

**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 :

CITY OF BUTLER

STATEMENT NO. 1

**DIRECT TESTIMONY OF ROBERT A. DANDROY
MAYOR OF THE CITY OF BUTLER**

**With Regard To
Overview of the City's Sale Process
Benefits of the Proposed Transaction for the City**

February 14, 2023

1 **INTRODUCTION**

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

3 A. My name is Robert A. Dandoy. My business address is 140 West North Street, Butler,
4 PA 16001.

5
6 **Q. In what capacity are you affiliated with the City of Butler?**

7 A. I am the current mayor for the City of Butler (the “City”). The City jointly incorporated
8 the Butler Area Sewer Authority (“BASA” or the “Authority”) together with the
9 Township of Butler (the “Township”).

10
11 **Q. Please provide a brief description of your education and work experience.**

12 A. I graduated from what is now known as Pennsylvania Western University (formerly
13 Clarion University of Pennsylvania) with a Bachelor’s degree in Education in 1974 and
14 received a Master’s degree in English from Slippery Rock University of Pennsylvania in
15 1984. I also have completed all but the dissertation for a Doctoral Program in English at
16 the Indiana University of Pennsylvania. Prior to my role as mayor for the City, I taught
17 English at the high school and college level.

18
19 **Q. Other than your professional experience, do you have any other experience in the
20 Butler community?**

21 A. Yes. I am heavily involved with the Main Street Program – a grassroots revitalization
22 initiative with a mandate to bring new energy to the City’s downtown area that is home to
23 several restaurants and shops, as well as several attractions for performing arts and music.

CITY OF BUTLER
DIRECT TESTIMONY OF MAYOR ROBERT A. DANDOY

1 At one point, I served as the President of the Main Street Program. Similarly, I have
2 volunteered with the arts community, specifically, I served on the board of directors of
3 both the Butler Little Theater and the Musical Theater Guild of Butler.

4 As a volunteer and now in my role as Mayor, this revitalization initiative is still
5 primary to me as my vision is to elevate our downtown area as a destination with a suite
6 of amenities for our citizens and visitors alike to enjoy.

7
8 **Q. Have you testified before the Pennsylvania Public Utility Commission**
9 **(“Commission”) before?**

10 **A.** No.

11

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

13 **A.** My testimony is on behalf of the City and is in support of the application of
14 Pennsylvania-American Water Company (“Pennsylvania-American” or the “Company”)
15 to purchase all the assets of the wastewater collection, treatment, and discharge system
16 (the “System”) of BASA and begin to furnish wastewater service to BASA customers in
17 this proceeding (the “Proposed Transaction”).

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

19 **A.** The purpose of my testimony is to provide a brief overview of the sale process and
20 provide an overview of the various public benefits of the Proposed Transaction for the
21 City.

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

23 **A.** No.

CITY OF BUTLER
DIRECT TESTIMONY OF MAYOR ROBERT A. DANDOY

1 **I. DESCRIPTION OF THE CITY**

2 **Q. Please provide a brief description of the City.**

3 **A.** The City was incorporated in 1918. It is only 35 miles north of Pittsburgh. As part of the
4 Greater Pittsburgh region and the Steel Belt, the City has a rich history from the
5 Industrial Revolution. For example, the Standard Steel Car Company opened one of its
6 largest railcar manufacturing facilities even after it merged with the Pullman Palace Car
7 Company in the 1930s. Additionally, in 1918, Ford opened one of its earliest dealerships
8 in the City. Today, the City is still home to industry – with an AK Steel factory still
9 operating – as well as several small family-owned businesses (admittedly fewer due to
10 the economic fallout after the COVID-19 Pandemic). Also, as the county seat, the City is
11 the center of both city and county governmental activity. The City has a population of
12 approximately 13,000.

13

14 **Q. Please provide a brief description of the City’s governmental structure.**

15 **A.** The City is governed by a democratically elected mayor and a legislative council
16 consisting of four democratically elected members. The City Council holds public
17 meetings biweekly that I lead as the sitting mayor for the City. The agendas for each
18 meeting are published to the City’s website in advance of all meetings to afford our
19 residents an advance notice of what will be discussed. Our residents often attend to share
20 their thoughts, or simply listen to the goings-on in the City. To assist in day-to-day
21 operations and provide necessary expertise, the City also has several Boards and
22 Authorities that serve our residents and community. All meetings of Boards/Authorities

CITY OF BUTLER
DIRECT TESTIMONY OF MAYOR ROBERT A. DANDOY

1 are open to the public to ensure that our constituents are provided an opportunity to
2 engage in discussion with the entities that ultimately make decisions.

3
4 **Q. How is the City's current economic and financial condition?**

5 **A.** Historically, one of our largest economic drivers was tourism, with attractions for our
6 residents and visitors alike to enjoy. However, like many cities in the Commonwealth,
7 the City is still reeling from the economic downturn caused by the COVID-19 Pandemic.
8 Our downtown area has always been home to numerous family-owned small businesses
9 and restaurants, but in the wake of the Pandemic many places were forced to close their
10 doors. While the City is slowly recovering, our once bustling downtown area is in dire
11 need of resuscitation.

12 Fortunately, the City Council approved a \$10.6 million budget for 2023, only a
13 slight increase from the \$10.5 million 2022 budget. Thus, the City could afford the
14 estimated increase in expenses for 2023 without raising our residents' tax rate.

15 Maintaining the 4.1% tax rate is important to us because our population is largely
16 working class, with a median household income of \$36,570. With the cost of living
17 rapidly increasing due to inflation, the future of the City's economy is uncertain and
18 financial stability is, as always, not guaranteed.

19
20 **II. OVERVIEW OF THE SALE PROCESS**

21 **Q. Please describe the City's decision to explore a sale of the System.**

22 **A.** The decision to sell the System was a result of the City, the Township, and the BASA
23 Board conducting their research and due diligence for the future of the System. For

CITY OF BUTLER
DIRECT TESTIMONY OF MAYOR ROBERT A. DANDOY

1 years, the Authority has worked diligently to provide safe, reliable, and cost-efficient
2 service to the public. In light of the imminent capital improvement projects required by
3 the Authority’s current Corrective Action Plan (“CAP”), we ultimately decided that an
4 exploration of the sale of the System was necessary. Thus, at the City Council meeting
5 held on September 23, 2021, the City Council voted to direct the Authority to explore
6 options for the potential sale of the System to a third party.

7
8 **Q. Please provide a brief overview of the sale process.**

9 **A.** From the beginning of this sale process, the Township, the City, and the Authority
10 worked collaboratively to determine whether a sale of the System was in the best interest
11 of our residents and all BASA customers. For about one year, the City, the Township,
12 and the Authority, with the help of capable outside experts, obtained information needed
13 to value the System, assessed future costs of capital and revenue requirements to address
14 the aging System’s issues, and weighed the advantages and disadvantages of the
15 Township and City retaining ownership of the System. Throughout calendar year 2022,
16 BASA – with the Township’s and the City’s input – balanced issues at various executive
17 sessions that addressed Pennsylvania-American’s offer and the Proposed Transaction
18 with the interests and concerns of our residents and all of the customers the Authority
19 serves as our primary focus. Ultimately, BASA, with input from the City and Township,
20 determined that the acceptance of Pennsylvania-American’s offer was in the best interest
21 of the community due to the considerable financial investment necessary to address the
22 infrastructure challenges posed to upgrade BASA’s aging System.

CITY OF BUTLER
DIRECT TESTIMONY OF MAYOR ROBERT A. DANDOY

1 **Q. Did the City request and consider public input on the sale of the System?**

2 **A.** Yes, this was important to us. As stated above, the public was aware that the City, the
3 Township and the Authority were exploring the sale of the System to a third party as
4 early as September 2021, as this exploration was mentioned at a City Council meeting.
5 The City Council kept the public apprised of major developments throughout the sale
6 process through the City Council meetings that took place during that time.

7 Additionally, before signing the asset purchase agreement (“APA”) with
8 Pennsylvania-American, the City hosted an open house on September 27, 2022, with a
9 morning session from 10 a.m. to noon and an evening session from 6 p.m. to 8 p.m., to
10 provide the public an opportunity to speak directly with representatives from the
11 Authority, the City, the Township, and Pennsylvania-American regarding any concerns
12 or thoughts about the sale. At the immediately preceding September 22, 2022 City
13 Council meeting, I encouraged the public’s attendance at the open houses to have the
14 opportunity to directly speak with all parties involved in the Proposed Transaction and to
15 share their thoughts. While the City has a beautiful and historical municipal building, our
16 governing offices are located in an older four-story home. Because we wanted to ensure
17 that residents who may be elderly or have a disability would be comfortable attending our
18 open house, we rented out the social hall at St. Peter’s Catholic Church which is centrally
19 located downtown in the City and has free parking. There was extensive media coverage
20 of not only Pennsylvania-American’s offer, but also of our scheduled open houses. For
21 example, Butler-based media outlets like the Butler Eagle and the Butler Radio Network,
22 as well Western Pennsylvania stations like KDKA radio and WPXI-TV (NBC Pittsburgh)
23 ran numerous stories. In total, there were approximately twenty-three (23) news stories

CITY OF BUTLER
DIRECT TESTIMONY OF MAYOR ROBERT A. DANDOY

1 that mentioned the open houses that were open to any member of the public.

2 Significantly, approximately twenty-three (23) individuals took this opportunity and
3 attended the open house hosted by the City, with three of those individuals attending both
4 the morning and evening open houses.

5 Lastly, the Authority created a website with resources for customers pertaining to
6 the sale including: the reasons the Authority reviewed the offer, the impact the sale will
7 have on the community, and links to several pertinent documents related to the sale (the
8 APA, relevant press releases, etc.). This information is still available for the public to
9 review at <https://www.resources4basacustomers.org/>.

10 After receipt and consideration of all public input, on October 13, 2022, the City
11 Council unanimously voted to pass City Resolution No. 2022-10-13 in support of the sale
12 of the System, authorizing the City's special counsel to intervene in the Commission
13 proceedings, and take all actions with respect to effectuating the sale.

14
15 **Q. Is there anything further you would like to state regarding the sale process?**

16 **A.** Yes. Throughout this sale process, the City and the Township have developed a strong
17 working relationship and opened the lines of communication. Together, we have
18 collaborated to achieve a goal that will benefit both of our constituents that will
19 inevitably create a more cohesive community between the two municipalities. This
20 intergovernmental cooperation can only benefit our community moving forward knowing
21 that we have a trustworthy partner in the Township that wishes to revitalize the greater
22 Butler area in the same way as the City's leadership.

23

CITY OF BUTLER
DIRECT TESTIMONY OF MAYOR ROBERT A. DANDOY

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

2 **Q. Please state the benefits of the Proposed Transaction.**

3 **A.** The Proposed Transaction offers numerous benefits for the System, BASA generally, and
4 all its customers. For the purposes of my testimony, I will focus on the benefits to the
5 City and its residents that will be realized as a result of the Proposed Transaction.

6 From the City’s perspective, the two primary benefits of the Proposed
7 Transaction, as described in more detail below, are as follows: (1) engaging an industry
8 expert to improve our aging System while maintaining reliable wastewater service and
9 managing the inevitable rate increases for our residents due to the considerable
10 investment necessary, and (2) providing the opportunity for local economic development
11 as a result of an improved and compliant System – namely, reinvigorating the City’s
12 downtown area.

13 First and foremost, there is an estimated \$75 million in necessary capital
14 improvement projects to update the aging System over the next five years. Under the
15 current ownership, this substantial investment into the System would be passed along to
16 the approximate 14,792 BASA customers through *significant* rate increases. Avoiding
17 these significant rate increases is particularly important for my constituents, with the
18 most recent data indicating that almost 24% of our population already falls below the
19 poverty line. Thus, increased utility expense could cause even further financial distress
20 to our hard-working citizens. However, Pennsylvania-American has access to deeper
21 financial resources than the Authority to not only fund the identified projects, but also
22 spread the costs of improving the System across a much larger customer base.

CITY OF BUTLER
DIRECT TESTIMONY OF MAYOR ROBERT A. DANDOY

1 If the Proposed Transaction is approved, BASA customers will experience a
2 \$2.50 rate increase before closing on the Proposed Transaction (“Closing”) and will not
3 experience another increase for at least one year after Closing. Conversely, absent
4 approval of the Proposed Transaction, the Authority will likely need to impose an abrupt,
5 significant rate increase to our residents (and all BASA customers) to help fund the
6 capital projects. Additionally, qualified lower-income BASA customers will have access
7 to Pennsylvania-American’s customer assistance programs to help pay their bills, which
8 is especially important considering the projected increase in rates as the improvement
9 projects commence. BASA has no such program available, meaning these customers
10 could be better situated with access to Pennsylvania-American’s programs. The
11 percentage of customers needing this assistance is low, but this program will provide a
12 vital opportunity to each of those customers to save on expenses

13 Furthermore, the City and the Township – as the incorporating municipalities of
14 BASA – will receive the sale proceeds after the Authority’s debt is paid off and the
15 Authority is dissolved. This influx of cash will provide the City with great flexibility in
16 spending, but it also provides significant liquidity and a greater security blanket to allow
17 the City to weather any sort of emergency it may face. In the event that these funds can
18 be allocated elsewhere, they would help allow for redevelopment opportunities that may
19 otherwise not be attainable. For example, since the COVID-19 Pandemic, the City’s
20 downtown area and local businesses have experienced a downturn. As stated above,
21 tourism has historically been one of the largest economic drivers. The proceeds from this
22 Proposed Transaction can provide the precise investment necessary to restore the City’s

CITY OF BUTLER
DIRECT TESTIMONY OF MAYOR ROBERT A. DANDOY

1 downtown area – a key feature that once helped the City be placed in the Smithsonian
2 Magazine’s top ten small towns in the United States.

3 In a similar vein with respect to the benefits to the City’s local economy,
4 Pennsylvania-American agreed to award contracts for the anticipated development and
5 improvement projects to local contractors, to the extent practicable and commercially
6 reasonable. Additionally, the System is currently subject to a CAP with the Pennsylvania
7 Department of Environmental Protection (“DEP”). Under the CAP, DEP imposed a
8 “New Connection Prohibition” at the following pump stations: Fisher Heights Pump
9 Station, Brewster Pump Station, Brewster Booster Pump Station, Greenwood Pump
10 Station, Benbrook Pump Station, and Bryson Pump Station. Although the Authority may
11 request – in writing – new sewer connections from the DEP while this prohibition is in
12 effect, any future sewer connections are contingent upon BASA’s progress and
13 completion of tasks set forth in the CAP (which, again, require investment and rate
14 increases). While this prohibition of new sewer connections does not impact the City
15 directly, it discourages new businesses from opening in the greater Butler area and the
16 Township because tapping into the System is not a guarantee. With the improved and
17 compliant System, which Pennsylvania-American is better situated to provide, businesses
18 will be more encouraged to open in the greater Butler area and achieve both the
19 Township and the City’s goal of a community that is a *destination* for business, industry,
20 culture, and the arts.

CITY OF BUTLER
DIRECT TESTIMONY OF MAYOR ROBERT A. DANDOY

1 **Q. One of the benefits you referenced above is the sale proceeds. Does the City know**
2 **how it will use the proceeds from the Proposed Transaction?**

3 **A.** The City has not committed to using the proceeds in any particular way at this point.
4 However, as always, our goal is to create a community where our constituents get the
5 greatest bang for their buck. In other words, we wish to enhance our community with
6 improved infrastructure such as repaved roads, sidewalks, and renovated storefronts to
7 create a vibrant downtown community without increasing the cost of citizenship. Toward
8 that end, there are three major areas of investment in our community that the City
9 leadership has in mind.

10 **OPERATING INITIATIVES:** We believe that an initial investment into our
11 community with these funds illustrates the significance of this effort and provides
12 immediacy in fulfilling needs. These will likely be needs that have been deferred and in
13 critical need of investment and improvement. This may include (but are not limited to):
14 (1) Completion of the Main Street Streetscape, with a particular focus on sidewalks and
15 benches; (2) Upgrades to parking resources, including but not limited to, paving and
16 landscaping and significant restoration of the Tier Parking facility. The upgrade to the
17 parking facility would include replacement of the antiquated equipment with modern
18 kiosk/electronic payment equipment; (3) Implementation of a vehicle replacement plan
19 for all city departments, which may necessitate immediate purchases of some vehicles
20 and an account set up for long term implementation of a schedule of need and purchases,
21 and (4) Upgrades to city parks, playgrounds and other properties that have not been
22 covered and completed by current projects and funding through grants.

CITY OF BUTLER
DIRECT TESTIMONY OF MAYOR ROBERT A. DANDOY

1 **CORE INITIATIVES:** We hope to establish a variety of investments that will fund
2 those areas of services that are central to the City’s government. These areas may
3 include, but are not limited to, the following: (1) Establishment of a fund used
4 exclusively to provide money for grants that require “matching funds;” (2) Establishment
5 of a façade program for businesses in the City; (3) Establishment of a grant program for
6 our residents to improve the “curb appeal” and safety of property including sidewalks and
7 removal and cleanup of brush, bushes, trees, and the like; and (4) Establishment of a fund
8 for restoration of the City streets (*i.e.*, paving, repairing potholes, and the like).

9 **STRATEGIC INITIATIVES:** We would like to establish the appropriate investments
10 that will meet the long-range obligations of the City. For example, these investments
11 may include, but are not limited to, the following: (1) Establishment of a fund, the
12 principal of which *cannot* be accessed, except in a situation if the City would enter Act
13 47 status without use of that fund; (2) Establishment of a fund, the interest of which may
14 be used to meet or minimize the Minimum Municipal Obligation for retirement accounts
15 for the City’s employees; and (3) Reduction or reimbursement of the Business Privilege
16 or Mercantile Tax.

17
18 **Q. Aside from those benefits already mentioned, are you aware of any other benefits to**
19 **the Proposed Transaction?**

20 **A.** Additional benefits include, but are not limited to, the following:

- 21 • Pennsylvania-American will impose a rate-freeze at \$45.50 per EDU for BASA
22 customers for at least one year following Closing;

CITY OF BUTLER
DIRECT TESTIMONY OF MAYOR ROBERT A. DANDOY

- 1 • In its first base rate case including the System, Pennsylvania-American will
2 request Commission approval to shift the flat rate that BASA customers currently
3 pay to a metered rate. With this shift to a metered rate as opposed to the current
4 flat rate, customers will be charged based on actual use, rather than an automatic
5 flat fee;
- 6 • Pennsylvania-American has agreed to retain all active personnel – both union and
7 non-union – employed by BASA with similar pay, retirement and health benefits;
- 8 • Pennsylvania-American will maintain an operations center at BASA’s current
9 headquarters (for at least ten years) consisting of various managers, customer
10 service representatives, and operators;
- 11 • Pennsylvania-American agreed to include the BASA System and its damaged
12 sewer and/or aging laterals in its first petition to the Commission in connection
13 with its Damaged Wastewater Service Lateral pilot program;
- 14 • Pennsylvania-American also already provides water service to approximately
15 19,500 customers in the region. Thus, the BASA customers will now have one
16 bill for both water and wastewater services providing our customers a more
17 efficient payment process for both services. Additionally, this allows
18 Pennsylvania-American to coordinate projects for both the water and the
19 wastewater systems, reducing road closings and any residual costs to the City;
- 20 • Pennsylvania-American can draw upon a broad range of engineering and
21 operational experience, as well as deeper financial resources than are available to
22 BASA to address the environmental compliance challenges of the System;

CITY OF BUTLER
DIRECT TESTIMONY OF MAYOR ROBERT A. DANDOY

- 1 • Pennsylvania-American’s capability to make long-term investments in necessary
2 capital improvements to the System; and
3 • Pennsylvania-American’s proven record of environmental stewardship for the
4 operation of wastewater systems to achieve compliance.

5
6 **Q. Do you believe that the Proposed Transaction provides substantial affirmative
7 public benefits and is in the public interest?**

8 **A.** Yes. For the reasons set forth above, I believe there is no question that this is the case.

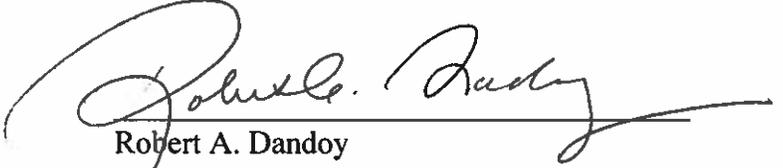
9
10 **IV. CONCLUSION**

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

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

VERIFICATION

I, Robert A. Dandoy, the mayor for the City of Butler, 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).


Robert A. Dandoy

Dated: February 9, 2023