base rate case, of a claim for transaction and closing costs related to the acquisition. Attached hereto as **Appendix A** is the Commission’s current “66 Pa. C.S. § 1329 Application Filing Checklist - Water/Wastewater (Revised February 28, 2019)” (“Section 1329 Checklist”), Appendix A to the Commission’s Final Supplemental Implementation Order in *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 (Order entered February 28, 2019) (“*Final Supplemental Implementation Order*”). For the ease of reference and review, the sub-appendices to **Appendix A** (such as **Appendix A-1**, **Appendix A-2**, etc.) correspond directly with the filing requirements listed in the Commission’s Section 1329 Checklist. Certain appendices contain proprietary information and are, accordingly, labeled as **CONFIDENTIAL** and filed with the Commission’s Secretary under seal.

3. PAWC further requests, pursuant to Code Section 507, 66 Pa. C.S. § 507, the issuance of Certificates of Filing or approvals for the following agreements between PAWC and a municipal corporation:

- a. Asset Purchase Agreement By and Between Butler Area Sewer Authority, as Seller, and Pennsylvania-American Water Company, as Buyer, Dated as of October 11, 2022 (attached hereto as **Appendix A-24-a**) (the “APA”);
- b. Water Pollution Control Agreement for Central Butler County between City of Butler, Township of Butler, Township of Center, Township of Summit, Borough of East Butler, Deshon Area Sanitary Disposal and Sewer Authority, East Butler Borough Sewer Authority, East Butler Borough Sewer Authority,

Meridian Water and Sewer Authority, Municipal Water and Sewer Authority of Center Township and Butler Area Sewer Authority (“BASA”) dated as of February 20, 1974 (attached hereto as **Appendix A-25.1**);

c. Service Agreement between The Township of Oakland and Butler Area Sewer Authority for the Service Area along Route 38 dated March 7, 1994 (attached hereto as **Appendix A-25.2**);

d. Service Agreement between the Township of Connoquenessing and Butler Area Sewer Authority for Cupps Road Service Area dated April 3, 1995 (attached hereto as **Appendix A-25.3**).

The aforementioned agreements are referred collectively herein as the “Section 507 Agreements.”

4. The name and address of the Applicant is:

Pennsylvania-American Water Company  
852 Wesley Drive  
Mechanicsburg, PA 17055

5. The names and addresses of PAWC’s attorneys are:

Elizabeth Rose Triscari, Esquire  
Erin K. Fure, Esquire  
Pennsylvania-American Water Company  
852 Wesley Drive  
Mechanicsburg, PA 17055  
Telephone: 717-550-1574  
Email: elizabeth.triscari@amwater.com  
erin.fure@amwater.com

David P. Zambito Esquire  
Jonathan P. Nase, Esquire  
Cozen O’Connor  
17 North Second Street, Suite 1410  
Harrisburg, PA 17101  
Telephone: 717-703-5892  
Email: dzambito@cozen.com  
jnase@cozen.com

6. PAWC is a regulated public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania, and is engaged in the business of collecting, treating, storing, supplying, distributing and selling water to the public, and collecting, treating, transporting and disposing of wastewater for the public. Water and wastewater service are furnished by PAWC to the public in a service territory encompassing more than 417 communities in 37 counties across the Commonwealth, including Butler County and the nearby counties of Lawrence, Beaver, Clarion and Allegheny. PAWC serves a combined population of over 2,300,000. A description of PAWC's existing certificated water and wastewater service territory is found in **Appendix B**, along with a detailed corporate history, outlining all of the mergers, acquisitions and consolidations, which have created PAWC as it exists on the date of this Application.

7. BASA is a municipal authority organized and existing under the Pennsylvania Municipality Authorities Act in the Commonwealth of Pennsylvania, with its offices located at 100 Litman Road, Butler, PA 16001. BASA was created by the City of Butler (the "City") and the Township of Butler (the "Township") in 1962 under the Pennsylvania Municipality Authorities Act of 1945. BASA owns and operates the System to provide wastewater service to customers throughout the Service Area.

8. As of January 23, 2023, BASA furnishes wastewater service to 14,792 active residential, commercial, industrial and public customers in the span of its Service Area consisting of approximately 27.4 square miles.

9. As of January 31, 2023, PAWC furnished wastewater service to approximately 97,305 residential, commercial, industrial, municipal and bulk customers in Pennsylvania. As of January 31, 2023, PAWC furnished water service to approximately 679,777 residential, commercial, industrial, municipal and bulk customers in Pennsylvania.

10. The completion of the below-defined Transaction will confer benefits upon the long-

term financial health of the City and the Township, while ensuring that BASA’s existing customers receive safe, adequate, and reliable wastewater service at just and reasonable rates.

**A. TRANSFER, BY SALE, OF ALL OF BASA’S ASSETS, PROPERTIES AND RIGHTS RELATED TO THE SYSTEM TO PAWC (OTHER THAN THE EXCLUDED ASSETS)**

**Summary of the Transaction**

11. On October 11, 2022, BASA entered into the APA, along with detailed schedules, with PAWC to sell all of BASA’s assets, properties and rights relating to the System (other than the Excluded Assets, as defined by the APA) (the “Transaction”).

12. The Transaction will be completed in accordance with the APA.

13. Among other things, the APA: (i) requires PAWC and BASA to complete the Transaction after receipt of all governmental approvals (including from this Commission) and the satisfaction of all conditions precedent; (ii) requires PAWC to assume certain contracts; (iii) requires PAWC initially to adopt the rates in effect at the time of closing of the Transaction (“Closing”) (see *pro forma* tariff supplement attached hereto as **Appendix A-12**); and, (iv) sets forth rates for the Service Area that will be fair to both BASA’s current customers and PAWC’s current customers.<sup>2</sup>

**Applicable Legal Standards**

14. Under Code Section 1103, the Joint Applicants must demonstrate that PAWC is legally, technically, and financially fit. *Seaboard Tank Lines v. Pa. Pub. Util. Comm’n*, 502 A.2d 762, 764 (Pa. Cmwlth. 1985); *Warminster Township Mun. Auth. V. Pa. Pub. Util. Comm’n*, 138 A.2d 240, 243 (Pa. Super. 1958). As a currently certificated public utility, PAWC’s fitness is

---

<sup>2</sup> The rate commitments set forth in the APA do not fall within the definition of a “rate stabilization plan” as defined by 66 Pa. C.S. § 1329. See Direct Testimony of Ashley E. Everette, **Appendix A-14-a**, PAWC St. No. 3.

presumed by law to be continuing. *See, e.g., South Hills Movers, Inc. v. Pa. Pub. Util. Comm'n*, 601 A.2d 1308, 1310 (Pa. Cmwlth. 1992).

15. The Commission may issue a certificate of public convenience upon a finding that “the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public.” 66 Pa. C.S. § 1103(a). Ownership and operation of the System by PAWC will “affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way.” *City of York v. Pa. Pub. Util. Comm'n*, 449 Pa. 136, 151, 295 A.2d 825, 828 (1972). The “substantial public interest” standard is satisfied by a simple preponderance of the evidence of benefits. *Popowsky v. Pa. Pub. Util. Comm'n*, 594 Pa. 583, 611, 937 A.2d 1040, 1057 (2007).

16. Code Section 1329 establishes a voluntary process whereby the acquiring public utility and the selling municipality may choose to have the fair market value of the assets established through independent appraisals conducted by Utility Valuation Experts (“UVEs”). For ratemaking purposes, the valuation will be the lesser of the average of the two appraisals or the negotiated purchase price. 66 Pa. C.S. § 1329.

17. Code Section 1329 also allows, as a matter of law, the acquiring public utility, *inter alia*, (i) to collect a DSIC for the Service Area prior to the first base rate case in which the Service Area plant-in-service is incorporated into rate base,<sup>3</sup> (ii) to accrue AFUDC for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes, (iii) to defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes, and (iv) to include, in its next base rate case, a claim for transaction and closing costs associated with the acquisition. In order to obtain this ratemaking treatment, the

---

<sup>3</sup> Before doing so, however, PAWC would need to file and receive Commission approval of, an amended Long Term Infrastructure Improvement Plan and a compliance tariff supplement, which incorporate the Service Area into PAWC’s DSIC tariff.

acquiring public utility must produce certain documents and information as required by the Commission in the context of a future base rate proceeding. 66 Pa. C.S. § 1329; *see Final Supplemental Implementation Order*.

18. Code Section 507, 66 Pa. C.S. § 507, requires that contracts between a public utility and a municipal corporation, except for contracts to furnish service at a regular tariffed rate, be filed with the Commission at least 30 days before the effective date of the contract. The Commission acknowledges the contract by issuing a certificate of filing unless it decides to institute proceedings to determine whether there are any issues with the reasonableness, legality, or any other matter affecting the validity of the contract. Should the Commission initiate proceedings, the contract or agreement is not effective until the Commission grants its approval. 66 Pa. C.S. § 507.

#### **Background Financial Information**

19. Attached hereto is BASA's balance sheet as of July 31, 2022 (**Appendix C**) and PAWC's audited balance sheet as of December 31, 2021 (**Appendix D**).

20. Attached hereto is BASA's audited income statement for the 12 months ended July 31, 2022 (**Appendix E**), and PAWC's audited income statement for the 12 months ended December 31, 2021 (**Appendix F**).

21. All the annual reports, tariffs, certificates of public convenience, applications, securities certificates and similar documents filed with this Commission by PAWC, and its predecessors are made a part hereof by reference.

#### **Terms and Impact of the Transaction**

22. As noted above, this Application seeks, among other things, approval of the transfer to PAWC of substantially all of the assets, properties and rights related to the System (other than the Excluded Assets, as defined by the APA) (**Appendix A-24-a**).

23. PAWC and BASA are not affiliated with each other.
24. The Transaction is, and was negotiated, at arm's length.
25. Attached hereto as **Appendix G** is a *pro forma* balance sheet of PAWC as of December 31, 2021, giving effect to the transfer.<sup>4</sup>
26. Attached hereto as **Appendix H** is a *pro forma* consolidated income statement of PAWC and BASA for the 12 months as of December 31, 2021.<sup>5</sup>
27. Attached hereto as **Appendix I** is a verification by the Secretary of PAWC verifying that the Board of Directors of PAWC authorized the execution of the APA.
28. Attached hereto as **Appendix J** is a copy of BASA's Board of Directors Resolution No. 10-11-2022 approving the execution of an asset purchase agreement for the sale of the wastewater system assets including the execution of the APA.
29. Attached hereto as **Appendix K** is an estimate of PAWC's revenues and expenses in the new service area during the first year after closing.

**Transaction's Effect on Service and Rates and Other Affirmative Benefits**

30. The Transaction is in the public interest, will provide affirmative public benefits of a substantial nature, and satisfies the applicable standard of Code Section 1103, 66 Pa. C.S. § 1103, because the benefits of the Transaction outweigh the detriments for all major stakeholder groups: (a) the public-at-large, (b) the Authority, the City and the Township; (c) the existing customers of BASA, (d) the existing wastewater customers of PAWC, and (e) the existing water customers of PAWC.

---

<sup>4</sup> The timing difference in restating the Butler Area Sewer Authority's financial statements to December 31, 2021 is assumed by PAWC to be immaterial.

<sup>5</sup> The timing difference in restating the Butler Area Sewer Authority's financial statements to December 31, 2021 is assumed by PAWC to be immaterial.

31. The Transaction will benefit the public-at-large, for the following reasons (among others):

- a. The Transaction promotes the Commission’s policy favoring regionalization and consolidation of water and wastewater systems. 52 Pa. Code § 69.721(a).
- b. The Transaction promotes the Legislature’s policy goals when it enacted Section 1329.
- c. Due to its greater financial resources and greater depth of experience in managing wastewater systems, PAWC is in a better position than BASA to address the System’s existing environmental challenges and to maintain environmental compliance in the future. PAWC has a good record of complying with applicable environmental statutes and regulations. Improved environmental compliance will promote the rights of all Pennsylvanians, which are protected by the Environmental Rights Amendment. PA. CONST. Art. 1, § 27.

32. The Transaction will benefit the Authority, the City and the Township for the following reasons (among others):

- a. The Authority will eliminate all of its current debt (approximately \$40.6 million), allowing it to save thousands of dollars in interest payments. The City and the Township will receive the remaining proceeds once BASA’s debt is paid and the Authority is dissolved, affording them: greater financial stability, the opportunity to eliminate debt, flexibility in spending on other public benefits without increasing residents’ taxes, local development opportunities, including reinvigorating the City’s downtown area, and mitigation against the risk of future revenue shortfalls.
- b. PAWC is the water service provider in the area. It will evaluate needed infrastructure upgrades holistically from both the water and wastewater perspectives, and can plan water distribution system improvements and sewer system rehabilitation projects together when feasible, reducing the number of street openings, lessening the inconvenience to the public, and lowering overall construction and restoration costs.
- c. PAWC will retain all active employees of the System. This was important to the City and the Township.
- d. PAWC will award contracts for development projects to local contractors, to the extent feasible, and will maintain an operations center at BASA’s current headquarters for at least ten years.

- e. The City and the Township will receive additional tax revenues because the System will be subject to tax after Closing. In addition, PAWC will improve the System, which will promote economic development in the area, further enhancing tax revenues to the City and the Township.

33. The Transaction will benefit the existing customers of BASA for the following reasons (among others):

- a. The existing customers of BASA are members of the public-at-large, and so will enjoy the same benefits from the Transaction as all other members of the public-at-large.
- b. BASA customers will become part of a very large PAWC customer base. As a stand-alone system, BASA customers would have to bear the complete burden of impending capital improvement needs on their own. As part of a larger customer base, BASA customers will benefit at times but also be required to contribute to other customers at times. The sharing of costs over an extended period of time is a benefit of regionalization and consolidation of wastewater systems in the Commonwealth.
- c. Customers will receive service from a financially, legally and technically fit public utility, subject to the regulatory oversight of the Commission. Customers will now be able to receive assistance from the Office of Consumer Advocate, the Office of Small Business Advocate, and the Bureau of Investigation and Enforcement with service and rate issues.
- d. Pursuant to the APA, PAWC will not propose a rate increase for at least one year after Closing.
- e. Pursuant to the APA, PAWC will use commercially reasonable efforts to develop a pilot program for a customer-owned damaged wastewater sewer lateral pilot program, subject to Commission approval.
- f. PAWC has more robust cyber security, physical security, business continuity and emergency plans than does BASA.
- g. Customers can make service calls to PAWC's customer call centers at hours when BASA's office is closed, and can request service via the internet, which BASA does not offer.
- h. In the first base rate case that includes the System, PAWC will request Commission approval to move customers to a metered rate, rather than a flat fee, which encourages conservation.
- i. PAWC has more robust customer assistance programs and customer education programs. PAWC also offers a wider range of bill payment options than does BASA.

- j. PAWC must comply with the Responsible Utility Customer Protection Act, and the Commission's regulations at 52 Pa. Code Chapter 56, whereas BASA is not subject to this statute and regulations.
  - k. BASA's existing customers will enjoy the economies of scale that come from PAWC's greater size and purchasing power, including its ability to obtain goods and services at lower costs because it buys in large quantities.
34. The Transaction will benefit the existing wastewater customers of PAWC for the following reasons (among others):
- a. PAWC's existing wastewater customers are members of the public-at-large, and so will enjoy the same benefits from the Transaction as all other members of the public-at-large.
  - b. The Transaction will have no immediate rate impact on PAWC's existing wastewater customers; any impacts on the rates of PAWC's existing customers would occur only upon Commission approval as part of a base rate proceeding.
  - c. The Transaction will add approximately 14,792 wastewater customers to PAWC's existing wastewater customer base of approximately 97,305 customers (or an increase of more than 15%). In the long term, this will benefit existing wastewater customers by spreading the costs of the System among a larger number of customers, allowing all customers to share future infrastructure and other expenses, which permits rates for all customers to remain just and reasonable over time. It also promotes rate stability because ratepayers in any particular wastewater system are unlikely to experience sharp rate spikes when their individual system requires extensive capital investments.
35. The Transaction will benefit the existing water customers of PAWC for the following reasons (among others):
- a. The existing water customers of PAWC are members of the public-at-large, and so will enjoy the same benefits from the Transaction as all other members of the public-at-large.
  - b. The Transaction will have no immediate rate impact on PAWC's existing water customers.
  - c. In the long term, the Transaction will have no impact at all on the rates of PAWC's existing water customers unless, in a future rate case, the Commission determines that an allocation of PAWC's wastewater requirement to water customers is in the public interest.

**B. THE RIGHTS OF PAWC TO OFFER OR FURNISH WASTEWATER SERVICE TO THE PUBLIC IN THE CITY OF BUTLER, AND PORTIONS OF THE BOROUGH OF EAST BUTLER, AND PORTIONS OF THE TOWNSHIPS OF BUTLER, CENTER, CONNOQUENESSING, OAKLAND, AND SUMMIT, IN BUTLER COUNTY, PENNSYLVANIA**

36. BASA provides wastewater service to 14,792 active customers in the Service Area.

37. The System's Service Area is the same as PAWC's applied-for service territory and is shown on the maps in **Appendix A-16-a through A-16-f (Appendix A-16-f is CONFIDENTIAL)** and is further described in that appendix. The applied-for service area will be consistent with the Act 537 Service Area for BASA and the surrounding municipalities when the Act 537 Plan is updated to reflect the change in ownership of the System. This Act 537 Plan Update, including the service area map, will be adopted by all the effected municipalities and approved by DEP prior to Closing.

38. No corporation, partnership or individual other than BASA is now furnishing or has corporate or franchise rights to furnish service similar to that to be rendered by PAWC in the territory covered by this Application, and no competitive condition will be created. As part of this Application, PAWC has requested approval to acquire, by purchase, substantially all of the assets, properties and rights related to the wastewater collection and treatment (other than the Excluded Assets, as set forth in the APA). Upon closing of the Transaction, BASA will permanently discontinue all wastewater service to the public and BASA will be disbanded.

**C. FAIR MARKET VALUATION UNDER CODE SECTION 1329**

39. **Appendix A** and related Section 1329 Checklist appendices satisfy the filing requirements of Code Section 1329, the *Final Supplemental Implementation Order*, and the Section 1329 Checklist. The Section 1329 appendices correspond directly with the numbered requirements

of the Section 1329 Checklist (e.g., **Appendix A-1** (Requirement No. 1), **Appendix A-2** (Requirement No. 2), etc.).

40. The fair market valuation reports of the seller's and buyer's UVEs are contained in **Appendix A-5** (with electronic working documents included at **Appendix A-4** as **Appendix A-4.2 (Weinert Appraisal and Depreciation Service, LLC)** and **Appendix A-4.3 (Gannett Fleming Valuation and Rate Consultants, LLC)**). Buyer's UVE's written direct testimony in support of its report is set forth in **Appendix A-14-b**.<sup>6</sup>

41. PAWC's other written direct testimony in support of this Application can be found in **Appendix A-14-a**.

42. As PAWC has strictly followed the requirements of Code Section 1329, the *Final Supplemental Implementation Order*, and the Section 1329 Checklist, PAWC should be permitted to: (a) use for ratemaking purposes the lesser of the fair market value or the negotiated purchase price of the assets related to the System; (b) collect a DSIC related to the Service Area prior to the first base rate case in which the Service Area plant-in-service is incorporated into rate base, (c) accrue AFUDC for post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; (d) defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes; and, (e) include, in its next base rate case, a claim for transaction and closing costs related to the acquisition.

43. PAWC seeks approval to record the \$231,500,000 net value of the assets on its books. Specifically, PAWC requests to record the acquisition on a net basis consistent with

---

<sup>6</sup> PAWC is submitting direct testimony of BASA's UVE and four other pieces of testimony by Paul F. Sybert, Chairman of the Board of BASA, Duane McKee, Executive Director of BASA, Dave Zarnick, President of the Board of Commissioners for the Township of Butler and Robert A. Dandoy, Mayor of the City of Butler. These five pieces of Direct Testimony are being submitted as directed by the *Final Supplemental Implementation Order*. PAWC's submission of this testimony should not be considered support for or sponsorship of such testimony. PAWC anticipates that BASA, the City and the Township will intervene in this matter and will sponsor their respective direct testimony and exhibits. PAWC reserves its right to submit rebuttal testimony regarding the testimony of BASA, the City, and the Township as appropriate.

generally accepted accounting principles, which advise that property, plant and equipment acquired in a business combination intended to be held and used should be recognized and measured at fair value, and that the accumulated depreciation of the acquiree is not carried forward in a business combination (*i.e.*, net presentation). Recording the acquisition at the net value of the assets is consistent with Section 1329.

**D. FILING OF CONTRACTS PURSUANT TO CODE SECTION 507**

44. The APA, because it is between PAWC and a municipal corporation, is required to be filed with the Commission under 66 Pa. C.S. § 507. The APA is attached hereto as **Appendix A-24-a**. In addition, contracts between BASA and certain municipal corporations will be assumed by PAWC upon Closing. The Section 507 Agreements are listed on **Appendix A-25** and attached hereto as **Appendices A-25.1 through A-25.3**. The municipal agreements are reasonable and otherwise lawful. Assumption of the agreements by PAWC is necessary for PAWC to abide by the existing contractual arrangements of BASA and in order for PAWC to provide safe, adequate, and reasonable service to the Service Area customers at just and reasonable rates. Assumption of the agreements will also allow PAWC to provide the same treatment services to surrounding municipalities that BASA historically provided. The surrounding municipalities are dependent upon such wastewater treatment service for the convenience of their consumers. Accordingly, the Commission should issue Certificates of Filing or otherwise approve the Section 507 Agreements under 66 Pa. C.S. § 507.

**E. NOTICE**

45. As evidenced by the Certificate of Service accompanying this Application, PAWC is serving copies of this filing electronically by emailing a One Drive link to the Office of Consumer Advocate, the Office of Small Business Advocate, and the Commission's Bureau of Investigation and Enforcement. Once the Application is reviewed and conditionally accepted by Commission

Staff, PAWC will serve copies of the Application upon the municipal entities required to be provided with copies by the Commission's regulations at 52 Pa. Code § 3.501(f) and by the Section 1329 Checklist and upon the Pennsylvania Department of Environmental Protection ("DEP") Central Office and Northwestern Regional Office. Similarly, notice will be published in local newspapers of general circulation.

46. Upon receiving conditional acceptance of this filing by the Commission, PAWC will provide individual notice to its customers by bill insert or bill onsert and to BASA's customers by direct mail, in substantial compliance with the settlement in *Application of Pennsylvania-American Water Company Pursuant to Sections 1102 and 1329 of the Public Utility Code for Approval of its Acquisition of the Water System Assets of the Steelton Borough Authority*, Docket No. A-2019-3006889 (Order entered October 3, 2019).<sup>7</sup> PAWC will verify to the Commission when individual notice to affected customers has been completed and ask that the filing be finally accepted.

47. Upon final acceptance of this filing, PAWC respectfully requests that the Commission publish notice of this filing in the Pennsylvania Bulletin as soon as possible, with a reasonable deadline for the filing of protests, interventions, etc. in this proceeding.

#### **F. CONCLUSION AND REQUEST FOR RELIEF**

WHEREFORE, Pennsylvania-American Water Company respectfully requests that the Pennsylvania Public Utility Commission approve the Application and order that:

(a) such Certificates of Public Convenience be issued as necessary to evidence its approval under 66 Pa. C.S. § 1102(a) of (i) the transfer, by sale, of substantially all of the assets, properties and rights related to the wastewater collection and treatment system owned by BASA to Pennsylvania-American Water Company, and (ii) the right of Pennsylvania-American Water

---

<sup>7</sup> See Direct Testimony of Ashley E. Everette, **Appendix A-14-a**, PAWC Statement No. 3. at pp. 12-13

Company to begin to offer, render, furnish and supply wastewater service in the areas served by the wastewater collection and treatment system owned by BASA;

(b) the *pro forma* tariff supplement attached hereto as **Appendix A-12**, including all rates, rules and regulations regarding conditions of Pennsylvania-American Water Company's wastewater service as revised herein, be permitted to become effective immediately upon closing of the Transaction;

(c) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to use for ratemaking purposes the lesser of the fair market value or the negotiated purchase price of the assets purchased pursuant to the Transaction;

(d) pursuant to 66 Pa. C.S. § 1702, Pennsylvania-American Water Company be permitted to record the acquisition at the net value of the assets;

(e) pursuant to 66 Pa. C.S. 1329, Pennsylvania-American Water Company be permitted to collect a distribution system improvement charge prior to the first base rate case in which the Service Area plant-in-service is incorporated into rate base:

(f) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to accrue Allowance for Funds Used During Construction for post-acquisition improvements not recovered through the distribution system improvement charge for book and ratemaking purposes;

(g) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes;

(h) pursuant to 66 Pa. C.S. § 1329, Pennsylvania-American Water Company be permitted to include, in its next base rate case, a claim for transaction and closing costs associated with the acquisition of the System;

(i) pursuant to 66 Pa. C.S. § 507, a Certificate of Filing or approvals be issued for the following agreements between Pennsylvania-American Water Company and a municipal corporation:

- i. Asset Purchase Agreement By and Among Butler Area Sewer Authority, as Seller, and Pennsylvania-American Water Company, as Buyer, Dated as of October 11, 2022 (attached hereto as **Appendix A-24-a**);
- ii. Water Pollution Control Agreement for Central Butler County between City of Butler, Township of Butler, Township of Center, Township of Summit, Borough of East Butler, Deshon Area Sanitary Disposal and Sewer Authority, East Butler Borough Sewer Authority, East Butler Borough Sewer Authority, Meridian Water and Sewer Authority, Municipal Water and Sewer Authority of Center Township and Butler Area Sewer Authority dated as of February 20, 1974 (attached hereto as **Appendix A-25.1**);
- iii. Service Agreement between the Township of Oakland and Butler Area Sewer Authority for the Service Area along Route 38 dated March 7, 1994 (attached hereto as **Appendix A-25.2**);
- iv. Service Agreement between the Township of Connoquenessing and Butler Area Sewer Authority for Cupps Road Service Area dated April 3, 1995 (attached hereto as **Appendix A-25.3**).

(j) the issuance of any other approvals or certificates appropriate, customary, or necessary under the Code to carry out the Transaction contemplated in this Application in a lawful manner.

Respectfully submitted,



Elizabeth Rose Triscari, Esquire (PA ID #306921)  
Erin K. Fure, Esquire (PA ID #312245)  
Pennsylvania-American Water Company  
852 Wesley Drive  
Mechanicsburg, PA 17055  
(717) 550-1574  
Email: [elizabeth.triscari@amwater.com](mailto:elizabeth.triscari@amwater.com)  
[erin.fure@amwater.com](mailto:erin.fure@amwater.com)

David P. Zambito, Esquire (PA ID #80017)  
Jonathan P. Nase, Esquire (PA ID #44003)  
Cozen O'Connor  
17 North Second Street, Suite 1410  
Harrisburg, PA 17101  
Phone: (717) 703-5892  
Email: [dzambito@cozen.com](mailto:dzambito@cozen.com)  
[jnase@cozen.com](mailto:jnase@cozen.com)

Dated: February 17, 2023

**Attorneys for**  
***Pennsylvania-American Water Company***

**AMENDED APPENDIX A-13**  
**(COVER SHEET ONLY)**

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of Butler Area Sewer Authority (“BASA”)**

**66 Pa. C.S. § 1329**

**Application Filing Checklist – Water/Wastewater**

**Docket No. A-2022-3037047**

13. Seller Testimony

- a. Provide seller direct testimony supporting the application, if any.
- b. Provide seller UVE direct testimony.

**Amended Response:**

- a. See enclosed the direct testimonies of Butler Area Sewer Authority, witnesses as follows:
  - i. Direct Testimony of Duane McKee, Executive Director, Butler Area Sewer Authority, **Butler Area Sewer Authority Statement No. 1.**
  - ii. Direct Testimony of Paul F. Sybert, Chairman of the Board, Butler Area Sewer Authority, **Butler Area Sewer Authority Statement No. 2.**
  - iii. Direct Testimony of David Zarnick, President of the Board of Commissioners, Township of Butler, **Township of Butler Statement No. 1.**
  - iv. Direct Testimony of Robert A. Dandoy, Mayor, City of Butler, **City of Butler Statement No. 1.**
- b. See enclosed Direct Testimony of Harold Walker III, Manager, Financial Studies Gannett Fleming Valuation and Rate Consultants, LLC on behalf of Butler Area Sewer Authority, **Butler Area Sewer Authority Statement No. 3.**

**AMENDED APPENDIX A-14**

**PAWC STATEMENT 1 – FOGELSANGER**

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of Butler Area Sewer Authority (“BASA”)**

**66 Pa. C.S. § 1329**

**Application Filing Checklist – Water/Wastewater**

**Docket No. A-2022-3037047**

14. Buyer Testimony:
- a. Provide buyer direct testimony supporting the application.
  - b. Provide buyer UVE direct testimony.

**AMENDED RESPONSE:**

- a. See enclosed the direct testimonies of PAWC witnesses as follows:
  - i. Amended Direct Testimony of Scott D. Folgelsanger Senior Manager of Business Development, Pennsylvania-American Water Company, **PAWC Statement No. 1.**
  - ii. Direct Testimony of Daniel J. Hufton, Engineering Manager, Pennsylvania-American Water Company, **PAWC Statement No. 2.**
  - iii. Direct Testimony of Ashley E. Everette, Senior Director of Rates and Regulatory, American Water Works Service Company, on behalf of Pennsylvania-American Water Company, **PAWC Statement No. 3.**
- b. See enclosed Direct Testimony of Utility Valuation Expert, Jerome C. Weinert, P.E., Principal and Director for WAD Consultants, Inc. on behalf of Pennsylvania-American Water Company Utility, **PAWC Statement No. 4.**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :  
Company under Sections 1102(a) and 1329 of the :  
Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) :  
and 1329, for approval of (1) the transfer, by sale, to :  
Pennsylvania-American Water Company, of substantially : Docket Nos. A-2022- 3037047  
all of the assets, properties and rights related to the : *et al.*  
wastewater collection and treatment system owned by the :  
Butler Area Sewer Authority, (2) the rights of :  
Pennsylvania-American Water Company to begin to offer :  
or furnish wastewater service to the public in the City of :  
Butler, portions of the Borough of East Butler, and portions :  
of the Townships of Butler, Center, Connoquenessing, :  
Oakland, Penn and Summit, in Butler County, Pennsylvania:

---

**AMENDED DIRECT TESTIMONY OF  
SCOTT D. FOGELSANGER ON BEHALF OF  
PENNSYLVANIA-AMERICAN WATER COMPANY**

---

Date: February 17, 2023

PAWC Statement No. 1

**DIRECT TESTIMONY OF  
SCOTT D. FOGELSANGER**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 **A.** My name is Scott D. Fogelsanger, and my business address is 852 Wesley Drive,  
3 Mechanicsburg, PA 17011.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A.** I am employed by Pennsylvania-American Water Company (“PAWC” or the “Company”)  
7 as Senior Manager of Business Development.

8

9 **Q. WHAT ARE YOUR RESPONSIBILITIES AS SENIOR MANAGER OF BUSINESS**  
10 **DEVELOPMENT?**

11 **A.** I develop and maintain necessary contacts to stay abreast of new business opportunities.  
12 I manage the acquisition from initial contact, responding to Requests for Qualifications,  
13 Requests for Proposals, Requests for Bids, preparation of the Application for submission  
14 to the Pennsylvania Public Utility Commission (“Commission”) and manage the  
15 workflows required to close the acquisition. These responsibilities necessitate that I  
16 maintain a working knowledge of regulatory and technical developments, new  
17 technologies and current trends as they affect the water and wastewater utility industries,  
18 and that I be familiar with legislation, regulations and public policy affecting business  
19 opportunities.

1 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EDUCATION AND EXPERIENCE.**

2 **A.** I received a Bachelor of Science in Business Administration (B.S.B.A.) degree in  
3 Accounting from Shippensburg University in May of 1987. My experience in the  
4 waterworks industry began in September 1987 when I started as a Financial Analyst at  
5 AUS Consultants, Inc. During my 25 years at AUS Consultants, I received various  
6 promotions to Senior Analyst, Vice President and Principal. I was responsible for  
7 preparing various studies and testifying in the disciplines of cost of service, tariff design,  
8 bill frequency analysis, rate case preparation, original cost, and depreciation. My clients  
9 were investor-owned and municipal utilities in chilled water, electric, gas, steam,  
10 telephone, water, and wastewater industries. In May 2013, I started employment at PAWC  
11 as Senior Manager of Business Development.

12  
13 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**  
14 **PUBLIC UTILITY COMMISSION?**

15 **A.** Yes, I have. A listing of testimony rendered is included as **PAWC Exhibit SDF-1.**

16

17 **DESCRIPTION OF THE APPLICATION**

18 **Q. HAS PAWC FILED AN APPLICATION WITH THE COMMISSION FOR**  
19 **REGULATORY APPROVAL TO ACQUIRE THE WASTEWATER SYSTEM**  
20 **OWNED BY THE BUTLER AREA SEWER AUTHORITY (“BASA”) AND**  
21 **RELATED APPROVALS?**

1 A. Yes. PAWC filed its Application on February 14, 2023 for approval of PAWC's  
2 acquisition of BASA's wastewater collection and treatment system (the "System"). I will  
3 refer to the acquisition in my testimony as the "Transaction."

4 The Application was prepared and filed under my direct supervision. As indicated  
5 in my Verification attached to the Application, the Application and its numerous  
6 appendices are true and correct to the best of my knowledge, information, and belief. We  
7 used PAWC records, as well as BASA records, to prepare the Application. For purposes  
8 of having a complete evidentiary record in this proceeding upon which the Commission  
9 can base its decision, I submit the Application and all of its appendices (Appendices A  
10 through K) as **PAWC Exhibit No. SDF-2**.

11  
12 **Q. WHAT IS PAWC SEEKING IN ITS APPLICATION?**

13 A. There are four requests. First, PAWC is requesting approval of the acquisition under  
14 Section 1102 of the Pennsylvania Public Utility Code ("Code"), 66 Pa. C.S. § 1102, similar  
15 to many requests that come before the Commission. Specifically, PAWC seeks approval  
16 to acquire the System and to obtain the right to begin service in the areas currently served  
17 by BASA (the "Service Area"). The Application contains a *pro forma* tariff supplement  
18 under which BASA's rates at the time of closing on the Transaction ("Closing") would be  
19 initially adopted.

20 Second, pursuant to Act 12 of 2016, 66 Pa. C.S. § 1329 ("Section 1329"), PAWC  
21 is seeking to utilize fair market value for the ratemaking rate base of the System. As  
22 explained more-fully below, fair market value under Section 1329 is the lesser of the stated  
23 purchase price in the Asset Purchase Agreement ("APA"), dated as of October 11, 2022,

1 or the average of the appraisal of BASA’s Utility Valuation Expert (“UVE”) and the  
2 appraisal of PAWC’s UVE.

3 Third, PAWC is seeking the accrual and deferral of certain post-acquisition  
4 improvement costs. Specifically, PAWC is seeking the accrual of Allowance for Funds  
5 Used During Construction (“AFUDC”) for post-acquisition improvements (which will not  
6 be recovered through its Distribution System Improvement Charge (“DSIC”)) for book and  
7 ratemaking purposes, as well as the deferral of depreciation related to post-acquisition  
8 improvements (which will not be recovered through the DSIC) for book and ratemaking  
9 purposes.

10 Fourth, PAWC is seeking Certificates of Filing or approvals under Section 507 of  
11 the Code, 66 Pa. C.S. §507, for the APA and certain municipal agreements to be assumed  
12 by PAWC as a result of the Transaction.

13  
14 **Q. IS PAWC PROPOSING THAT ITS APPLICATION BE EVALUATED USING THE**  
15 **FAIR MARKET VALUE PROVISIONS OF SECTION 1329?**

16 **A.** Yes. PAWC's Application has been prepared in accordance with the fair market value  
17 provisions of Section 1329. Specifically, PAWC is requesting that the ratemaking rate  
18 base related to the System be based on the lesser of the average of the UVE fair market  
19 value appraisals included in the Application or the APA purchase price. I note, however,  
20 that PAWC reserves its right to make alternative ratemaking proposals in future  
21 proceedings as may be permitted under the Code and regulations.

1 **Q. WHAT DOES SECTION 1329 REQUIRE TO BE INCLUDED IN THE**  
2 **APPLICATION?**

3 **A.** Section 1329 requires that the Application include (1) copies of the two UVE appraisals,  
4 (2) the purchase price, (3) the ratemaking rate base, (4) the transaction and closing costs,  
5 and (5) the proposed tariff. However, the Commission has expanded the filing  
6 requirements beyond those specifically required by the statute.

7  
8 **Q. WHAT DOES THE COMMISSION REQUIRE BE INCLUDED IN A SECTION**  
9 **1329 APPLICATION?**

10 **A.** In its Final Supplemental Implementation Order entered February 28, 2019, at Docket No.  
11 M-2016-2543193 (“Final Supplemental Implementation Order”), the Commission attached  
12 as Appendix A an extensive list of specific Section 1329 “Filing Requirements” for items  
13 to include with an Application for it to be processed in a six-month time frame. PAWC's  
14 Application is structured around those Filing Requirements. **Appendix A** to the  
15 Application and its sub-appendices directly address each of the Filing Requirements.

16

17 **DESCRIPTION OF TESTIMONY FILED WITH THE APPLICATION**

18 **Q. IS PAWC FILING AS PART OF ITS APPLICATION TESTIMONY PREPARED**  
19 **BY BASA?**

20 **A.** Yes. PAWC's Application includes at **Appendix A-13**, the written direct testimony of Paul  
21 F. Sybert, Chairman of the Board of BASA (Butler Area Sewer Authority Statement No.  
22 1), Duane McKee, Executive Director of BASA (Butler Area Sewer Authority Statement  
23 No. 2), Dave Zarnick, President of the Board of Commissioners for the Township of Butler

1 (Township of Butler Statement No. 1), Robert A. Dandoy, Mayor of the City of Butler  
2 (City of Butler Statement No. 1), and the written direct testimony of BASA's selected  
3 UVE, Mr. Harold Walker III, Manager, Financial Studies, for Gannett Fleming Valuation  
4 and Rate Consultants, LLC (Butler Area Sewer Authority Statement No. 3). PAWC is not  
5 sponsoring the testimony of Mr. Sybert, Mr. McKee, Mr. Zarnick, Mr. Dandoy, or Mr.  
6 Walker, but has included their testimony in the Application pursuant to the Final  
7 Supplemental Implementation Order in *Implementation of Section 1329 of the Public*  
8 *Utility Code*, Docket No. M-2016-2543193 and in anticipation of BASA's intervention and  
9 participation in the proceeding. PAWC reserves the right to submit rebuttal testimony  
10 regarding BASA's testimony, as appropriate.

11  
12 **Q. PLEASE IDENTIFY THE OTHER PAWC WITNESSES WHO WILL BE**  
13 **PROVIDING WRITTEN DIRECT TESTIMONY AND THEIR SUBJECT**  
14 **MATTER AREAS.**

15 **A.** In addition to my direct testimony, PAWC will submit the written direct testimony of Mr.  
16 Daniel J. Hufton, P.E., an Engineering Manager for PAWC (PAWC Statement No. 2), and  
17 Ms. Ashley E. Everette, American Water Works Service Company Senior Director of Rates  
18 and Regulatory for Mid Atlantic Division (PAWC Statement No. 3). PAWC is also  
19 sponsoring direct testimony by its selected UVE, Mr. Jerome C. Weinert, Principal and  
20 Director of Weinert Appraisal & Depreciation Services LLC, d/b/a AUS Consultants.  
21 (PAWC Statement No. 4).

22 Mr. Hufton will describe engineering and environmental challenges associated with  
23 the System, support PAWC's technical fitness to operate the System, explain certain

1 commitments and improvements to be made by PAWC and other matters. Mr. Hufton will  
2 also address the anticipated day-to-day operation of the System once it is acquired by  
3 PAWC, including staffing and the customer service enhancements that PAWC intends to  
4 implement for the benefit of BASA's customers. Ms. Everette will address the initial rates,  
5 rules, and regulations for BASA's customers as well as the impact of the Transaction on  
6 PAWC's existing customers. Ms. Everette will also discuss the financing of the  
7 Transaction, recording the acquisition at the net value of the assets and PAWC's overall  
8 financial fitness. Mr. Weinert will provide supporting testimony for his fair market  
9 valuation report.

10  
11 **Q. ASIDE FROM AUTHENTICATING THE APPLICATION FOR ITS ADMISSION**  
12 **INTO THE EVIDENTIARY RECORD AND IDENTIFYING ITS REQUESTS FOR**  
13 **RELIEF, WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**  
14 **PROCEEDING?**

15 **A.** My direct testimony describes the Transaction. I will explain why the Transaction is in the  
16 public interest and provides affirmative public benefits of a substantial nature, and why the  
17 Transaction should be promptly approved by the Commission. I will also discuss why  
18 PAWC is legally, financially, and technically fit to acquire and operate the System.

19  
20 **DESCRIPTION OF THE TRANSACTION**

21 **Q. TO THE BEST OF YOUR KNOWLEDGE, WHY DID BASA WANT TO SELL ITS**  
22 **SYSTEM?**

1 A. Witnesses for BASA, the City of Butler and the Township of Butler discuss this in more  
2 detail in their testimony, but based on my conversations with BASA personnel, it is my  
3 understanding that BASA wanted to seek a long-term solution to ensure the viability of its  
4 aging sewer system infrastructure. Specifically, two areas of focus for BASA were the  
5 ever-increasing cost of capital projects that BASA needed to complete (totaling  
6 \$75,815,000) along with BASA’s current debt obligation of \$40.6 million.

7 By selling the System, BASA and its customers will receive numerous benefits,  
8 including:

- 9 • BASA customers will be guaranteed a minimum one-year rate freeze that would take  
10 effect upon Closing until the later of the one-year anniversary of the Closing or January  
11 1, 2025.
- 12 • Low-income residents will have access to PAWC’s grant programs that will help them  
13 pay bills.
- 14 • All of BASA’s current debt (approximately \$40.6 million) liability will be eliminated.
- 15 • PAWC will secure the funding for and execute a major capital program totaling more  
16 than \$75,000,000 over the first five years of ownership to not only comply with BASA’s  
17 current Pennsylvania Department of Environmental Protection (“DEP”)-mandated  
18 Corrective Action Plan, but also to address many other deficient areas within BASA’s  
19 wastewater treatment and collection system.
- 20 • PAWC will petition the Commission to request approval to initiate a pilot program that  
21 will replace or repair customers’ wastewater laterals to address stormwater inflow.
- 22 • PAWC will undertake necessary permits to operate BASA’s wastewater systems and  
23 adhere to all DEP consent decrees.

- 1           • All of BASA employees (union and non-union) will retain their jobs based on current  
2           salaries and collective bargaining agreements having access to substantially similar  
3           retirement/pension plans and benefits (like health, dental, and vision insurance).

4           If BASA did not sell the System, in the next five years, it would have needed to  
5           significantly increase customer rates due to the substantial debt requirements associated  
6           with the major capital program totaling more than \$75,000,000 while not having the  
7           capacity to complete identified capital projects.

8

9   **Q. PLEASE PROVIDE A DESCRIPTION OF THE TRANSACTION NEGOTIATION**  
10 **PROCESS.**

11 **A.** PAWC and BASA entered into an exploratory process through the execution of a  
12 confidentiality agreement in December 2021 to determine if an acquisition would be in the  
13 best interest of all stakeholders. Various meetings were held between PAWC and BASA  
14 officials along with informational gathering exercises. In parallel to this due diligence,  
15 various meetings were conducted, and information was exchanged with the two  
16 incorporating municipalities to ensure complete transparency and awareness.

17           After approximately ten months of extensive due diligence by all parties, deal terms  
18 were presented and negotiated in principle in September 2022. However, prior to binding  
19 itself through a purchase agreement, BASA then conducted a thorough public awareness  
20 campaign that included the development and rollout of a new website that focused on all  
21 aspects of the potential acquisition, publicized and conducted numerous public meetings  
22 seeking comments and engagement from the ratepayers, sent out informational letters to

1 all BASA customers on the proposed acquisition, and held various events for the local  
2 media to answer questions and create additional awareness.

3 After BASA's public input and gathering process was complete, the BASA Board  
4 with unanimous support from both incorporating municipalities, executed the negotiated  
5 APA with PAWC in October 2022.

6  
7 **Q. DID BASA CONDUCT PUBLIC INPUT HEARINGS REGARDING THE**  
8 **ACQUISITION?**

9 **A.** Yes, BASA conducted four (4) public input meetings along with various press conferences  
10 for the local media. As discussed above, BASA developed a new website that detailed the  
11 proposed acquisition (up to and including posting a complete draft of the APA on its  
12 website).

13  
14 **Q. PLEASE PROVIDE AN OVERVIEW OF THE APA.**

15 **A.** The APA is attached as **Appendix A-24-a** to the Application (**PAWC Exhibit SDF-2**).  
16 The APA sets forth the terms and conditions pursuant to which BASA will sell, and PAWC  
17 will purchase, the System, as well as substantially all assets, properties and rights that  
18 BASA owns and uses in connection with the System. The APA sets forth the entire  
19 understanding of the parties with respect to the Transaction. Under the APA, the Closing  
20 of the Transaction will occur after the receipt of all applicable governmental approvals,  
21 including approvals from this Commission, and after all applicable conditions have been  
22 met (or waived) by the parties. Upon Closing, PAWC will take ownership of the System

1 and begin rendering wastewater services to BASA's current customers and BASA will  
2 permanently discontinue providing or furnishing wastewater service to the public.

3  
4 **Q. PLEASE PROVIDE A SUMMARY OF THE APA'S PROVISIONS GOVERNING**  
5 **THE TRANSFER OF ASSETS.**

6 **A.** The specific properties, assets and rights to be transferred to PAWC are defined and  
7 described in the APA's Section 2.01, while the excluded assets are defined in Section 2.02  
8 of the APA. Generally, the APA states that every asset, property, business, goodwill and  
9 right owned by BASA and used in the provision of sanitary wastewater service, whether  
10 real, personal, mixed, tangible or intangible, and including all the physical plant, property,  
11 equipment and facilities comprising the System owned by BASA shall be conveyed to  
12 PAWC. The Engineering Assessment (**Appendix A-15-a**) contains a list of the wastewater  
13 system inventory used in connection with the System to be conveyed to PAWC. All  
14 interests in real estate, including leases, easements and access to public rights-of-way,  
15 owned by BASA and relating to the System are defined and described in Schedule 4.09, as  
16 well as all assigned contracts to be conveyed to PAWC in Schedule 4.15. I note, however,  
17 that some contracts in Schedule 4.15 are non-material and PAWC continues to review such  
18 contracts to determine whether assumption of such contracts is cost-effective and in the  
19 best interest of PAWC's customers.

20 Items that will not be transferred include, among other items: BASA's cash and  
21 cash equivalents, including accounts receivable; BASA's insurance policies; all rights to  
22 any action, suit or claims being pursued by BASA; and all assets, properties and rights used  
23 by BASA other than those which primarily relate to the operations of the System.

1 **Q. HAS PAWC AGREED TO ASSUME ANY LIABILITIES OF BASA AS PART OF**  
2 **THE TRANSACTION?**

3 **A.** Yes. PAWC is accepting certain “Assumed Liabilities” as part of this Transaction on the  
4 day of and after Closing on the Transaction. Per Section 2.04 of the APA, PAWC will  
5 assume, among other items: (i) all liabilities and obligations associated with the Assigned  
6 Contracts, Authorizations and Permits following their transfers on the day of and after  
7 Closing; (ii) any litigation initiated against BASA relating to the System resulting from  
8 events that occur on or after Closing; and (iii) all liabilities and obligations for Taxes  
9 relating to the System after the Closing Date. PAWC will not assume or be liable for any  
10 liabilities or obligations other than the Assumed Liabilities.

11  
12 **Q. PLEASE SUMMARIZE THE APA'S PROVISIONS GOVERNING THE**  
13 **NEGOTIATED PURCHASE PRICE OF THE TRANSACTION?**

14 **A.** The consideration for the purchase of the System as set forth in Section 3.03 of the APA is  
15 the negotiated purchase price of \$231,500,000, subject to certain adjustments. PAWC gave  
16 BASA a \$3,000,000 Letter of Credit on October 11, 2022. PAWC has agreed that two  
17 escrow accounts will be established at Closing: (i) \$9,200,000 will be placed into an  
18 Indemnity Escrow Fund to pay for BASA’s post-Closing obligations, and (ii) an amount  
19 to be determined will be placed in an Easement Escrow Fund for all of the easements that  
20 are missing as of Closing as set forth in Section 3.02 of the APA.

21  
22 **Q. PLEASE DESCRIBE IN MORE DETAIL HOW MISSING EASEMENTS WILL BE**  
23 **HANDLED AFTER CLOSING.**

1 A. As of the Closing Date, BASA will fund an easement escrow fund in the amount of Two  
2 Thousand Dollars (\$2,000) for each missing easement.

3  
4 **Q. PLEASE EXPLAIN THE RATES THAT WILL APPLY TO BASA’S CUSTOMERS**  
5 **FOLLOWING THE CLOSING OF THE TRANSACTION.**

6 A. As will be explained more fully in the Direct Testimony of Ms. Ashley E. Everette, PAWC  
7 Statement No. 3, PAWC has committed to implement, upon Closing of the Transaction,  
8 BASA’s wastewater rates then in effect at Closing. Prior to Closing, BASA will implement  
9 a monthly rate of \$45.50/EDU. PAWC will not propose to increase this rate until the later  
10 of (i) the first anniversary of Closing, or (ii) January 1, 2025. In PAWC’s first wastewater  
11 base rate filing that incorporates the System, PAWC will propose to the Commission that  
12 PAWC move from a flat rate to a rate based on metered usage as stated in Section 7.04 of  
13 the APA.

14 Immediately upon Closing, BASA’s customers will be subject to PAWC’s  
15 prevailing wastewater tariff on file with the Commission with respect to miscellaneous fees  
16 and charges and rules and regulations for wastewater service, including but not limited to  
17 PAWC’s Industrial Pretreatment Program (“IPP”). BASA customers will not be charged  
18 the DSIC until after PAWC’s Long Term Infrastructure Improvement Plan has been  
19 amended to include the System. All of BASA’s customers will continue to be billed on a  
20 monthly basis. The monthly rates are shown in PAWC's *pro forma* tariff in **Appendix A-**  
21 **12** to the Application.

1 **Q. HAS PAWC MADE ANY COMMITMENTS IN THE APA THAT WILL BE**  
2 **IMPLEMENTED AFTER THE CLOSING OF THE TRANSACTION?**

3 **A.** Yes. PAWC has agreed to maintain an operations center at BASA’s headquarters for at  
4 least ten years after Closing, consisting of managers, customer service representatives and  
5 operators. Section 7.09. In addition, PAWC has committed to offer employment to eligible  
6 BASA employees following the Closing of the Transaction, subject to certain conditions.  
7 Section 7.03(a). PAWC has also agreed to use commercially reasonable efforts to develop  
8 a pilot program for a customer-owned damaged wastewater service lateral replacement  
9 program, and to petition the Commission for approval of that pilot program. Section 7.10.

10 My colleague, Mr. Daniel J. Hufton, P.E., will discuss capital investment  
11 commitments in greater detail in his written direct testimony, PAWC Statement No. 2. Mr.  
12 Hufton also will discuss anticipated day-to-day operation of the System once it is acquired  
13 by PAWC, including staffing, in his written direct testimony.

14  
15 **Q. WILL PAWC BE ASSUMING ANY CONTRACTS AS PART OF THE**  
16 **TRANSACTION?**

17 **A.** Yes, **Appendix A-25** lists all BASA contracts and their dollar value that PAWC currently  
18 intends to assume at Closing. Prior to Closing, PAWC will review all contracts and a final  
19 determination will be made on which contracts will be assumed and which will be  
20 terminated or revised.

21

22 **BACKGROUND INFORMATION ON PAWC AND THE SYSTEM**

23 **Q. PLEASE PROVIDE AN OVERVIEW OF PAWC.**

1 A. PAWC, a subsidiary of American Water Works Company, Inc. (“American Water”), is the  
2 largest regulated public utility corporation duly organized and existing under the laws of  
3 the Commonwealth of Pennsylvania, engaged in the business of collecting, treating,  
4 storing, supplying, distributing, and selling water to the public, and collecting, treating,  
5 transporting and disposing of wastewater for the public. Water and wastewater services  
6 are furnished by PAWC to the public in a service territory encompassing more than 417  
7 communities in 37 counties. Overall, PAWC serves a combined population of over 2.3  
8 million people across the Commonwealth and is American Water’s largest subsidiary.

9 PAWC currently employs approximately 1,150 professionals with expertise in all  
10 areas of water and wastewater utility operations, including engineering, regulatory  
11 compliance, water and wastewater treatment plant operation and maintenance, distribution  
12 and collection system operation and maintenance, materials management, risk  
13 management, human resources, legal, accounting, and customer service. PAWC has the  
14 expertise, the record of environmental compliance, the commitment to invest in necessary  
15 capital improvements and resources, and the experienced managerial and operating  
16 personnel necessary to provide safe and reliable wastewater services to the residents of the  
17 Service Area. In addition, PAWC currently provides water service to BASA’s wastewater  
18 customers.

19 PAWC takes pride in being a good corporate citizen by sponsoring and  
20 participating in local community events, providing environmental and firefighting support  
21 grants, offering the “H2O Help to Others Assistance Program” to help low-income  
22 customers pay their bills, and supporting economic growth through infrastructure  
23 improvements in the communities served by PAWC. In 2021, PAWC donated more than

1 \$400,000 to organizations in the communities it serves through grants, scholarships, and  
2 general charitable giving, and \$600,000 to assist customers in paying their water or  
3 wastewater bills. Through collaboration with the American Water Charitable Foundation,  
4 the company helped provide an additional \$158,000 in funding to more than 300 non-profit  
5 organizations across Pennsylvania. In addition, financial support is not the only way  
6 Pennsylvania American Water supports the communities it serves. Through partnerships,  
7 programming and volunteerism, the Company demonstrates its commitment to being a  
8 good neighbor. That's why the Company and its dedicated employees play active roles in  
9 supporting environmental and education initiatives related to water, from watershed clean-  
10 ups to educational programs focused on drinking water and source water protection, as well  
11 as supporting youth education, health and wellness initiatives, community sustainability  
12 projects and more to address community-specific needs, PAWC is eager to partner with  
13 municipalities in the Service Area in providing a sustainable long-term future for the  
14 System. Customers of the System will benefit from a stable company with a robust  
15 business model and reliable service.

16  
17 **Q. HOW MANY CUSTOMERS DOES THE SYSTEM CURRENTLY SERVE AND**  
18 **HOW MANY CUSTOMERS DOES PAWC CURRENTLY SERVE?**

19 **A.** As of December 31, 2022, the System furnished wastewater services to approximately  
20 14,792 customers. As of January 31, 2023 PAWC furnished wastewater service to  
21 approximately 97,305 residential, commercial, industrial, municipal and bulk customers  
22 in Pennsylvania. As of January 31, 2023, PAWC furnished water service to  
23 approximately 679,777 customers in Pennsylvania.

1 **THE TRANSACTION IS IN THE PUBLIC INTEREST**

2 **Q. PLEASE EXPLAIN WHY THE PROPOSED TRANSACTION IS IN THE PUBLIC**  
3 **INTEREST.**

4 A. The Transaction will result in affirmative public benefits of a substantial nature. First,  
5 PAWC, as a large and long-established public utility, has the managerial, technical, and  
6 financial fitness to operate the System in a safe and efficient manner in compliance with  
7 the Code, the Pennsylvania Clean Streams Law, and all other applicable statutory and  
8 regulatory requirements. PAWC has extensive experience in the operation of wastewater  
9 collection and treatment systems including specific experience with the types of treatment  
10 technologies employed in the System. PAWC continues to develop expertise for the  
11 benefit of the Commonwealth through its current operation of 38 wastewater treatment  
12 plants providing service to approximately 97,305 customers Pennsylvania.

13 The acquisition fosters the Commission's stated goal of consolidating and  
14 regionalizing water and wastewater systems to provide greater environmental and  
15 economic benefits to customers. My colleague, Mr. Daniel J. Hufton, P.E., discusses this  
16 in detail in his testimony. PAWC Statement No. 2. After Closing, PAWC's Butler Water  
17 System employees and BASA System employees will be under the same management and  
18 support teams, and employees of both departments will support each other when  
19 appropriate and necessary, particularly in emergency situations. The BASA wastewater  
20 treatment plant is located within five miles of PAWC's Butler Water Treatment Plant.  
21 PAWC can draw upon a much broader range of engineering and operational experience  
22 than can BASA, as well as deeper financial resources, to address operational challenges  
23 and support growth and development. Additionally, given PAWC's proximate water

1 operations, PAWC is well positioned to provide utility services on a long-term, cost-  
2 effective basis.

3 Second, BASA's current customers will benefit in several ways from becoming  
4 PAWC wastewater customers. PAWC is a large, financially-sound company that has the  
5 capacity to finance necessary capital additions and improvements that will benefit its  
6 customers. In addition, given its size, its access to capital, and its recognized strengths in  
7 system planning, capital budgeting, and construction management, PAWC is well-  
8 positioned to ensure that high quality wastewater service meeting all applicable state and  
9 federal regulatory requirements is provided to BASA's customers. There is also a general  
10 public benefit being that PAWC is subject to the jurisdiction of the Commission requiring  
11 PAWC to provide adequate, efficient, safe and reliable service at just and reasonable rates.  
12 Currently, BASA has no such regulatory oversight.

13 Third, BASA's current customers will benefit from the enhanced and proven  
14 customer service that PAWC provides. My colleague, Mr. Daniel J. Hufton, P.E., discusses  
15 these customer service enhancements in more detail in PAWC Statement No. 2.  
16 Nevertheless, I would like to note that they include, but are not limited to, usage-based  
17 billing, extended customer service and call center hours, enhanced customer information  
18 and educational programs and access to PAWC's customer assistance program.  
19 Additionally, through community giving, partnerships and volunteering, PAWC  
20 demonstrates its commitment to programs that address community-specific needs. One  
21 example is PAWC's H2O – Help to Others Program, which for more than twenty-five years  
22 has assisted low-income customers. In 2011, the program was expanded to include

1 wastewater customers. My colleague, Ms. Ashley E. Everette, will provide more details  
2 about this program in her testimony. PAWC Statement No. 3.

3 Fourth, residents of the area will benefit from the tax revenues that PAWC will pay  
4 to municipal governments in the area. BASA's facilities are not subject to tax. Utility  
5 operational costs are higher, in part, due to these expenses, but there is a public benefit of  
6 having more private property on the tax rolls as a result of the Transaction.

7 Finally, the Transaction will benefit PAWC's existing wastewater customers in the  
8 long-term by expanding PAWC's customer base. There will be no immediate rate impact  
9 on PAWC's existing customers. By adding additional connections to the entire PAWC  
10 system, there are more customers to share future infrastructure investment costs, which  
11 promotes stable rates across the entire PAWC system. Customers who benefit from near-  
12 term improvements will one day help pay for improvements on behalf of other customers  
13 on other parts of the PAWC system. Being able to spread the costs of investing in and  
14 maintaining public wastewater systems over a growing customer base, particularly in a  
15 time of increased environmental requirements, is essential to the continued success and  
16 longevity of wastewater systems and maintaining reasonable rates for customers. As a  
17 matter of public policy, the Pennsylvania Legislature recognized the importance of  
18 consolidation and cost sharing in the passage of Act 11 of 2012. As the Commission stated  
19 in a recent PAWC base rate case:

20 We also agree with the Company's argument that, in the  
21 circumstances, applying Section 1311(c) in conjunction with Section 1329  
22 is in the public interest because otherwise, larger viable public utilities  
23 would be discouraged from acquiring municipal and wastewater systems  
24 and contravene the legislative intent and the Commission's policy of  
25 encouraging consolidation and regionalization.

1 *Pa. Pub. Util. Comm'n v. PAWC*, Docket Nos. R-2020-3019369, *et al.* (Opinion and Order  
2 entered Feb. 25, 2021) p. 82.

3 There is also a clear legislative intent associated with Section 1329 and its  
4 allowance of fair market valuation for ratemaking purposes. The General Assembly  
5 intended to facilitate the acquisition of municipal water and wastewater systems by  
6 investor-owned utilities for the benefit of municipal corporations and their residents. Some  
7 of these benefits to the customers of BASA, and the citizens residing in the area, are  
8 described in the direct testimony of BASA, City of Butler and Township of Butler  
9 witnesses.

10  
11 **Q. PLEASE EXPLAIN WHY THE TRANSACTION WOULD FOSTER THE**  
12 **COMMISSION'S GOAL OF PROMOTING THE REGIONALIZATION AND**  
13 **CONSOLIDATION OF WASTEWATER SYSTEMS?**

14 **A.** The Transaction would promote consolidation in the industry because it would reduce the  
15 total number of wastewater providers. In addition, it would promote regionalization  
16 because PAWC would provide both water and wastewater services to BASA's customers.

17  
18 **Q. DOES THE REGIONALIZATION AND CONSOLIDATION OF WASTEWATER**  
19 **SYSTEMS BENEFIT THE PUBLIC?**

20 **A.** Yes, it does. I am advised by counsel that the Commission has a Statement of Policy at 52  
21 Pa. Code § 69.721, which states that the Commission believes that further regionalization  
22 and consolidation of water and wastewater systems may result in greater environmental  
23 and economic benefits to customers. Regionalization and consolidation have economic

1 benefits for customers because they allow the use of better management practices and they  
2 allow greater economies of scale. Examples of economies of scale include:

- 3 • PAWC’s ability to obtain supplies (such as mains, treatment chemicals and  
4 purchased power costs (electricity, natural gas and diesel fuel)) at lower  
5 rates because it is able to buy in bulk;
- 6 • PAWC’s size gives it greater purchasing power, allowing it to negotiate  
7 better rates for purchases than the System;
- 8 • PAWC can move equipment (such as emergency generators, portable  
9 pumps, excavating equipment, and vacuum-jetter trucks) around its system,  
10 whereas BASA currently must buy or rent any equipment it needs;
- 11 • PAWC’s size allows it to spread fixed costs across a larger asset platform  
12 and customer base;
- 13 • PAWC’s staffed engineering department allows it to perform planning,  
14 design construction management services internally rather than contracting  
15 the work out at higher cost to consulting engineers.

16 In addition, regionalization and consolidation have environmental benefits for  
17 customers and the public-at-large. Small public utilities are often troubled systems.  
18 Consolidation promotes the acquisition of these systems by qualified system operators with  
19 the financial, technical and legal fitness necessary to meet increasingly stringent  
20 environmental requirements.

21  
22 **PAWC’S LEGAL, FINANCIAL AND TECHNICAL FITNESS**

23 **Q. PLEASE TELL US WHY PAWC IS LEGALLY FIT TO ACQUIRE AND**  
24 **OPERATE THE SYSTEM.**

25 **A.** PAWC is a Commission-regulated public utility with a good compliance history. There  
26 are no pending legal proceedings that would suggest that PAWC is not legally fit to provide  
27 service to customers on BASA’s System.

1 **Q. CAN YOU EXPLAIN WHY PAWC IS FINANCIALLY FIT TO ACQUIRE AND**  
2 **OPERATE THE SYSTEM?**

3 **A.** Yes. PAWC is the largest water and wastewater provider in Pennsylvania. It has a long-  
4 demonstrated history with the Commission of financial stability.

5 As part of the Application, PAWC provided the audited internal balance sheet, as  
6 of December 31, 2021 for PAWC (**Appendix D**), as well as the audited income statement,  
7 as of December 31, 2021, for PAWC (**Appendix F**). Those documents show that PAWC  
8 had total assets of approximately \$5.9 billion as of December 31, 2021. Further, they show  
9 that PAWC had net income of approximately \$228.7 million for the 12 months ending  
10 December 31, 2021. These figures are further demonstration that PAWC has the financial  
11 stability and wherewithal to acquire the System and operate it in the public interest. My  
12 colleague, Ms. Ashley E. Everette, will provide additional details in PAWC Statement No.  
13 3 on the financial health of PAWC and its ability to access capital.

14

15 **Q. PLEASE EXPLAIN WHY PAWC IS TECHNICALLY FIT TO OPERATE THE**  
16 **SYSTEM.**

17 **A.** As I discussed earlier, PAWC is engaged in the business of collecting, treating, transporting  
18 and disposing of wastewater for the public. PAWC is the largest investor-owned water and  
19 wastewater utility in the Commonwealth of Pennsylvania and PAWC already has  
20 significant water and wastewater operations throughout Pennsylvania. PAWC is  
21 experienced in undertaking and completing water and wastewater system acquisitions with  
22 public and private sector owners and successfully integrating those assets into our business  
23 operations. In fact, PAWC is often called upon by the Commission to step in and resolve

1 troubled water and wastewater systems, resolving compliance issues and providing the  
2 excellent service that customers expect and deserve. My colleague, Mr. Daniel J. Hufton,  
3 P.E., will explain in greater detail in PAWC Statement No. 2, specifically how PAWC  
4 intends to operate the System once acquired.

5  
6 **DESCRIPTION OF THE SERVICE AREA**

7 **Q. PLEASE EXPLAIN THE SERVICE AREA SOUGHT BY PAWC IN THE**  
8 **APPLICATION.**

9 **A.** As part of its Application, PAWC is seeking the right to provide service to the customers  
10 currently served by BASA as shown in the maps and descriptions attached as **Appendices**  
11 **A-16-a through e and A-16-f (CONFIDENTIAL)**. No municipal authority, corporation,  
12 partnership or individual other than BASA is now furnishing or has corporate or franchise  
13 rights to furnish service similar to that to be rendered by PAWC in the Service Area covered  
14 by the Application, and no competitive condition will be created. As discussed above,  
15 upon Closing of the Transaction, BASA will permanently discontinue all wastewater  
16 service to the public.

17  
18 **APPROVAL OF CONTRACTS WITH MUNICIPAL CORPORATIONS**

19 **Q. HAS PAWC REQUESTED CODE SECTION 507 CERTIFICATES OF FILING OR**  
20 **APPROVALS AS PART OF ITS APPLICATION?**

21 **A.** Yes. In addition to the approvals sought under Code Sections 1102(a) and 1329, 66 Pa.  
22 C.S. §§ 1102(a), 1329, the Application requests Code Section 507 Certificates of Filing or  
23 approvals. According to PAWC's counsel, the APA and any contract with a municipal

1 corporation that will be assumed by PAWC must be filed with the Commission pursuant  
2 to Code Section 507. Aside from the APA, PAWC has identified three contracts requiring  
3 Certificates of Filing or approvals under Section 507 (see **Appendices A-25.1 through A-**  
4 **25.3 to PAWC Exhibit No. SDF-2**).

5  
6 **Q. PLEASE DESCRIBE THE MUNICIPAL CONTRACTS TO BE ASSUMED BY**  
7 **PAWC.**

8 **A.** As noted, PAWC is assuming certain of the contracts listed on Schedule 4.15 of the APA.  
9 The list of contracts on the APA's Schedule 4.15 includes a water pollution control  
10 agreement for Central Butler County, two Connoquenessing Township Service  
11 Agreements, and a Service Agreement with Oakland Township. Subsequent to the APA  
12 being executed, PAWC determined that it will not need to take assignment of the December  
13 14, 2005 Service Agreement between the Township of Connoquenessing and Butler Area  
14 Sewer Authority for Winterwood Drive Service Area. No infrastructure was ever  
15 constructed to serve this area and it is not currently served by BASA, but rather is served  
16 by on-lot septic systems.

17 BASA is currently taking the steps necessary to assign the contracts to PAWC upon  
18 Closing. Commission approval of the continuation of these contracts is necessary in order  
19 for PAWC, after Closing, to provide wastewater service as BASA has previously done.  
20 Approval is reasonable and serves an important public purpose because the services  
21 provided under the contracts are essential to the provision of wastewater service in  
22 neighboring communities. To the extent that PAWC renegotiates contracts with the

1 municipalities, PAWC will promptly file such contracts for Commission approval under  
2 Section 507.

3

4

**CONCLUSION**

5 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

6 **A.** Yes. However, I reserve the right to supplement my testimony as additional issues or facts  
7 arise during the course of this proceeding. Thank you.

## VERIFICATION

I, Scott D. Fogelsanger hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.



\_\_\_\_\_  
Scott D. Fogelsanger, Senior Manager – Business Development  
Pennsylvania-American Water Company

Dated: 2/17/2023

**AMENDED APPENDIX A-25**

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of Butler Area Sewer Authority (“BASA”)**

**66 Pa. C.S. § 1329  
Application Filing Checklist – Water/Wastewater  
Docket No. A-2022-3037047**

25. Provide a copy of all municipal and affiliate contracts to be assumed by buyer as part of the acquisition and a list and annual dollar value of other contracts.

**AMENDED**

**RESPONSE:** In addition to the APA attached as **Appendix A-24-a**, see the municipal contracts to be assumed by PAWC as part of the acquisition listed below and attached as **Appendix A-25.1 through Appendix A-25.3**. Please also see below a listing and dollar value of other contracts.

**Municipal and Affiliate Contracts**

<b>Tab</b>	<b>Agreement</b>	<b>Parties to Contract</b>	<b>Date of Contract</b>
Appendix A-25.1	Water Pollution Control Agreement for Central Butler County	City of Butler, Township of Butler, Township of Center, Township of Summit, Borough of East Butler, Deshon Area Sanitary Disposal and Sewer Authority, East Butler Borough Sewer Authority, East Butler Borough Sewer Authority, Meridian Water and Sewer Authority, Municipal Water and Sewer Authority of Center Township and Butler Area Sewer Authority (“BASA”)	February 20, 1974
Appendix A-25.2	Service Agreement	The Township of Oakland and Butler Area Sewer Authority for the Service Area along Route 38	March 7, 1994
Appendix A-25.3	Service Agreement	Connoquenessing and Butler Area Sewer Authority for Cupps Road Service Area	April 3, 1995

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of Butler Area Sewer Authority (“BASA”)**

**66 Pa. C.S. § 1329  
Application Filing Checklist – Water/Wastewater  
Docket No. A-2022-3037047**

**Other Contracts**

<b>Parties</b>	<b>Date</b>	<b>Annual Dollar Value</b>
United States of America VA Medical Center Butler Area Sewer Authority	February 3, 1958	\$0.00
United States of America VA Medical Center Butler Area Sewer Authority	March 2, 2004	\$0.00
Cintas Corporation Butler Area Sewer Authority	Undated	Uniforms \$23,621.32 First Aid Cabinet \$3,213.89
Browning-Ferris Industries of Ohio, Inc. d/b/a Republic Services of Youngstown Butler Area Sewer Authority	July 14, 2020	\$298,381.40
DEP Technologies, Inc. Butler Area Sewer Authority	February 1, 2021	\$5,940.00
CWM Environmental, Inc. Butler Area Sewer Authority	February 14, 2022	\$51,988.00
Graymont (PA) Inc. Butler Area Sewer Authority	July 13, 2021	\$30,071.50
Stanley Convergent Security Solutions, Inc. Butler Area Sewer Authority	March 23, 2018 August 1, 2019 September 29, 2019	\$1,953.16
AK Steel Butler Works Butler Area Sewer Authority	April 23, 2018	EDU Billing Terms
AK Steel Butler Works Butler Area Sewer Authority	November 30, 2020	EDU Billing Terms
Pennsylvania American Water Company  Butler Area Sewer Authority	March 18, 2021	\$2,070.00  No Fee
City of Butler Butler County Community College Butler Area Sewer Authority	July 9, 2012	No Fee
Pennsylvania Department of Human Services Butler Area Sewer Authority	2021	No Fee
Armstrong Utilities, Inc. Butler Area Sewer Authority	March 1, 2022	\$19,728.60

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of Butler Area Sewer Authority (“BASA”)**

**66 Pa. C.S. § 1329**

**Application Filing Checklist – Water/Wastewater**

**Docket No. A-2022-3037047**

<b>Parties</b>	<b>Date</b>	<b>Annual Dollar Value</b>
Snyder Brothers Inc. Butler Area Sewer Authority	March 12, 2018	\$14,280.94
WGL Energy Services, Inc. Butler Area Sewer Authority	January 8, 2020	\$239,819.94
Penn Central Company Butler Area Sewer Authority	May 19, 1969	No Fee
Bessemer and Lake Erie Railroad Company Butler Area Sewer Authority	November 25, 2009	No Fee
Bessemer and Lake Erie Railroad Company Butler Area Sewer Authority	November 25, 2009	No Fee
Bessemer and Lake Erie Railroad Company Butler Area Sewer Authority	June 9, 1969	\$280.27
Bessemer and Lake Erie Railroad Company Butler Area Sewer Authority	June 14, 1963	\$184.31

**Grinder Pump Maintenance Agreements:**

<b>Parties</b>	<b>Date</b>	<b>Annual Dollar Value</b>
St. Fidelis Parish Butler Area Sewer Authority	November 13, 2001	\$196.00
Milroy and Marjorie L. Waggett Butler Area Sewer Authority	July 8, 1997	\$196.00
Grecco Gas and Welding Supplies, Inc. Butler Area Sewer Authority	April 10, 2021	\$196.00
Brian K. Ellenberger, Raelene S. Ellenberger Butler Area Sewer Authority	February 13, 2001	\$196.00
Richard A. Ritenour, Robb E. Ritenour Butler Area Sewer Authority	July 14, 2004	\$196.00
Joseph R. Stein, Lisa G. Stein Butler Area Sewer Authority	March 11, 2003	\$196.00
Thomas L. Fisher, Karen D. Fisher Butler Area Sewer Authority	June 14, 2005	\$196.00
Janice Phillips Larrik Butler Area Sewer Authority	February 1, 2005	\$196.00
Robert Ballew Butler Area Sewer Authority	August 9, 2005	\$196.00
Integra Development Company, LLC Butler Area Sewer Authority	October 14, 1997	\$196.00
Jerome P. Oliver, Sr., June E. Oliver Butler Area Sewer Authority	September 9, 2003	\$196.00

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of Butler Area Sewer Authority (“BASA”)**

**66 Pa. C.S. § 1329**

**Application Filing Checklist – Water/Wastewater**

**Docket No. A-2022-3037047**

<b>Parties</b>	<b>Date</b>	<b>Annual Dollar Value</b>
Evelyn J. McIntosh Butler Area Sewer Authority	,May 10, 2005	\$196.00
L. Wolf Company, Inc. Butler Area Sewer Authority	March 12, 2002	\$196.00
Bercury Homes, Ltd. Butler Area Sewer Authority	August 12, 2003	\$196.00
Matthew Stutz Butler Area Sewer Authority	August 6, 1998	\$196.00
Ronald S. Niggel, Joanne N. Niggel Butler Area Sewer Authority	November 11, 1997	\$196.00
Melvin S. Maxwell III, Barbara M. Maxwell Butler Area Sewer Authority	June 15, 1999	\$196.00
Nathaniel O. Rekich, Amanda L. Rekich Butler Area Sewer Authority	January 13, 2004	\$196.00
Douglas W. Harmon, Cynthia A. Harmon Butler Area Sewer Authority	April 13, 2004	\$196.00
Cindy and James Smith Butler Area Sewer Authority	February 7, 2022	\$196.00
White Thorn Development Company Butler Area Sewer Authority	March 15, 2004	\$196.00
White Thorn Development Company Butler Area Sewer Authority	March 15, 2004	\$196.00
Alan and Katheryn L. Ruffel Butler Area Sewer Authority	October 14, 1997	\$196.00
Southgate Ltd. Butler Area Sewer Authority	October 4, 1994	\$196.00

**Private Lateral Sewer Agreements:**

<b>Parties</b>	<b>Date</b>	<b>Annual Dollar Value</b>
Patricia A. Green, as Trustee (Owner) of the Patricia A. Green Revocable Trust Butler Area Sewer Authority	June 6, 2006	\$0.00
George B. Hindman, R. Larry Hindman and Dennis R. Hindman Butler Area Sewer Authority	June 15, 1990	\$0.00
George B. and Carol H. Hindman Butler Area Sewer Authority	August 14, 2014	\$0.00
Edward H. Fincher, Patricia M. Fincher Butler Area Sewer Authority The Board of Supervisors of Connonquenessing Township	December 1, 1983	\$0.00

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of Butler Area Sewer Authority (“BASA”)**

**66 Pa. C.S. § 1329**

**Application Filing Checklist – Water/Wastewater**

**Docket No. A-2022-3037047**

Swamikkan A. Nallathambi and Helga H. Nallathambi Penn Township Sanitary Sewer System Authority Board of Supervisors of Penn Township	November 12, 1978	\$0.00
--	-------------------	--------

**License Agreements:**

<b>Parties</b>	<b>Date</b>	<b>Annual Dollar Value</b>
Eric Nagy and Michele L. Nagy Butler Area Sewer Authority	April 8, 2002	\$0.00
Michelle McGrath Allegent Community Federal Credit Union Butler Area Sewer Authority	September 8, 2015	\$0.00
Mark A. Keene and Kelly L. Keene GMAC Mortgage Corporation Butler Area Sewer Authority	April 13, 2000	\$0.00
Joshua Paul Macko and Jodi Marie Macko ARMCO Credir Union Butler Area Sewer Authority	July 23,2008	\$0.00
Jason A. Zihmer and Rindi K. Zihmer Mortgage Electronic Registration System Butler Area Sewer Authority	April 26, 2018	\$0.00
Thomas A. Hall and Kristine D. Hall Butler Area Sewer Authority	March 8, 2021	\$0.00
Thomas Construction, Inc. Butler Area Sewer Authority	September 14, 2021	\$0.00

**Development Agreements:**

AFE & Allman Land Development Group, LLC Butler Area Sewer Authority	April 28, 2022	\$0.00
Villas at Forest Oaks LP Butler Area Sewer Authority	June 22, 2021	\$0.00
Bronder Technical Services, Inc. Butler Area Sewer Authority	April 13, 2021	\$0.00
Duffy Highlands, LP Butler Area Sewer Authority Dollar Bank, Federal Savings Bank	June 13, 2018	\$0.00
Winner Properties LP Butler Area Sewer Authority	August 17, 2021	\$0.00
Ray Showman Jr. Excavating, Inc. Butler Area Sewer Authority	April 13, 2021	\$0.00
Browning-Ferris Industries of Ohio, Inc. d/b/a Republic Services of Youngstown	July 14, 2020	\$0.00

**APPENDIX A-25.1**

**FEBRUARY 20, 1974 WATER POLLUTION CONTROL  
AGREEMENT FOR CENTRAL BUTLER COUNTY**

EXHIBIT "E"

WATER POLLUTION CONTROL AGREEMENT  
FOR CENTRAL BUTLER COUNTY

THIS AGREEMENT entered into as of the 20<sup>th</sup> day of February 1974, between the CITY OF BUTLER, a Third Class City; TOWNSHIP OF BUTLER, a First Class Township; TOWNSHIP OF CENTER, a Second Class Township; TOWNSHIP OF SUMMIT, a Second Class Township; BOROUGH OF EAST BUTLER; DESHON AREA SANITARY DISPOSAL AND SEWER AUTHORITY; EAST BUTLER BOROUGH SEWER AUTHORITY; MERIDIAN WATER AND SEWER AUTHORITY; and the MUNICIPAL WATER AND SEWER AUTHORITY OF CENTER TOWNSHIP, all of Butler County, Pennsylvania, parties of the first part,

And

BUTLER AREA SEWER AUTHORITY of 125 Pittsburgh Road, Butler, Pennsylvania, party of the second part.

WHEREAS, each of the Municipal Authorities heretofore named constitute a body corporate and politic and a governmental instrumentality existing under and by virtue of the Act of the General Assembly of the Commonwealth of Pennsylvania approved May 2, 1945, P. L. 382, as amended, and

WHEREAS, the second party is a duly constituted governmental instrumentality existing under and by virtue of the Act of the General Assembly of the Commonwealth of Pennsylvania approved May 2, 1945, P. L. 382, duly constituted by the joint action of the City of Butler and the Township of Butler to maintain and operate a sewerage collection and disposal system in the drainage area composed of part of the area involving all the first parties, and

WHEREAS, the first parties have each spent large sums of money in planning, obtaining feasibility reports, and for engineering expense in preparation for applying for separate sewerage facilities grants for their respective areas, and

WHEREAS, during the period of preparation the laws, as well as the rules, regulations and criteria upon which Grants are to be made have changed, and

WHEREAS, during said period of preparation in accordance with the Federal Water Pollution Control Act, as amended, and changes heretofore referred to, there has developed what is known as the "Water Quality Management Plan for Central Butler County" commonly referred to as the "Interim Basin Plan" Alternate No. 5, as may be amended, which has been approved and adopted by Federal, State, and Local Planning and Regulatory Agencies as the guideline for all future expansion of the sewerage system in said areas, and

WHEREAS, it is the desire of all parties to adopt and implement the "Water Quality Management Plan" and to provide the facilities to serve said area in accordance with the said plan in order to further the health, welfare, safety and general conditions of the combined area, and

WHEREAS, the parties hereto have joined herein for the purpose of making it possible for a combined application to be made for a Federal Grant under P. L. 92-500 and any and all other Federal and State Grants and so that each in its respective sphere of operation may be bound to do each and everything necessary in the future to assure the obtaining of the proper Grants for the benefit of all the parties and to bring to fruition the "Water Quality Management Plan for Central Butler County", commonly called the "Interim Basin Plan".

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the covenants hereinafter set forth to be made and kept by the parties hereto intending to be legally bound hereby, it is agreed as follows:

COVENANTS ON THE PART OF THE FIRST PARTIES

The covenants to be performed by the first parties are not joint covenants but it is agreed that they will be performed by the respective Municipalities or the Authority within the Municipality according to the authority, duties and obligations vested in either under the laws of the Commonwealth of Pennsylvania so that said covenants are in some instances joint and/or joint and several.

1. The first parties agree to employ their own counsel and their own engineer to gather data, and prepare plans for the development of a feasible sewerage plan in their respective Sewer Service Areas and coordinate and merge the same into one over-all plan covering the entire area involved known as the "Butler Area Interim Basin Plan".

2. The first parties agree to have all the engineering work done and fully coordinated and merged in the area plan on or before March 1, 1974, so that the second party may make one application for Permits and Grants covering the entire area in aid of construction on or before the above date.

3. The first parties, or their designated Authority within the respective district, agree to act in an advisory capacity to the Butler Area Sewer Authority in the formation, execution, and financing, and the retirement of any bond issue, incurred in the total project, except the parties of the first part shall have the right to set the surcharge for their

respective Sewer Service Area, the said minimum surcharge to be sufficient for the scheduled retirement of that party or district's share of the total bonded indebtedness.

4. The first parties and all their designated authorities agree that all rights of way, all sewer lines, collecting systems and, in fact, all facilities presently constructed and to be constructed will be the property of the Butler Area Sewer Authority and the obligation of maintaining and serving the users thereof will be that of the Butler Area Sewer Authority.

5. The first parties agree that all construction in each of their districts will be done by and under the supervision and specifications of the Butler Area Sewer Authority and in accordance with its Rules and Regulations now existing or that may hereafter be enacted after consultation and advice of each Municipality and Authority herein represented. However, the first parties retain the right to appoint their own inspectors during construction.

6. The first parties agree to enact any and all Ordinances, Resolutions, execute all Contracts and Agreements, etc., necessary and proper to accomplish the fruition of a sewerage system as envisioned by the "Interim Basin Report" and will approve all plans, specifications, costs properly allocated to each of the Sewer Service Areas, and financial documents in order to promptly carry out the purpose of this Agreement and the entire project and make possible and assure the repayment of each Sewer Service Area's share of any bonds issued by the Butler Area Sewer Authority for the construction of this project.

7. The first parties agree, within six months of the date of this Agreement, to enact an Ordinance, if said Municipality has not already done so, as authorized by the Act of May 1, 1933, P. L. 103 (53 P. S. 66501.1) as amended, and similar laws applicable to other municipalities of the first

parties, requiring all owners of property having a building within 150 feet from the sewerage system to connect thereto and use said sewer system.

8. The first parties do hereby grant, insofar as they have the power and authority to do so, to the second party, the right to lay, use and construct sewers, trunk lines, interceptor lines, collection lines, pump station, and to condemn property by eminent domain for said purpose, all in accordance with the "Interim Basin Plan" Alternate No. 5, as may be amended, to assess the properties according to the benefits received, treat the sewage and charge for the same with the full power and authority to lien the properties for either capital expenditures or for quarterly statements and either capital improvements or for treatment and maintenance costs as the first parties may do under the Municipal or Authority Law applicable. The first parties have the duty to secure rights of ways, and fee simple titles required by the condemnation, or otherwise, and to turn the same over to the second party before any construction contracts are granted in the respective Sewer Service Areas.

9. The first parties agree that the Rules and Regulations of the Butler Area Sewer Authority shall apply in all Sewer Service Areas and any connection fees collected by the second party in the various areas will be applied to the bonded indebtedness incurred for said district until the indebtedness is retired then they are to be credited to the revenue fund of the second party. Tap-in fees at all times are to be applied to the second party's revenue fund.

10. Any of the first parties presently operating a system, agree that before any contracts are let they will turn over the complete ownership of their rights of ways, land, lines

and all facilities to the second party so that these facilities may be pledged to secure any bond issue but that each will continue to operate its facilities until such time as any additions are completed and the second party begins to treat the sewerage after which the full responsibility for maintenance and operation and billing will be that of the second party.

COVENANTS ON THE PART OF THE SECOND PARTY

1. The second party agrees to coordinate and merge the plans of the respective Sewer Service Areas into one merged plan and to make application for Grants in aid of construction of sewerage treatment works and facilities covering the entire area as set forth in the "Water Quality Management Plan for Central Butler County" on or before the 1st day of March, 1974.

2. The second party, upon a Grant being properly issued, agrees to provide for the balance of each Sewer Service Area's project costs, outstanding indebtedness and obligations by the sale of Bonds issued by the Butler Area Sewer Authority in which the revenues over and above operating expense and the various "surcharges" in each Sewer Service Area will be pledged to the retirement of the bond issue.

3. The second party, upon completion of the project, and assuming all facilities, agrees to maintain and service the entire area under the Rules and Regulations of the Butler Area Sewer Authority now existing or which may be hereafter enacted.

4. The second party agrees to keep an accurate set of books which may be examined by any of the parties hereto,

their representative, agent, or any citizen during any business hours. The books will show an allocation of the grant to each Sewer District Service Area in proportion to the amount received on the construction in each Sewer District Service Area so that there will be able to be established from said books, in accordance with the Trust Indenture, a surcharge for the capital investment of each Sewer District Service Area which will be applied to the retirement of the capital debt and which books will properly reflect each Sewer Service Area's payment of the capital debt and interest.

5. The second party agrees to render bills to the owners of all those properties benefitted, to be known as a surcharge, as established or determined by the first parties in their respective Sewer Service Area but not less than the amount required to retire the debt accrued for capital improvements charged to each Sewer Service Area which it is anticipated will vary from area to area as the costs of improvements vary. Bills in accordance with Rules and Regulations of the Butler Area Sewer Authority will be also rendered to such users for operation, maintenance, repair service, debt services, and treatment of sewage, which charge will be uniform throughout the entire project.

6. The second party will prepare plans to remodel, enlarge and improve the present sewerage treatment plant in accordance with State and Federal requirements and specifications and in order to adequately treat the process the sewage of the entire area as set forth in the "Interim Basin Plan for Central Butler County."

7. The second party agrees to consult with and be advised by each Sewer Service Area through the Municipal Corporation or its duly designated Authority in said Sewer Service Area

as to all financial matters, the allocation of the same, the apportionment of the debt, all to the end that the highest possible Grant may be received for the entire Sewer Service Area and the project constructed and put into service at the earliest possible opportunity.

8. The second party agrees that its Rules and Regulations shall apply in all Sewer Service Areas and that all connection fees in each Sewer Service Area shall be applied to the retirement of the debt incurred for the capital improvements charged to that Sewer Service Area but the tap-in fees will be paid to the Revenue Fund of the entire Area.

9. The parties hereby agree that the term "Surcharge" as used in this agreement is to apply to each equivalent unit, as defined in the Butler Area Sewer Authority Rules and Regulations.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the date first above written by their proper officers and the corporate seal affixed pursuant to the duly constituted action of each, spread upon their official minutes, and intending to be legally bound hereby

ATTEST:

Alex S. Johnston  
Clerk

CITY OF BUTLER, BUTLER COUNTY,  
PENNSYLVANIA

BY Frank C. Keane  
Mayor

ATTEST:

Mary Jane Spindel  
Secretary

TOWNSHIP OF BUTLER, BUTLER COUNTY  
PENNSYLVANIA

BY Christine Keane  
President

ATTEST:

TOWNSHIP OF CENTER, BUTLER COUNTY,  
PENNSYLVANIA

Albert M. [Signature]  
Secretary

BY Harvey A. [Signature]  
President

ATTEST:

TOWNSHIP OF SUMMIT, BUTLER COUNTY,  
PENNSYLVANIA

John W. [Signature]  
Secretary

BY Rodney C. [Signature]  
President

ATTEST:

BOROUGH OF EAST BUTLER, BUTLER  
COUNTY, PENNSYLVANIA

~~Walter E. [Signature]~~  
Secretary  
Rita A. Thompson

BY ~~Samuel H. [Signature]~~  
President  
Samuel E. [Signature]

ATTEST:

DESHON AREA SANITARY DISPOSAL AND  
SEWER AUTHORITY

J. F. [Signature]  
Secretary

BY Cameron W. [Signature]  
President

ATTEST:

EAST BUTLER BOROUGH SEWER AUTHORITY

Walter E. [Signature]  
Secretary

BY Samuel H. [Signature]  
President

ATTEST:

MERIDIAN WATER AND SEWER AUTHORITY

Thomas W. [Signature]  
Secretary

BY Ralph R. [Signature]  
President

ATTEST:

MUNICIPAL WATER AND SEWER AUTHORITY  
OF CENTER TOWNSHIP

*Ernest M. Rosemala*  
Secretary

BY *Charles J. Ball*  
President

(First Parties)

ATTEST:

BUTLER AREA SEWER AUTHORITY

*Ernest M. Rosemala*  
Secretary

BY *Charles J. Ball*  
President

(Second Party)

**APPENDIX A-25.2**

**MARCH 7, 1994 SERVICE AGREEMENT BETWEEN THE  
TOWNSHIP OF OAKLAND AND BUTLER AREA SEWER  
AUTHORITY**

**(ROUTE 38 SERVICE AREA)**

**AGREEMENT**

THIS AGREEMENT entered into this 7 day of March, 1994,  
by and between:

**TOWNSHIP OF OAKLAND**, a Second-Class Township, of  
Butler County, Pennsylvania,

(Party of the First Part),

**AND**

**BUTLER AREA SEWER AUTHORITY**, a Municipal Authority,  
organized and existing under the Laws of the Commonwealth  
of Pennsylvania, with offices at 125 Pittsburgh Road, Butler,  
PA, 16001,

(Party of the Second Part);

WHEREAS, Party of the Second Part is a duly constituted body corporate and governmental instrumentality existing under and by virtue of the Act of the General Assembly of the Commonwealth of Pennsylvania approved May 2, 1945, P. L. 382, as amended; and

WHEREAS, Party of the First Part is a Second-Class Township, pursuant to the Laws of the Commonwealth of Pennsylvania, and desires to use the services of Party of the Second Part in a specified area of Oakland Township in order to further the health, welfare, safety and general conditions of the persons living in said area of Oakland Township;

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the covenants hereinafter set forth to be made and kept by the parties hereto intending to be legally bound hereby, it is agreed as follows:

**I. COVENANTS OF PARTY OF THE FIRST PART**

The covenants to be performed by Party of the First Part are as follows:

1. Party of the First Part agrees to employ its own counsel and its own engineer to gather data, prepare plans for the development of a feasible sewerage plan in the area marked by slashes on the attached map along Route #38 in Oakland Township, Butler County, PA, and such additional areas as Party of the First Part and Party of the Second Part may mutually agree to in the future within Oakland Township, Butler County, PA.
2. Party of the First Part agrees to have all the engineering work done and fully coordinated within the area on the map attached hereto at its sole cost and expense, and First Party shall make application for Permits covering said area and any additional area in the future that the parties hereto may mutually agree to.
3. Party of the First Part agrees to obtain a Grant for the cost of the area to be serviced as shown on the attached Exhibit, and acknowledges that Party of the Second Part shall have the right to set a surcharge for said Sewer Service Area.
4. Party of the First Part agrees that it shall acquire all necessary rights-of-way to Party of the Second Part and that all rights-of-way, all sewer lines, collecting systems and, in fact, all facilities constructed or to be constructed within said area and within any additional area, as may be mutually agreed to between the parties in the future, will be the sole property of Party of the Second Part herein, its successors and assigns, and that the obligation of maintaining and servicing the users thereof, after construction is completed, will be that of Party of the Second Part herein.
5. Party of the First Part agrees that all construction in all areas of Oakland Township will be done under the supervision and in accordance with the specifications of the Butler Area Sewer Authority and in accordance with its Rules and Regulations now existing or that may hereafter be enacted. However, if Party of the Second Part so chooses, it retains the right to appoint its own inspectors during construction at the cost and expense of the First Party.
6. Party of the First Part agrees to enact any and all Ordinances, Resolutions, execute all Contracts and Agreements, etc. necessary and proper to accomplish the fruition of a sewerage system as envisioned on property shown by the Exhibit hereto attached, and any additional property that may be mutually agreed upon between the parties hereto, and, further, will approve all plans, specifications, and costs properly allocated to said Sewer Service Area, and any financial documents in order to promptly carry out the purpose of this Agreement and the entire

project, all of which shall be done before construction commences and, in addition thereto, Party of the First Part agrees to adopt the following Ordinances or Resolutions including, but not limited to the same as follows:

- a. Resolution adopting plan to be submitted to the Department of Environmental Resources for the area to be served;
  - b. Ordinance granting authority to construct sewer lines within said area where construction is to be completed;
  - c. Ordinance requiring connection of all abutting or adjoining landowners, abandonment of all private privies, vaults, and providing penalties for the same;
  - d. Ordinance approving the construction, either by the Township or Butler Area Sewer Authority, in the area defined, and approving all fees, charges, expenses, tap-ins, and connection fees charged thereto in accordance with the Rules and Regulations now existing or that may hereafter be enacted by Butler Area Sewer Authority pertaining to the area herein approved for construction.
7. Party of the First Part agrees that the Rules and Regulations of the Butler Area Sewer Authority, its successors and assigns, shall apply in all Sewer Service Areas and any connection fees and tap-in fees collected by the Second Party in the various areas are to be applied to the Second Party's Revenue Fund.
8. Party of the First Part understands that it is not presently and will not in the future have membership on the Butler Area Sewer Authority, its successors and assigns, as said Authority was created solely by the municipalities of Butler Township and Butler City. Party of the First Part further acknowledges that construction of sewer lines in Oakland Township is done solely as an accommodation to and at the request of said Township and does not grant any rights to Oakland Township to appoint any members to Butler Area Sewer Authority Board, its successors or assigns.

**II. COVENANTS OF PARTY OF THE SECOND PART**

1. Upon completion of the project and performance of all covenants by Party of the First Part herein, Party of the Second Part agrees to maintain and service the entire area to be served under the Rules and Regulations of Butler Area Sewer Authority, now existing or which may be hereafter enacted.
2. Party of the Second Part agrees to render bills to the owners of all those properties benefitted, being the regular bill as well as any surcharges, in accordance with the Rules and Regulations of the Butler Area Sewer Authority for operation, maintenance, repair service, debt services, treatment of sewage, and all like items, which charge will be uniform throughout the entire project.
3. Party of the Second Part agrees that it will consult with Party of the First Part as to all financial matters charged in the area to be serviced by Party of the Second Part herein within said Township, and that it will put the within area into service as soon as possible upon compliance with all covenants by Party of the First Part herein.
4. Party of the Second Part agrees that its Rules and Regulations shall apply to all Sewer Service Areas authorized by Party of the First Part herein, including connection fees and tap-in fees that will be paid to the Revenue Fund for said area.

**III.**

The parties hereto agree that the term "surcharge", as used in this Agreement, is to apply to each equivalent unit, as defined in the Butler Area Sewer Authority Rules and Regulations.

**IV.**

Both parties understand and agree that this Agreement is subject to approval by BUTLER CITY and BUTLER TOWNSHIP, and if either BUTLER CITY or BUTLER TOWNSHIP do not approve said Agreement, then said Agreement shall be null and void and have no legal effect whatsoever.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by the proper officers and the Corporate Seal affixed thereto, pursuant to the duly constituted action of each party spread upon their official minutes, and intending to be legally bound hereby.

Attest:

*Janessa S. Abel*  
Secretary

TOWNSHIP OF OAKLAND

By *William D. Boyer*  
President

Attest:

*[Signature]*  
Secretary

BUTLER AREA SEWER AUTHORITY

By *John M. [Signature]*  
Chairman

The within Agreement is approved by the below-mentioned parties on the date set forth respective of their names appearing hereby.

Date: June 6, 1994

Attest:

TOWNSHIP OF BUTLER

  
Secretary

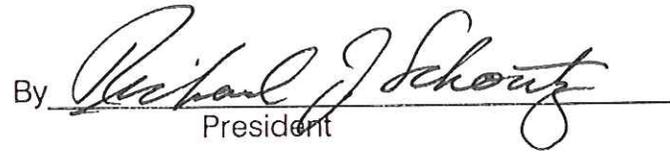
By   
President

Date: 2/18, 1994

Attest:

CITY OF BUTLER,  
BUTLER COUNTY, PENNSYLVANIA

  
Secretary

By   
President

Approved by the Mayor of CITY OF BUTLER, BUTLER COUNTY, PENNSYLVANIA,  
this 18th day of February, 1994.

  
Mayor

EAST SIDE OF 50' STREET  
N 01° 52' W 304.41



2E-33  
ONEIDA VALLEY  
VOL. FIRE CO.  
S2-E33

50° 51' W  
100' OF 50' STREET  
230.48

5 00° 08' W 132.97

R. J. EPPINGER, JR.  
BASA ACCT # CT 1177

2F-20-30

ONEIDA VALLEY  
VOL. FIRE CO.  
S2-E32

BASA ACCT  
# CT 1132

GERALD  
BAPTISTE

H. BAPTISTE

H. BAPTISTE

H. BAPTISTE

R. LEWIS

R. LEWIS  
S2-E32

ELLIS CLARK  
R. J. EPPINGER  
EPPINGER

RE-25  
L. R. RESES  
RE-24  
K. A. MCKAIN  
RE-23  
D. MCKAIN  
RE-22

K. WRUMBARGER  
RE-A  
E5  
K. MCKAIN  
E6  
C. P. ZARNICK  
C. P. ZARNICK  
RE-7  
E8  
D. H. SONNETT  
D. H. SONNETT  
RE-9  
J. McANALLEN  
RE-10  
R. W. HOVIS  
RE-11  
R. BROTHERS  
RE-12

MARY  
EPPINGER  
RE  
2E-2  
J. R. PATTER  
1.20 AC.

E21 HAZEL GRIMES  
H. J. EPPINGER  
V. OCHABA  
E18 D. P. HOVIS  
S. E. LAYTON  
S. E. LAYTON  
E15 S. LAYTON

E13  
P. SPENCER  
H. I. DELLEN

2F-20-25A

2F-20-30

**APPENDIX A-25.3**

**APRIL 3, 1995 SERVICE AGREEMENT BETWEEN TOWNSHIP  
OF CONNOQUENESSING AND BUTLER AREA SEWER  
AUTHORITY  
(CUPPS ROAD SERVICE AREA)**

**AGREEMENT**

THIS AGREEMENT entered into this 3<sup>RD</sup> day of APRIL, 1994<sup>5</sup>,  
by and between:

**TOWNSHIP OF CONNOQUENESSING**, a Second-Class  
Township, of Butler County, Pennsylvania,

(Party of the First Part),

**AND**

**BUTLER AREA SEWER AUTHORITY**, a Municipal Authority,  
organized and existing under the Laws of the Commonwealth  
of Pennsylvania, with offices at 125 Pittsburgh Road, Butler,  
PA, 16001,

(Party of the Second Part);

WHEREAS, Party of the Second Part is a duly constituted body corporate and governmental instrumentality existing under and by virtue of the Act of the General Assembly of the Commonwealth of Pennsylvania approved May 2, 1945, P. L. 382, as amended; and

WHEREAS, Party of the First Part is a Second-Class Township, pursuant to the Laws of the Commonwealth of Pennsylvania, and desires to use the services of Party of the Second Part in a specified area of Connoquenessing Township in order to further the health, welfare, safety and general conditions of the persons living in said area of Connoquenessing Township;

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the covenants hereinafter set forth to be made and kept by the parties hereto intending to be legally bound hereby, it is agreed as follows:

**I. COVENANTS OF PARTY OF THE FIRST PART**

The covenants to be performed by Party of the First Part are as follows:

1. Party of the First Part agrees to employ its own counsel and its own engineer to gather data, prepare plans for the development of a feasible sewerage plan in the area marked by slashes on the attached map along Cupps Road in Connoquenessing Township, Butler County, PA, and such additional areas as Party of the First Part and Party of the Second Part may mutually agree to in the future within Connoquenessing Township, Butler County, PA.
2. Party of the First Part agrees to have all the engineering work done and fully coordinated within the area on the map attached hereto at its sole cost and expense, and First Party shall make application for Permits covering said area and any additional area in the future that the parties hereto may mutually agree to.
3. Party of the First Part agrees that it shall acquire all necessary rights-of-way in a form acceptable to Party of the Second Part and that all rights-of-way, all sewer lines, collecting systems and, in fact, all facilities constructed or to be constructed within said area and within any additional area, as may be mutually agreed to between the parties in the future, will be the sole property of Party of the Second Part herein, its successors and assigns, and that the obligation of maintaining and servicing the users thereof, after construction is completed, will be that of Party of the Second Part herein.
4. Party of the First Part agrees that all construction in all areas of Connoquenessing Township will be done in accordance with the specifications of the Butler Area Sewer Authority and in accordance with its Rules and Regulations now existing or that may hereafter be enacted. However, if Party of the Second Part so chooses, it retains the right to appoint its own inspectors during construction at the cost and expense of the First Party.
5. Party of the First Part agrees to enact any and all Ordinances, Resolutions, execute all Contracts and Agreements, etc. necessary and proper to accomplish the fruition of a sewerage system as envisioned on property shown by the Exhibit hereto attached, and any additional property that may be mutually agreed upon between the parties hereto, and, further, will approve all plans, specifications, and costs properly allocated to said Sewer Service Area, and any financial documents in order to promptly carry out the purpose of this Agreement and the entire project, all of which shall be done before construction commences and, in addition thereto, Party of the First Part agrees to adopt the following Ordinances or Resolutions including, but not limited to the same as follows:

- a. Resolution adopting plan to be submitted to the Department of Environmental Resources for the area to be served;
  - b. Ordinance granting authority to construct sewer lines within said area where construction is to be completed;
  - c. Ordinance requiring connection of all abutting or adjoining landowners, abandonment of all private privies, vaults, and providing penalties for the same;
  - d. Ordinance approving the construction, either by the Township or Butler Area Sewer Authority, in the area defined, and approving all fees, charges, expenses, tap-ins, and connection fees charged thereto in accordance with the Rules and Regulations now existing or that may hereafter be enacted by Butler Area Sewer Authority pertaining to the area herein approved for construction.
6. Party of the First Part agrees that the Rules and Regulations of the Butler Area Sewer Authority, its successors and assigns, shall apply in all Sewer Service Areas and any connection fees and tap-in fees collected by the Second Party in the various areas are to be applied to the Second Party's Revenue Fund.
7. Party of the First Part understands that it is not presently and will not in the future have membership on the Butler Area Sewer Authority, its successors and assigns, as said Authority was created solely by the municipalities of Butler Township and Butler City. Party of the First Part further acknowledges that construction of sewer lines in Connoquenessing Township is done solely as an accommodation to and at the request of said Township and does not grant any rights to Connoquenessing Township to appoint any members to Butler Area Sewer Authority Board, its successors or assigns.

**II. COVENANTS OF PARTY OF THE SECOND PART**

1. Upon completion of the project and performance of all covenants by Party of the First Part herein, Party of the Second Part agrees to maintain and service the entire area to be served under the Rules and Regulations of Butler Area Sewer Authority, now existing or which may be hereafter enacted.
2. Party of the Second Part agrees to render bills to the owners of all those properties benefitted, being the regular bill as well as any surcharges, in accordance with the Rules and Regulations of the Butler Area Sewer Authority for operation, maintenance, repair service, debt services, treatment of sewage, and all like items, which charge will be uniform throughout the entire project.
3. Party of the Second Part agrees that it will consult with Party of the First Part as to all financial matters charged in the area to be serviced by Party of the Second Part herein within said Township, and that it will put the within area into service as soon as possible upon compliance with all covenants by Party of the First Part herein.
4. Party of the Second Part agrees that its Rules and Regulations shall apply to all Sewer Service Areas authorized by Party of the First Part herein, including connection fees and tap-in fees that will be paid to the Revenue Fund for said area.

**III.**

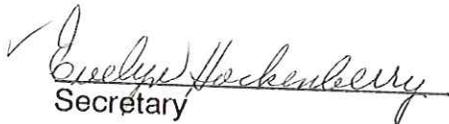
The parties hereto agree that the term "surcharge", as used in this Agreement, is to apply to each equivalent unit, as defined in the Butler Area Sewer Authority Rules and Regulations.

**IV.**

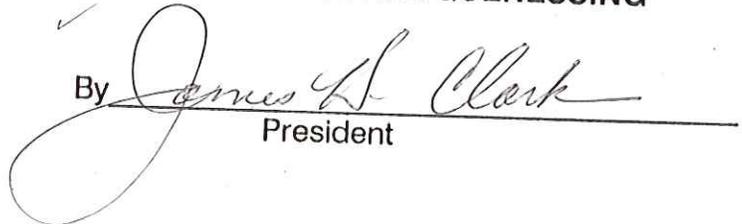
Both parties understand and agree that this Agreement is subject to approval by BUTLER CITY and BUTLER TOWNSHIP, and if either BUTLER CITY or BUTLER TOWNSHIP do not approve said Agreement, then said Agreement shall be null and void and have no legal effect whatsoever.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by the proper officers and the Corporate Seal affixed thereto, pursuant to the duly constituted action of each party spread upon their official minutes, and intending to be legally bound hereby.

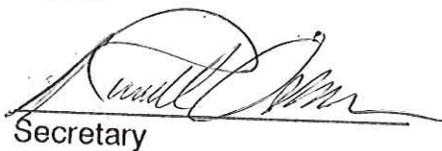
Attest:

  
Secretary

**TOWNSHIP OF CONNOQUENESSING**

By   
President

Attest:

  
Secretary

**BUTLER AREA SEWER AUTHORITY**

By   
Chairman

The within Agreement is approved by the below-mentioned parties on the date set forth respective of their names appearing hereby.

Date: June 6, 1994, 1994~~6~~

Attest:

TOWNSHIP OF BUTLER

*Roma Donaldson*  
Secretary

By *Paul Langford*  
President

Date: 2/18, 1994~~6~~4

Attest:

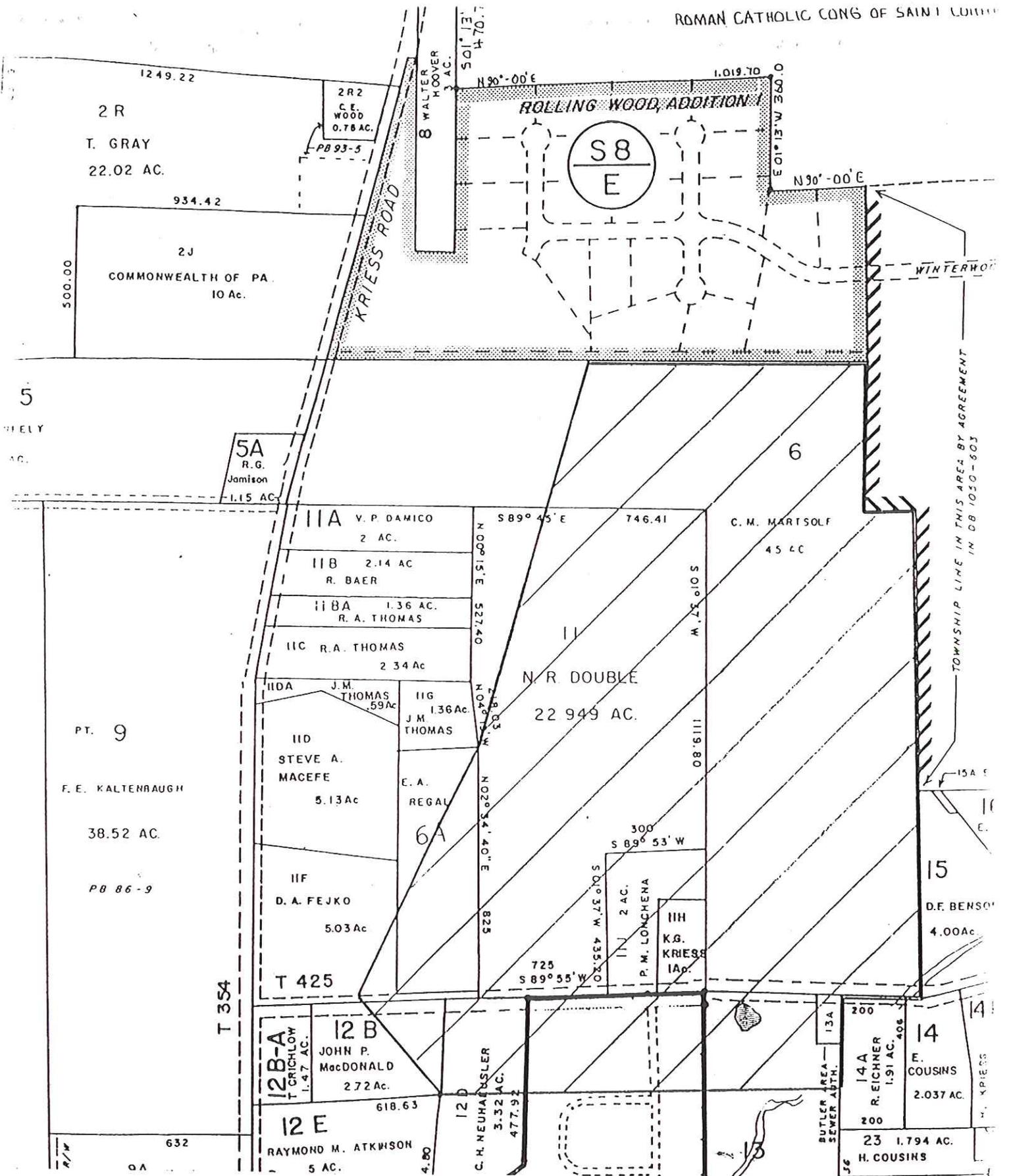
CITY OF BUTLER,  
BUTLER COUNTY, PENNSYLVANIA

*[Signature]*  
Secretary

By *Richard J. Schantz*  
President

Approved by the Mayor of CITY OF BUTLER, BUTLER COUNTY, PENNSYLVANIA,  
this 18~~th~~ day of February, 1994~~6~~4.

*Richard J. Schantz*  
Mayor



### BUTLER AREA SEWER AUTHORITY

Portion of Tax Map 3F-47  
Scale 1" = 400'

