



FAIRVIEW TOWNSHIP

YORK COUNTY, PA

Acquisition delivers long-term environmental and financial solution for local community

On December 22, 2015, Pennsylvania American Water acquired the Fairview Township wastewater system. The cash price was \$16.8 million and generated approximately \$5 million in net proceeds for the township, plus it resolved a number of environmental, regulatory and financial challenges facing local officials. When the transaction closed, the township wiped away its entire wastewater system debt, which enabled a 50 percent reduction in 2016 real estate taxes for Fairview homeowners.

MAJOR INFRASTRUCTURE UPGRADES REQUIRED

The wastewater system serves approximately 4,000 customers, including more than 200 businesses and commercial accounts in Fairview Township, where Pennsylvania American Water already served as the water service provider. Like many communities, Fairview officials faced regulatory mandates and capital improvements that would require substantial sewer rate increases. The challenges included:

- Extension of public wastewater service to meet regulatory requirements
- Chesapeake Bay treatment requirements to meet current and future regulations
- Collection system upgrades to replace aging infrastructure and reduce inflow and infiltration
- Treatment plant expansion to address capacity needs for current customers and future growth

In addition to the \$16.8 million purchase price, Pennsylvania American Water committed to invest up to \$14 million for the following wastewater system improvements:

- Install approximately 23,500 feet of gravity main, 150 manholes, 9,250 feet of force main, four pump stations and five grinder pumps to extend public wastewater service to about 200 homes and businesses
- Manage collection system improvements, including inflow and infiltration studies and annual sewer line replacement/rehabilitation
- Upgrade the treatment plant and pump stations, including the areas of safety, security and remote monitoring
- Reimburse the township for costs associated with relocating sewer main for Pennsylvania Turnpike improvement project



“This transaction brings a number of benefits for our community. The sale’s proceeds helped pay off approximately \$21 million in sewer debt and avoid millions of dollars in additional debt that might have been incurred for planned sewer projects.”

Fairview Township Board of Supervisors Chairman
Robert P. Stanley Jr.



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Hundreds of Fairview residents attended a public hearing in May 2015 to voice their opinions. One of the benefits that generated public support was Pennsylvania American Water's commitment to eliminate the \$9,500 per EDU tap-in fee for existing homes and businesses, which the township had been charging. After the hearing, Fairview's Board of Supervisors unanimously approved the acquisition.

BENEFITS OF ASSET PURCHASE

- Township eliminated all wastewater system debt and retained net proceeds, resulting in 50 percent reduction in 2016 real estate taxes for Township residents
- Township relieved of current and future wastewater expenses, as well as anticipated multimillion-dollar capital investment needs – avoiding a substantial rate increase that was planned.
- Wastewater rates were frozen through December 31, 2017. Future rate increases regulated by PA Public Utility Commission.
- By adopting Pennsylvania American Water's capacity fee rates, Fairview Township's \$9,500 per EDU tap-in fee was completely eliminated for existing homes and businesses to connect to the wastewater system. Also, the cost for new homes and business was reduced from \$9,500 to \$4,000 per EDU.
- Pennsylvania American Water hired the four existing township wastewater employees.
- Pennsylvania American Water will pay township, county and school district taxes for previously non-taxable land and property.

LONG-TERM RATE STABILIZATION

Wastewater rates under Pennsylvania American Water's ownership were lower than those projected if the township continued to operate the system. The company is able to offer long-term rate stabilization by applying the provisions of Act 11, which is legislation enacted in 2012 that enables regulated utilities to combine water and wastewater revenue for rate-making purposes.

If the township maintained ownership, the burden for the costly system improvements and regulatory mandates would fall entirely on Fairview customers.

In contrast, Pennsylvania American Water is permitted, because of Act 11, to spread the capital investments among its more than 720,000 customer base. Like single-tariff pricing for water service where rates are based on capital investments and expenses spread equally among water customers, the benefit of Act 11 is the long-term rate balance it provides for customers. This prevents one community or small group of customers from having to bear the entire burden for a major capital project, such as multimillion-dollar plant upgrades.



Fairview wastewater treatment plant

QUESTIONS?

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