

**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-
all of the assets, properties and rights related to the : 3037047 *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, :
Connequenessing, Oakland and Summit, in Butler :
County, Pennsylvania :

BUTLER AREA SEWER AUTHORITY

STATEMENT NO. 1

**DIRECT TESTIMONY OF DUANE MCKEE
EXECUTIVE DIRECTOR OF
BUTLER AREA SEWER AUTHORITY**

**With Regard To
A General Overview of BASA and its Wastewater System
Environmental Compliance Issues with the Wastewater Collection, Treatment, and
Discharge System
Challenges with the Wastewater Collection, Treatment, and Discharge System
Benefits of the Proposed Transaction for the System**

February 14, 2023

1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 **A.**My name is Duane McKee. My business address is 100 Litman Road, Butler, PA 16001.

4
5 **Q. In what capacity are you affiliated with the Butler Area Sewer Authority?**

6 **A.**I am Executive Director for the Butler Area Sewer Authority (“BASA” or the
7 “Authority”).

8
9 **Q. Please provide a brief description of your education and work experience.**

10 **A.**I graduated from Pennsylvania State University with a Bachelor of Science degree in
11 Industrial Engineering. I have served as the BASA Executive Director since September
12 2017. As Executive Director, I oversee and manage all aspects of the Authority’s
13 administration including its finances, sewage treatment, sewage collection engineering
14 services, the pretreatment program, realty transfer infiltration and inflow inspection
15 program, and IT/GIS management systems and safety. Prior to my role as Executive
16 Director for BASA, I worked for the Township of Cranberry in three different roles:
17 between 2007 and 2017, I served as the Assistant Township Manager with a focus based
18 in operations; between 2003 and 2007, I served as the Director of Public Works
19 Operations; and between 1994 and 2004, I served as the Director of Engineering
20 Services.

21
22 **Q. Have you testified before the Pennsylvania Public Utility Commission**
23 **(“Commission”) before?**

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1 **A.** No.

2

3 **Q.** **On whose behalf are you testifying in this proceeding?**

4 **A.** My testimony is on behalf of BASA and in support of the application of Pennsylvania-
5 American Water Company (“Pennsylvania-American”) to purchase all the assets of the
6 wastewater collection, treatment, and discharge system (the “System”) of BASA and
7 begin to furnish wastewater service to BASA customers in this proceeding (the
8 “Proposed Transaction”).

9

10 **Q.** **What is the purpose of your direct testimony and summarize the key points.**

11 **A.** The purpose of my testimony is as follows: (1) to provide a description of the System, (2)
12 to describe the challenges with the aging System, and (3) to explain the benefits of the
13 Proposed Transaction with respect to the System.

14

15 **Q.** **Are you sponsoring any Exhibits with your testimony?**

16 **A.** No.

17

18 **I.** **DESCRIPTION OF BASA AND ITS WASTEWATER SYSTEM**

19 **Q.** **Please provide a general overview of BASA and its Wastewater System Operations.**

20 **A.** Pursuant to the Municipality Authorities Act of 1945, the City of Butler (the “City”) and
21 the Township of Butler (the “Township”) incorporated BASA on November 3, 1962 to
22 serve both municipalities, connect the collection sewers, and expand the sewage
23 treatment plant. The Authority has a service area of approximately 32.5 square miles.

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1 BASA provides wastewater service to both the City and portions of the Township. While
2 the City and the Township incorporated BASA, the Authority also provides service to
3 portions of the following other municipalities: Center Township, the Borough of East
4 Butler, Summit Township, Oakland Township, and Connequenessing Township (the
5 “Service Area”).

6
7 **Q. Please provide a description of BASA’s wastewater system.**

8 **A.** The Authority operates and maintains the System, consisting of 224 miles of interceptor
9 sewers, eight (8) miles of force mains, twenty-three (23) pump stations (Benbrook Pump
10 Station, Brewster and Brewster Booster Pump Station, Bryson Road Pump Station,
11 Center Avenue Pump Station, Cupps Road Pump Station, Deshon Pump Station,
12 Diamond Street Pump Station, Fisher Heights Pump Station, Foxcroft Drive Pump
13 Station, Garden Pump Station, Greenwood Drive Pump Station, Karns Crossing Pump
14 Station, the Links Pump Station, Monroe Street Pump Station, Negley Avenue Pump
15 Station, Northvue Pump Station, Rock Lick Creek Pump Station, Township Line Pump
16 Station, September Drive Pump Station, Sugarcreek Pump Station, Ziegler Avenue Pump
17 Station, Pullman Center Pump Station and Ball Park Pump Station), seven (7) flow
18 equalization tanks, and the wastewater treatment plant located on Litman Road
19 (“WWTP”). The Authority also owns nearly 6,500 manholes. The BASA WWTP has
20 the ability to collect, treat, and convey up to 10 million gallons of sewage per day.

21 The System serves approximately 14,792 customers in the Service Area – which,
22 as stated above, includes customers in the City, and portions of the Township, Center

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1 Township, the Borough of East Butler, Summit Township, Oakland Township, and
2 Connequenessing Township.

3
4 **II. COMPLIANCE ISSUES AND CHALLENGES WITH THE SYSTEM**

5 **Q. Please provide an overview of any compliance issues with the System experienced by**
6 **BASA.**

7 **A.** In 2018, six total pump stations from the System experienced wet weather sanitary sewer
8 overflows (“SSOs”). The Brewster Booster, Fisher Heights, and Bryson Road Pump
9 Stations have experienced recurring SSOs since the heavy rainfall in 2018. For example,
10 during high flows, the two pumps at the Brewster Pump Station will pump approximately
11 200 gallons per minute more than the original peak design flow for the pump – *i.e.*, 600
12 gallons per minute. By way of further example, the Fisher Heights Pump Station only
13 reported one (1) SSO between 2015 and 2017; however, there were four (4) reported SSO
14 events as a result of the record rainfall in 2018. Similarly, the Authority’s WWTP
15 located at Litman Road failed the annual whole effluent toxicity (“WET”) test in the
16 fourth quarter of 2018.

17 Additionally, the Authority filed Non-Compliance Reports with the Pennsylvania
18 Department of Environmental Protection (“DEP”) for fecal violations on the following
19 dates: May 10, 2021; June 11, 2021; July 18, 2021; August 31, 2021; and February 28,
20 2022. The Authority also filed a Non-Compliance Report for ammonia nitrogen on May
21 19, 2021.

22 In sum, the last few years have brought a noticeable increase in environmental
23 compliance issues for the System.

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1 **Q. Is BASA subject to any Corrective Action Plan with DEP as a result of these**
2 **environmental compliance issues? If so, please provide an overview of the**
3 **Authority’s plan.**

4 **A.** In accordance with the DEP Chapter 94 regulations, the Authority submitted a Corrective
5 Action Plan (the “CAP”) on March 11, 2019 to the DEP to assess and address the
6 recurring wet weather SSOs contributing to excessive infiltration and inflow (“I&I”)
7 during the 2018 record rainfall year. More specifically, the CAP seeks to reduce the
8 overloaded conditions and/or to provide the additional capacities, if necessary, to address
9 the hydraulic overload conditions and SSOs.

10 While BASA has always sought to identify and eliminate excessive I&I sources in
11 the System, the CAP specifically focuses on overflows in the Fisher Heights Pump
12 Station, the Brewster Booster Pump Station, and the Bryson Pump Station. The CAP
13 requires unique tasks for each pump station; however, it generally requires BASA to
14 complete the following actions for each pump station: (1) redirect the SSOs to a different
15 area and install a flow meter to measure the actual volume and flow rate of any SSO, (2)
16 monitor and meter all overflow events at the pump station, (3) initiate a preliminary
17 assessment and design of the existing pump station, pump configuration, and discharge
18 force main to identify feasible alternatives to increase capacity of the pump station, (4)
19 advertise for bids to complete construction of numerous structural improvements to
20 eliminate overflows, and (5) award contracts for the aforementioned recommended
21 structural improvements by January 2023 and begin construction for certain
22 improvements by 2024.

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1 The CAP also imposed a “New Connection Prohibition” at the following pump
2 stations: Fisher Heights Pump Station, Brewster Pump Station, Brewster Booster Pump
3 Station, Greenwood Pump Station, Benbrook Pump Station, and Bryson Pump Station.
4 Although BASA may request – in writing – new sewer connections from DEP while this
5 prohibition is in effect, any future sewer connections are contingent upon BASA’s
6 progress and completion of tasks set forth in the CAP.

7
8 **Q. Is there anything further you would like to address regarding the compliance issues**
9 **or challenges with the System, generally?**

10 **A.** As stated above, the System is aging. For example, only three percent (3%) of sewer
11 lines are under ten (10) years old. Conversely, forty-six percent (46%) of the Authority’s
12 sewer lines are between twenty-five (25) and thirty-four (34) years old, thirty-one percent
13 (31%) are between thirty-five (35) and eighty-five (85) years old, and twenty percent
14 (20%) are more than eighty-five (85) years old. Similarly, approximately eighty percent
15 (80%) of the Authority’s manholes are made of concrete, with the remaining twenty
16 percent (20%) of the manholes made of brick. Concrete and brick manholes are
17 susceptible to the corrosive sewer processes that can exacerbate issues of infiltration in a
18 wastewater system like ours. Rehabilitating and/or replacing our nearly 6,500 manholes
19 is a costly but necessary endeavor to remedy the persistent inflow and infiltration issues
20 with our System.

21 Through implementation of the CAP, BASA has uncovered several shortcomings
22 in the System and, as a result, it has become evident that a comprehensive overhaul of the
23 aging System is necessary. For example, since 2018, the Authority has conducted 2,601

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1 inspections to address illegal connections and I&I through its Realty Transfer Inspection
2 Program. Nearly forty percent (40%) of these inspections failed and required a
3 replacement lateral. Additionally, as noted above, the CAP required BASA to complete
4 numerous capital improvements to bring the System into compliance, including but not
5 limited to installation of new SSO flow meters and numerous structural improvements in
6 the System to begin as early as spring 2023.

7 BASA cannot fund the necessary capital improvements without a significant
8 increase in rates to its customers. Even with a significant rate increase, BASA lacks the
9 necessary skillset, expertise, and project experience to complete the large scale, complex
10 projects that are needed to bring the System into compliance. The Authority currently
11 has thirty-three (33) full time employees with an average age of 50 years old. Since
12 2017, twelve (12) employees have retired from the Authority, and the Authority expects
13 at least two (2) more retirements by April 2023. The less experienced BASA employees
14 will greatly benefit from the leadership of Pennsylvania-American's more experienced
15 capital improvement teams, as well as the enhanced support from a much larger
16 workforce.

17 In short, while BASA has worked diligently for years to continue to offer safe,
18 reliable, and cost-efficient service to the public, the necessary capital investments to bring
19 its aging System into compliance while simultaneously rendering safe, reliable, and cost-
20 efficient service to the public requires the experience and capital of a larger operator, like
21 Pennsylvania-American, especially considering the \$40.6 million BASA in current debt.

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1 **III. BENEFITS OF THE PROPOSED TRANSACTION**

2 **Q. Please state the benefits of the Proposed Transaction with respect to the System.**

3 **A.** The Proposed Transaction offers numerous benefits for the System, BASA generally, and
4 its customers. It is my understanding that Paul F. Sybert, the Chairman of the BASA
5 Board, will discuss the overall benefits to customers from the Proposed Transaction.
6 Thus, for purposes of my testimony, I will solely focus on the benefits to the System that
7 will be enjoyed through this partnership with Pennsylvania-American, although it is
8 important to note that the numerous operational benefits I am summarizing will certainly
9 improve the customers' experience, as well.

10 Pennsylvania-American already provides water service to approximately 19,500
11 customers in the region. It is my understanding that because of this, the Proposed
12 Transaction will allow for synergies and economies of scale, as the water and wastewater
13 operations in the Service Area will both be handled by common, shared support service.
14 These benefits range from a combined billing process for both services to more efficient
15 capital improvement planning and execution for both systems.

16 Additionally, Pennsylvania-American – as a leading wastewater provider in the
17 Commonwealth – has the expertise and technical experience with large scale, complex
18 improvement projects, such as those needed for the aging and declining BASA System.
19 Notably, Pennsylvania-American prepared an investment project and recurring project
20 budget estimate totaling approximately \$75 million in *necessary* capital investments to
21 update the aging System and address BASA's significant I&I issues over the next five
22 years alone. Some of these projects include, but are not limited to, the following
23 improvements: funding safety improvements at pumping stations; entirely replacing

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1 certain pump stations; flood studies and flood hazard reinforcement of the BASA
2 treatment plant; and replacing and/or improving manholes across the System.
3 Pennsylvania-American not only has access to deeper financial resources than the
4 Authority to fund the identified projects but has a much more experienced workforce as
5 well. As I mentioned above, the Authority's workforce on the whole is closer to
6 retirement age than not. After closing of the Proposed Transaction ("Closing"), our
7 remaining younger employees will benefit from the leadership of Pennsylvania-
8 American's more experienced team.

9 Similarly, Pennsylvania-American estimates that the System requires nearly \$1
10 million of improvements and replacement for its service laterals over the next five (5)
11 years. As stated above, the Authority has conducted 2,601 inspections to address the
12 significant I&I issues with the System through the Realty Transfer Inspection Program.
13 To date, forty percent (40%) of these inspections have revealed that the sewer laterals
14 must be replaced. Under the Authority's ownership, the customers must bear the cost for
15 any replacement or repair to a damaged lateral, which can be up to \$8,500. However, if
16 the Proposed Transaction is approved, Pennsylvania-American is committed to including
17 the BASA System and the damaged sewer and/or aging laterals in its first petition to the
18 Commission in connection with its Damaged Wastewater Service Lateral pilot program
19 (the "Program"). This Program will spread the costs of the lateral projects across
20 Pennsylvania-American's large customer base, which the Authority's customers will now
21 have the benefit of joining, allowing them to share the costs of replacing damaged sewer
22 laterals with other Pennsylvania-American customers.

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1 As stated above, the required improvements to the System are vast and imminent
2 per the current CAP in place. The Proposed Transaction will provide immediate benefits
3 to BASA and its customers as a result of Pennsylvania-American’s greater access to
4 capital and operational resources to begin the complex overhaul and upgrades to finally
5 address the environmental compliance challenges of the System. Currently, BASA
6 residential customers are charged a flat rate of \$43.00 per EDU. The aforementioned
7 infrastructure improvements to the aging System are necessary. Absent approval of the
8 Proposed Transaction, the substantial investment needed to implement these necessary
9 improvements will be passed onto the 14,792 BASA customers through *significant* rate
10 increases. Conversely, under the APA, Pennsylvania-American will impose a rate freeze
11 at \$45.50 per EDU¹ for BASA customers for at least one year after Closing. In its first
12 base rate case that includes the System, Pennsylvania-American will request Commission
13 approval to shift the flat rate that BASA customers currently pay to a metered rate – *i.e.*,
14 customers will now only be charged for actual use, rather than a flat rate.

15
16 **Q. What benefits, if any, will the System receive with respect to environmental**
17 **compliance?**

18 **A.** Pennsylvania-American, as the largest investor-owned water and wastewater system in
19 the Commonwealth, has more resources than BASA to resolve the extensive
20 environmental issues identified in the Authority’s CAP in a more cost-efficient manner.

21 This ability is one of the primary reasons that the Authority, the City, and the Township

¹ The Authority agreed to raise the rates from \$43.00 to \$45.50 as part of our negotiations with Pennsylvania-American in order to secure (i) the period of the rate freeze (later of first anniversary of Closing or January 1, 2025), and (ii) the position that Pennsylvania-American would propose moving from BASA’s flat rate system to a system based on metered usage in its first base rate proceeding.

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1 ultimately determined that a sale to Pennsylvania-American would be in the best interest
2 of the System and its customers. For example, Pennsylvania-American employs a
3 Manager of Wastewater Compliance, whose *sole* purpose is to address environmental
4 compliance for all of the company's wastewater treatment plants in conjunction with its
5 compliance team. BASA's employees will be incorporated into Pennsylvania-
6 American's much larger compliance team, which has shared resources and more
7 advanced management tools. Our employees have worked hard to keep the System in
8 compliance throughout the years; however, the System will greatly benefit from
9 Pennsylvania-American's Environmental Management Plans, which are reviewed and
10 confirmed each quarter to ensure that compliance issues are continuously improving.

11
12 **Q. Please describe any further benefits from the Proposed Transaction.**

13 **A.** BASA and its customers will realize many additional benefits from the sale of its
14 wastewater system to Pennsylvania-American beyond those solely related to the System.
15 These benefits include, but are not limited to, the following:

- 16 • BASA customers will experience the enhanced customer service and operational
17 functions offered by Pennsylvania-American. For example, the Authority's call
18 center is available from 8:00 a.m. to 4:00 p.m., as opposed to Pennsylvania-
19 American's call center that is available from 7:00 a.m. to 7:00 p.m. Additionally,
20 Pennsylvania-American customers can also reach a representative via electronic mail
21 at any time at inforpa@amwater.com, a service that the Authority does not provide
22 its customers;

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- 1 • The retention of all active personnel employed by BASA in operating the System
2 with substantially similar retirement and health benefits, a critical requirement for
3 the Proposed Transaction;
- 4 • Pennsylvania-American agreed to award contracts for development projects to local
5 Butler County-based contractors, to the extent it is feasible and at a reasonable cost
6 to all ratepayers;
- 7 • Pennsylvania-American will maintain an operations center at BASA’s current
8 headquarters (for at least ten years) consisting of various managers, customer service
9 representatives, and operators;
- 10 • Pennsylvania-American can draw upon a broad range of engineering and operational
11 experience, as well as deeper financial resources than are available to BASA to
12 address the environmental compliance challenges of the System; and
- 13 • Pennsylvania-American’s capability to make long-term investments in necessary
14 capital improvements to the System.

15

16 **Q. Do you believe that the Proposed Transaction provides affirmative public benefits**
17 **and is in the public interest?**

18 **A.** Yes. For the reasons set forth above, I believe that the Proposed Transaction provides
19 substantial affirmative public benefits and is in the public interest. I urge the
20 Commission to promptly approve the Proposed Transaction.

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1 IV. **CONCLUSION**

2 Q. **Does this conclude your testimony?**

3 A. Yes, it does. However, I reserve the right to file additional testimony at a later date as
4 may be necessary or appropriate.

VERIFICATION

I, Duane McKee, the Executive Director of the Butler Area Sewer Authority, hereby verify that the statements of fact made in the foregoing document 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 subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



Duane McKee

Dated: February 9, 2023