

**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 treatment plant and : Docket No. A-2023-3038717  
collection system owned and operated by the :  
Elizabeth Borough Municipal Authority, and (2) the :  
rights of Pennsylvania-American Water Company to :  
begin to offer or furnish wastewater service to the :  
public in the Borough of Elizabeth, and portions of :  
the Borough of Lincoln and the Townships of :  
Elizabeth and Forward, in Allegheny County, :  
Pennsylvania :

**ELIZABETH BOROUGH MUNICIPAL AUTHORITY**

**STATEMENT NO. 1**

**DIRECT TESTIMONY  
OF**

**TIMOTHY GUFFEY**

Date: September 24, 2024

EBMA Statement No. 1

**DIRECT TESTIMONY OF**

**TIMOTHY GUFFEY**

**I. INTRODUCTION**

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

A. My name is Timothy Guffey, and my address is 103 Harrison Street, Elizabeth, Pennsylvania 15037.

**Q. By whom are you employed and in what capacity?**

A. I am employed by the Elizabeth Forward School District as the Athletic Director.

**Q. What is your role with the Elizabeth Borough Municipal Authority and Elizabeth Borough?**

A. I serve as the Chairman for the Elizabeth Borough Municipal Authority (the “Authority”) and as the President of Council for Elizabeth Borough (the “Borough”).

**Q. Please describe your educational background and employment experience.**

A. As stated above, I serve as the Athletic Director of the Elizabeth Forward School District, where I have worked for thirty-four (34) years. I received my bachelor’s degree from Anderson University in Anderson, Indiana, and my master’s degree at Miami University in Oxford Ohio.

**Q. Have you previously testified before the Pennsylvania Public Utility Commission (“PUC” or “Commission”)?**

A. I have not.

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

2 A. I am appearing on behalf of both the Authority and the Borough. In serving in both roles  
3 for each entity, I was involved in the decision to sell the wastewater system and in the  
4 negotiations relating to the Asset Purchase Agreement (“APA”).

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**II. BACKGROUND**

7 **Q. What does the Application seek from the Commission?**

8 A. This Application submitted by the Pennsylvania-American Water Company (“PAWC”),  
9 seeks the Commission’s approval of the PAWC acquisition of the Elizabeth Borough  
10 Sewer System (the “System”) that is owned and operated by the Authority (the  
11 “Transaction”). Both the Borough and the Authority have a strong interest in the  
12 Application being approved by the Commission because they believe it will be in the best  
13 interest of their residents.

14 **Q. Please provide a brief overview of the System.**

15 A. The Authority owns and operates a 1.2 million gallons per day (“MGD”) wastewater  
16 treatment plant (“WWTP”) that provides service to a total of approximately 2,200  
17 customers in Elizabeth Borough, Forward Township, Elizabeth Township and Lincoln  
18 Borough. The WWTP is operated seven (7) days a week.

19 Forward Township, Elizabeth Township and Lincoln Borough, are all bulk customers of  
20 the Authority and own separate sanitary sewer systems that transport sewage for treatment  
21 to the Authority. Sewage enters the WWTP by way of either the Wiley Pump Station force  
22 main or the Authority’s newly constructed Pump Station force main. The Wiley Pump  
23 Station is owned and operated by Elizabeth Township.

1 The System consists of approximately 43,930 linear feet of gravity collection mains  
2 consisting of various sizes of pipe from 6 to 48 inches. The System also consists of  
3 254 manholes that the Authority must maintain. The system is a combined system and  
4 contains 5 Combined Sewage Overflows (“CSOs”) that the Authority maintains.

5 **Q. Please describe the Authority.**

6 A. The Authority is a municipal authority formed under the Municipality Authorities Act of  
7 1945 and was incorporated on December 29, 1949, by Elizabeth Borough. It is governed  
8 by a Board of Directors. The Authority is operated by one administrative employee, two  
9 facility workers, and a part-time operator.

10 **Q. Are the Authority and the Borough parties to the APA?**

11 A. The Borough is not a party to the APA but has taken action in the form of a resolution  
12 approving the sale. Upon closing of the sale to PAWC (“Closing”), the Authority will be  
13 dissolved, and the Borough will assume certain representations and warranties under the  
14 APA.

15 **Q. Please describe the purpose of your testimony and summarize key points.**

16 A. The purpose of my testimony is to provide analysis from the perspective of the Borough  
17 and Authority regarding the substantial benefit that this Transaction will have. The  
18 Authority and the Borough both believe that this Transaction will serve in the best interests  
19 of the residents of the Borough. As part of the Transaction, the Authority will receive  
20 \$28,000,000.00 from the sale of its System. Upon Closing, the Authority will be dissolved,  
21 outstanding debt will be satisfied, and all remaining assets will be conveyed to the Borough  
22 by operation of law. The Borough will use this money for public purposes mainly focused

1 on the improvement of public infrastructure, which will greatly benefit the Borough  
2 residents well into the future.

3 The benefits of this Transaction will not be limited to the addition of public infrastructure  
4 improvements. The Transaction will also alleviate certain burdens, including the  
5 elimination of all sewer debt and the removal of the responsibility for compliance to  
6 increasingly stringent environmental requirements. In addition, the Transaction will fund  
7 stormwater maintenance and improvements and provide potential matching funds for state  
8 and federal grants to accomplish infrastructure improvements. These expected benefits  
9 will help the Borough stabilize its real estate tax base by providing a way for capital  
10 improvements without increasing real estate tax rates.

11 **III. DESCRIPTION OF THE BOROUGH AND REASONS FOR**  
12 **THE TRANSACTION**

13 **Q. Please describe the Borough generally.**

14 A. The Borough is located in Allegheny County on the east bank of the Monongahela River,  
15 approximately 15 miles upstream of the City of Pittsburgh. The Borough was founded in  
16 1787 and was incorporated as a Borough on April 2, 1834. The Borough has a total area of  
17 0.4 square miles and is home to approximately 1,398 residents according to the 2020  
18 United States Census. The Borough's population has been declining since 1940, which can  
19 be attributed to many factors, but mainly due to the closing of industry that has plagued  
20 similar communities in Southwestern Pennsylvania. The Borough is within the Elizabeth  
21 Forward School District.

1 **Q. Describe the financial challenges of the Borough over the past 25 years.**

2 A. Due to the population shrinking, the Borough's taxable assessed value decreased \$792,416  
3 between 2015 and 2017. Between 2017 and 2020, the Borough's taxable assessed value  
4 rebounded, but is still \$12,266 less than the 2015 value. In 2021, the Borough was forced  
5 to increase its real estate tax rate to 10 mills, which represents an increase of 1.5 mills from  
6 2020. The Borough is in an unfortunate position where it is forced to balance necessary  
7 capital projects to improve infrastructure through increasing taxes, while exercising  
8 restraint in real estate tax increases to not burden its residents. In 2021, the Borough hired  
9 D. Martinak Planning and Consulting, LLC, through the Pennsylvania Department of  
10 Community and Economic Development ("PA DCED") Strategic Management Planning  
11 Program ("STMP") to develop a report to better position the Borough with plans for future  
12 growth and development. The report focuses on how to best achieve long-term fiscal  
13 responsibility and to meet long-term needs and critical issues that the Borough faces.  
14 According to the report, these goals will be accomplished by reducing expenditures,  
15 enhancing revenues, implementing long-term community and economic development  
16 strategies for tax base stabilization, adopting best management practices to achieve  
17 operating efficiencies, and pursuing intergovernmental cost-sharing strategies.

18 **Q. Please describe the Borough's and Authority's interest in the Transaction.**

19 A. The interest of the Transaction from the perspective of the Authority and Borough is that  
20 the proceeds will be used to pay off long standing debt and ensure that the residents and  
21 municipal bulk customers receive efficient and proper sewage treatment services.  
22 Environmental regulations continue to grow more stringent, and the Authority is quickly  
23 becoming more strained to meet those environmental goals due to the size of its operating

1 staff and its limited budget. The interest in the Transaction from the Borough perspective  
2 is in the financial benefits that will be obtained from the sale and the operational experience  
3 that PAWC possesses. As described above, the Borough's population is decreasing, which  
4 results in less and less real estate tax revenues on a yearly basis. The proceeds from the  
5 sale upon dissolution of the Authority will greatly benefit the Borough to facilitate  
6 improvements to its infrastructure without levying substantial increases to real estate tax  
7 rates. Additionally, the sale to PAWC will provide critical operational and maintenance  
8 experience to maintain the System in a manner that is much more beneficial to the Borough  
9 residents and bulk customers.

10 **Q. Please summarize the Transaction and the rationale for the decision to enter into it.**

11 A. The decision to sell the System occurred after careful consideration amongst Borough and  
12 Authority officials. Prior to my time on the Authority Board of Directors, various meetings  
13 were held between representatives of the Borough and Authority to discuss the possibility  
14 of selling. Both the Borough and the Authority agreed that selling the System would be  
15 beneficial to the Borough and its residents because the proceeds would be utilized to  
16 stabilize the Borough's tax base through targeted infrastructure improvements and would  
17 allow for a qualified company to provide more efficient treatment services than what is  
18 already being provided.

19 It was determined that the Authority would hire outside experts to value the system and  
20 seek qualified bidders and bids. The Authority engaged the services of Joseph Muscatello  
21 of Boeing Scattergood and Michael P. Kenney ("Mr. Kenney") of MK Municipal Services  
22 LLC. On September 5, 2021, Mr. Kenney provided a Wastewater System Evaluation  
23 report, identifying an initial estimate of the value of the Authority and its assets, and

1 provided an overview of the Act 12 process. The Request for Proposals (“RFP”) was  
2 approved by the Authority’s board at its regular meeting held on November 9, 2021, and  
3 included terms to determine qualified bidders. The RFP was advertised on November 28,  
4 2021, and prospective bidders had a deadline of December 3, 2021, to notify the Authority  
5 of their intent to bid. A pre-bid conference call was held on December 9, 2021, and site  
6 visits occurred between December 13, 2021, and January 12, 2021. A due diligence period  
7 took place beginning after the site visits and was extended due to requests from the  
8 potential bidders. The deadline for receiving bids was July 12, 2022.

9 The Authority received two bids in response to the RFP, one from PAWC and one from  
10 Aqua Pennsylvania Wastewater, Inc. PAWC was the high bidder with a bid in the amount  
11 of \$28,000,000.00, contingent on successful negotiation of an APA. At its regular meeting  
12 held on August 9, 2022, the Authority acted to accept the bid from PAWC. At the  
13 Authority’s regular meeting held on November 8, 2022, the Board approved of the APA,  
14 and thereafter, the schedules were finalized by the Authority’s Solicitor, and the APA was  
15 executed on January 24, 2023. Members of the public were permitted to attend and  
16 comment on the Transaction at the June 15, 2022, August 9, 2022, and November 8, 2022  
17 Board meetings.

18 **Q. Has the Authority retained a Commission-approved Utility Valuation Expert**  
19 **(“UVE”) to prepare a Fair Market Value Appraisal for use in this proceeding?**

20 A. The Authority voted to retain Gannet Fleming Valuation and Rate Consultants, LLC at its  
21 September 13, 2022, regular meeting.

22 **Q. Has the Transaction been approved by the Borough in addition to the Authority’s**  
23 **Board?**

1 A. The Borough approved the sale at its meeting held on April 25, 2023. Members of the  
2 public were permitted to attend and comment on the Transaction.

3 **IV. TRANSACTION BENEFITS**

4 **Q. Please describe the likely impact of the Transaction on the Borough and its residents.**

5 A. As previously stated, the Borough will utilize the funds to improve the Borough’s  
6 infrastructure while maintaining real estate taxes at current levels if the Transaction is  
7 finalized. While the Borough has not specifically identified the areas for which the funds  
8 would be utilized, one area of interest is maintenance and improvements to the Borough’s  
9 stormwater system. This Transaction will allow the Borough to stabilize its expenses and  
10 enhance revenues while maintaining current real estate tax rates. Additionally, the funds  
11 from the Transaction can be used to provide matching funds for grant applications to  
12 complete infrastructure improvements that are necessary and have not been completed for  
13 a number of years, mainly due to the lack of funding available from the Borough’s current  
14 revenues.

15 Additionally, the Authority has pledged that it would complete its Long Term Control Plan  
16 (“LTCP”), but so far has been unable to complete it. As of December 17, 2020, the  
17 Authority was scheduled to submit its Act 537 Update to DEP for Approval on August 30,  
18 2021, received its Act 537 Sewage Facilities Planning Update Approval on December 31,  
19 2021, complete facilities design by December 31, 2023, submit its WQM Permit  
20 Application by December 31, 2023, begin facility construction by October 31, 2025,  
21 submit PCCMP by March 31, 2028, and complete facility construction by October 31,  
22 2028. To date the Authority has been unable to complete any of these benchmarks.

1 It is estimated that the cost to complete the remainder of the LTCP would be  
2 \$15,931,168.00. Even if the Authority were to borrow low interest funds through the  
3 PENNVEST, customer rates would still be negatively impacted. It is anticipated that the  
4 monthly bill of average residential customers utilizing 3,000 gallons of water would be  
5 \$95.80.

6 **Q. Separate and apart from the financial benefits of the Transaction, are there any**  
7 **additional benefits of the Transaction from the Borough's perspective?**

8 A. Apart from the financial benefits as described above, the Transaction will provide an  
9 industry expert in PAWC to address the compliance issues surrounding the System to  
10 ensure environmental compliance in a much more efficient manner than what the Authority  
11 or Borough can provide, due to its size of workforce, limited expertise, and financial  
12 constraints. The operation of the System will be enhanced due to the strong staffing  
13 numbers and expertise that PAWC provides. PAWC will be better suited to engaging the  
14 System customers because it has a large team that is devoted to customer service, while the  
15 Authority currently has administrative staff of one. Also, PAWC employs a Manager of  
16 Wastewater Compliance responsible for addressing environmental compliance. When  
17 combined with its shared resources already established in the area of the Borough, these  
18 characteristics will lead to more successful and efficient solutions to issues that arise within  
19 the System. When compared to the two facility employees the Authority currently employs,  
20 PAWC is better able to quickly solve multiple issues that threaten environmental  
21 compliance that can range from identifying broken sewers to treatment facility  
22 breakdowns.

1           Additionally, Borough wastewater users will be provided with a more efficient bill  
2           payment process. PAWC already provides water service to Borough residents and after the  
3           Transaction is closed, Borough customers will have just one bill to pay for both water and  
4           wastewater services. Furthermore, PAWC has a much larger customer service staff that  
5           can handle any bill disputes or questions from Borough customers, whereas the Authority  
6           employs one individual who must handle all complaints. The Transaction will improve  
7           administrative and complaint functions in ways that cannot be offered to Borough  
8           customers by the Authority.

9           Furthermore, PAWC would be able to complete the LTCP more efficiently and proposed  
10          expansion of the Authority's treatment capacity and the impact on rates because of this  
11          transaction and LTCP would be similar to the Authority completing the LTCP.

12       **Q.    Based on your understanding, will the Transaction adversely impact the public in any**  
13       **material way?**

14       A.    No. As stated above, this Transaction will have positive impacts on the Borough and its  
15       customers. Furthermore, the Authority discussed this sale at many public meetings  
16       advertised with agendas posted on its website in accordance with the Pennsylvania  
17       Sunshine Act. These meetings were open to the public and on many occasions, the  
18       Authority Board invited the media to provide coverage. There has been no resident or  
19       customer who has voiced opposition to the Transaction as of the date of this testimony.

20       **Q.    How will the Transaction impact the employees of the Authority?**

21       A.    The Transaction will provide a benefit to the employees of the Authority because within  
22       the APA, PAWC has committed to offer continued employment to all current employees.

1 PAWC is also better positioned to offer these employees more expanded benefits than what  
2 the Authority can afford to provide.

3 **Q. Do you believe that this Transaction is in the public interest?**

4 A. Yes. I believe for the reasons stated above that approving this Transaction is in the best  
5 interest of the public. It will allow an experienced and trusted company to operate the  
6 wastewater system more efficiently from an operations and service perspective.  
7 Additionally, it will allow the Borough to accomplish infrastructure improvements, while  
8 maintaining, rather than increasing, its real estate tax rate.

9 **V. CONCLUSION**

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

11 A. Yes, it does. However, I reserve the right to file additional testimony later as may be  
12 necessary or appropriate.

**BEFORE THE  
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of Elizabeth and Forward, in Allegheny :  
County, Pennsylvania :**

VERIFICATION

I, Timothy Guffey, hereby state that the facts set forth in EBMA Statement No. 1 and accompanying exhibits, if any, are true and correct to the best of my knowledge, information, and belief. I understand that this verification is made subject to the provisions and penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: September 24, 2024

  
\_\_\_\_\_  
Timothy Guffey  
Chairman  
Elizabeth Borough Municipal Authority