

**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 : Docket No. A-2025-3052983, *et al.*  
system owned 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, Allegheny County, :  
Pennsylvania :

**ELIZABETH BOROUGH MUNICIPAL AUTHORITY**

**STATEMENT NO. 1**

**DIRECT TESTIMONY  
OF**

**TIMOTHY GUFFEY**

Date: January 28, 2025

EBMA Statement No. 1

**DIRECT TESTIMONY OF**

**TIMOTHY GUFFEY**

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**I. INTRODUCTION**

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

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

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

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

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

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

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

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

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

19 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  
17 2,200 customers in Elizabeth Borough, Forward Township, Elizabeth Township and  
18 Lincoln Borough. The WWTP is operated seven (7) days a week.

19 Forward Township, Elizabeth Township and Lincoln Borough, are all bulk  
20 customers of the Authority and own separate sanitary sewer systems that transport sewage  
21 for treatment to the Authority. Sewage enters the WWTP by way of either the Wiley Pump  
22 Station force main, or the Authority’s newly constructed Pump Station force main. The  
23 Wiley Pump 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  
4 infrastructure improvements. The Transaction will also alleviate certain burdens, including  
5 the 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 The Borough intends to set aside the proceeds of the transaction into an interest  
12 bearing account in order to grow the funds to utilize them as leverage for state and federal  
13 grants that will be used to improve infrastructure for the Borough residents without the  
14 need to increase real estate taxes. Over time, the Borough intends to use the proceeds to  
15 fund construction of a new public works garage, complete renovations to Borough Parks,  
16 and revitalize the Borough's riverfront parks. One of the Borough's main objectives is to  
17 connect its riverfront parks and properties to the Borough's business district that is located  
18 blocks away.

19 **III. DESCRIPTION OF THE BOROUGH AND REASONS FOR**  
20 **THE TRANSACTION**

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

22 A. The Borough is located in Allegheny County on the east bank of the Monongahela River,  
23 approximately 15 miles upstream of the City of Pittsburgh. The Borough was founded in  
24 1787 and was incorporated as a Borough on April 2, 1834. The Borough has a total area of

1 0.4 square miles and is home to approximately 1,398 residents according to the 2020  
2 United States Census. The Borough's population has been declining since 1940, which can  
3 be attributed to many factors, but mainly due to the closing of industry that has plagued  
4 similar communities in Southwestern Pennsylvania. The Borough is within the Elizabeth  
5 Forward School District.

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

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

1 STMP exists to assist municipalities experiencing fiscal difficulties to develop  
2 comprehensive multi-year financial plans and establish short and long-term financial  
3 objectives. This is a preemptive step designed for municipalities to avoid being formally  
4 classified as financially distressed by the Department of Community and Economic  
5 Development pursuant to the Municipalities Financial Recovery Act (Act 47). In order to  
6 alleviate stress on the Borough's budget, Council has disbanded its police department and  
7 contracted with a neighboring municipality to provide police services.

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

9 A. The interest of the Transaction from the perspective of the Authority and Borough is that  
10 the proceeds will be used to pay off long standing debt and ensure that the residents and  
11 municipal bulk customers receive efficient and proper sewage treatment services.  
12 Environmental regulations continue to grow more stringent, and the Authority is quickly  
13 becoming more strained to meet those environmental goals due to the size of its operating  
14 staff and its limited budget. The interest in the Transaction from the Borough perspective  
15 is in the financial benefits that will be obtained from the sale and the operational experience  
16 that PAWC possesses. As described above, the Borough's population is decreasing, which  
17 results in less and less real estate tax revenues on a yearly basis. The proceeds from the  
18 sale upon dissolution of the Authority will greatly benefit the Borough to facilitate  
19 improvements to its infrastructure without levying substantial increases to real estate tax  
20 rates. The main objective of the Borough would be used to stabilize the Borough's finances  
21 to avoid more cuts to public services all while avoiding the increase of real estate taxes.

22 Additionally, the sale to PAWC will provide critical operational and maintenance  
23 experience to maintain the System in a manner that is much more beneficial to the Borough

1 residents and bulk customers. If this transaction is not approved, the Borough probably  
2 would need to raise taxes, which would be in addition to any rate increase because the  
3 Authority pays for system operations through rates, not through Borough taxes. In addition,  
4 the Authority would eventually have to complete its Long Term Control Plan (“LTCP”),  
5 which would only increase the stress on the Authority’s limited staff. Selling to PAWC  
6 will alleviate this stress and allow the system to provide the highest level of service to both  
7 customers and ensure compliance with environmental regulations.

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

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

17 It was determined that the Authority would hire outside experts to value the system  
18 and seek qualified bidders and bids. The Authority engaged the services of Joseph  
19 Muscatello of Boeing Scattergood and Michael P. Kenney (“Mr. Kenney”) of MK  
20 Municipal Services LLC. On September 5, 2021, Mr. Kenney provided a Wastewater  
21 System Evaluation report, identifying an initial estimate of the value of the Authority and  
22 its assets, and provided an overview of the Act 12 process. The Request for Proposals  
23 (“RFP”) was approved by the Authority’s board at its regular meeting held on November 9,

1 2021, and included terms to determine qualified bidders. The RFP was advertised on  
2 November 28, 2021, and prospective bidders had a deadline of December 3, 2021, to notify  
3 the Authority of their intent to bid. A pre-bid conference call was held on December 9,  
4 2021, and site visits occurred between December 13, 2021, and January 12, 2022. A due  
5 diligence period took place beginning after the site visits and was extended due to requests  
6 from the potential bidders. The deadline for receiving bids was July 12, 2022.

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

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

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

19 **Q. Has the Transaction been approved by the Borough?**

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

1 **IV. TRANSACTION BENEFITS**

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

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

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

21 It is estimated by the Authority's engineer that the Authority's cost to complete the  
22 LTCP would be \$24.63 million. Compliance with the LTCP would significantly increase  
23 customer rates from the Authority. It is anticipated that the monthly bill of average

1 customers utilizing 3,000 gallons of water per month would increase to approximately  
2 \$114.23. This rate was calculated based on a blend of the three possible financing options  
3 the Authority would have, which include PENNVEST funding, bonds, and a mix of  
4 PENNVEST funding and bonds.

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

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

22 Additionally, Borough wastewater users will be provided with a more efficient bill  
23 payment process. PAWC already provides water service to Borough residents and after the

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

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

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

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

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

19 A. The Transaction will provide a benefit to the employees of the Authority because within  
20 the APA, PAWC has committed to offer continued employment to all current employees.  
21 PAWC is also better positioned to offer these employees more expanded benefits than what  
22 the Authority can afford to provide.

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

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

7 **V. CONCLUSION**

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

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

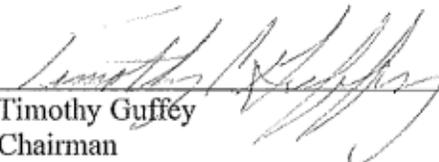
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County, Pennsylvania :**

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: January 28, 2025

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