UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

No. 25-2623

PPL ELECTRIC UTILITIES; PPL SERVICES CORPORATION

v.

IBEW LOCAL 1600,
Appellant

On Appeal from the U.S. District Court, E.D. Pa.
Judge Catherine C. Henry, No. 5:24-cv-00072

Before: SHWARTZ, MONTGOMERY-REEVES, AND RENDELL, Circuit Judges
Submitted: Nov. 9, 2026; Filed: Nov. 10, 2026

NONPRECEDENTIAL OPINION*

SHWARTZ, Circuit Judge.

Defendant IBEW Local 1600 ("IBEW") appeals the District Court's order vacating an arbitral award in favor of IBEW and against Plaintiffs PPL Electric Utilities and PPL Services Corporation (collectively, "PPL") (the "Award"). Because a district court must defer to an arbitrator's interpretation of the parties' collective bargaining agreement (the "CBA") unless it reflects manifest disregard of the agreement, we will vacate and remand for the District Court to enter an order enforcing the Award.

I

* This is not an opinion of the full Court and, under 3d Cir. IOP 5.7, is not binding precedent.

In late December 2022, PPL lineman Kyle Ross called out sick. PPL demanded a doctor's note, so Ross obtained one at a cost of $50.00. Ross provided the doctor's note to PPL and requested reimbursement. PPL refused, so Ross's union, IBEW, filed a grievance, which proceeded to arbitration under the CBA.

The arbitrator concluded the grievance was arbitrable, found PPL violated the CBA by not reimbursing Ross, and ordered reimbursement.[1] The arbitrator determined that CBA Article II, Section 3(A) required PPL to comply with regulations of "governmental agencies."[2] App. 18. According to the arbitrator, this provision "effectively incorporated into the [CBA]" the Pennsylvania Medical Pay Law ("MPL"), which is exclusively enforced by a governmental agency, the Pennsylvania Department of Labor and Industry ("DOLI"). App. 15; 43 Pa. Stat. Ann. § 1003.

The MPL is a criminal statute that prohibits "requir[ing] any employe[e] . . . to pay the cost of a medical examination, or the cost of furnishing any medical records, required by the employer as a condition of employment." 43 Pa. Stat. Ann. § 1002. Noting that PPL did not dispute it was bound to comply with the MPL, the arbitrator determined that the cost of Ross's doctor's note was a reimbursable "condition of employment" under the MPL's terms because PPL "conditions entitlement to sick pay on the presentation of a

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[1] Relevant here, the parties submitted to the arbitrator the question whether "[PPL] violate[d] the [parties' CBA] by failing to reimburse [Ross] for obtaining the medical certification dated 12/26/21." App. 3.

[2] CBA Article II, Section 3(A) provides: "The parties hereto recognize that the business of [PPL] is subject to regulation by the Pennsylvania Public Utility Commission and other governmental agencies in accordance with law. The parties agree that such regulation shall be respected and complied with by both parties to this Agreement." App. 77.

medical certification."[3] App. 20. As a result, the arbitrator required PPL to reimburse Ross under CBA Article II, Section 3(A), and directed PPL to cease and desist from future MPL violations.

PPL sued IBEW to vacate the Award. IBEW counterclaimed, urging the District Court to enforce the Award. The parties filed cross-motions for summary judgment. The District Court granted PPL's cross-motion, denied IBEW's cross-motion, vacated the Award, and remanded for further arbitration proceedings. PPL Elec. Utils. v. IBEW Loc. 1600, No. CV 24-0072, 2025 WL 2056870, at *8 (E.D. Pa. July 21, 2025). Although the Court deferred to the arbitrator's interpretation of the CBA as requiring compliance with the regulations of all government agencies that regulate PPL, including DOLI and the MPL, id. at *4, it held that the arbitrator exceeded his authority by (1) defining the statutory term "condition of employment" in the MPL to include Ross's sick note rather than interpreting the CBA itself, id. at *4-6, and (2) thereby impermissibly adding a new contractual obligation to the CBA, id. at *6.

IBEW appeals.

II[4]

Courts have "very limited power to review a labor arbitration award by an

[3] The CBA also provides for certain circumstances where employees are entitled to reimbursement for expenses, but it does not mention the cost of a doctor's note.

[4] The District Court had jurisdiction under 28 U.S.C. § 1331, and the Federal Arbitration Act (the "FAA"), 9 U.S.C. §§ 9, 10. We have jurisdiction under 28 U.S.C. § 1291, and the FAA, 9 U.S.C. § 16(a)(1)(D), (3). "We exercise plenary review of the District Court's decision to vacate" an arbitral award. Verizon Pa., LLC v. Commc'ns Workers of Am. Loc. 13000, 13 F.4th 300, 306 (3d Cir. 2021).

arbitrator appointed pursuant to a [CBA]," Stroehmann Bakeries, Inc. v. Loc. 776, Int'l Bhd. of Teamsters, 969 F.2d 1436, 1441 (3d Cir. 1992), and must defer to an "arbitrator's view of the facts and of the meaning of the contract" and his "honest judgment" as to the appropriate remedy for a contractual breach. United Paperworkers Int'l Union v. Misco, Inc., 484 U.S. 29, 37-38 (1987).

> [G]eneral[ly] . . . we must enforce an arbitration award if it was based on an "arguable" interpretation and/or application of the [CBA], and may only vacate it if there is no support in the record for its determination or if it reflects a "manifest disregard of the agreement, totally unsupported by principles of contract construction."

Exxon Shipping Co. v. Exxon Seamen's Union, 993 F.2d 357, 360 (3d Cir. 1993) (quoting News Am. Publ'ns, Inc. Daily Racing Form Div. v. Newark Typographical Union, Loc. 103, 918 F.2d 21, 24 (3d Cir. 1990)).

Courts may vacate arbitral awards "where the arbitrators exceeded their powers, or so imperfectly executed them that a mutual, final, and definite award upon the subject matter submitted was not made." 9 U.S.C. § 10(a)(4). "An arbitrator exceeds [his] powers if [his] award fails to 'draw[ ] its essence from the [CBA].'" StoneMor, Inc. v. Int'l Bhd. of Teamsters, Loc. 469, 107 F.4th 160, 163 (3d Cir. 2024) (quoting United Steelworkers of Am. v. Enter. Wheel & Car Corp., 363 U.S. 593, 597 (1960)). "An arbitration award draws its essence from the [CBA] if 'the interpretation can in any rational way be derived from the agreement, viewed in the light of its language, its context, and any other indicia of the parties[']intention.'" Tanoma Min. Co. v. Loc. Union No. 1269, United Mine Workers of Am., 896 F.2d 745, 748 (3d Cir. 1990) (emphasis omitted) (quoting Ludwig Honold Mfg. Co. v. Fletcher, 405 F.2d 1123, 1128

(3d Cir. 1969)).

Here, the District Court incorrectly rejected the arbitrator's "arguabl[e]" interpretation of the CBA. Newark Typographical, 918 F.2d at 24. It incorrectly viewed the arbitrator's analysis as adding a new contractual obligation. In fact, the arbitrator was authorized to determine whether PPL violated a term of the CBA. The CBA required PPL to comply with "regulation[s]" of "governmental agencies in accordance with law," App. 77,[5] including the MPL, whose terms are incorporated by reference into the CBA through Article II, Section 3(A).[6] Accordingly, when the arbitrator interpreted the MPL phrase "condition of employment" to cover Ross's medical certification, he was deciding whether PPL violated the CBA and was thus acting within his authority. See, e.g., Electrolux Home Prods. v. United Auto. Aerospace & Agr. Implement Workers of Am., 416 F.3d 848, 853 (8th Cir. 2005) ("The fact that contract interpretation requires the arbitrator to interpret law that is incorporated by reference does nothing to change [the] standard of review."); Am. Postal Workers Union, AFL-CIO v. U.S. Postal Serv., 789 F.2d 1, 6 (D.C. Cir. 1986) ("When construction of the contract implicitly or directly requires an application of 'external law,' i.e., statutory or decisional law, the parties have

[5] As the arbitrator observed, the parties could have restricted Article II, Section 3(A) to certain agencies but did not, indicating they meant to include all governmental agencies that regulate PPL, including the DOLI.

[6] It is no matter that the MPL is a criminal statute with no private right of action because the arbitrator was not enforcing the MPL. As discussed above, he was enforcing the CBA, which incorporated by reference the MPL's requirements. Indeed, the arbitrator agreed with PPL that he would have exceeded his authority by imposing the criminal penalties provided in the MPL rather than merely requiring compliance with it and reimbursing Ross for the doctor's note.

necessarily bargained for the arbitrator's interpretation of the law and are bound by it."); cf. Alexander v. Gardner-Denver Co., 415 U.S. 36, 53 (1974) ("The arbitrator . . . has no general authority to invoke public laws that conflict with the bargain between the parties.").

Having rationally determined that the CBA incorporates the MPL's requirements, the arbitrator reasoned that the MPL phrase "condition of employment" covers circumstances where "the Company conditions entitlement to sick pay on the presentation of a medical certification" regardless of "whether or not disciplinary action looms." App. 19-20. As such, the arbitrator concluded that (1) the MPL requires employers to reimburse employees for such medical certifications, (2) the CBA requires PPL to comply with this state law requirement, but (3) PPL failed to fulfill its obligation under the CBA by not reimbursing Ross.[7] Even if a court could construe the CBA

[7] The arbitrator noted that in a 1976 letter to the DOLI, a Pennsylvania Deputy Attorney General similarly defined the MPL term "condition of employment" to cover "circumstances where an employe[e] is required to obtain a doctor's note in order to obtain sick benefits and avoid disciplinary action." App. 20**, 233-35**. IBEW contacted the DOLI in 2023 about the "condition of employment" issue, and DOLI similarly responded that requiring a doctor's note if an employee is absent three or more days is covered by the MPL and is to be at the employer's cost. See App. 350.

The arbitrator stated that he went "further than" the Pennsylvania Deputy Attorney General by determining that where an employer requires a medical certification is required to obtain sick pay, the employer must reimburse the employee for the expense regardless of whether "disciplinary action looms." App. 20. The arbitrator's interpretation is supported by the fact that the MPL does not appear to restrict the term "condition of employment" to only those employment conditions where employees would face disciplinary action for non-compliance. See 43 Pa. Stat. Ann. § 1002. Even if the arbitrator should have interpreted the term "condition of employment" to require the threat of disciplinary action, Ross did face a threat of disciplinary action if he had not obtained a doctor's note, as he was told by his supervisor that if he did not return to work with one, he would not be allowed to work and would be sent home.

differently, because the arbitrator's interpretation "can in any rational way be derived from the agreement, viewed in the light of its language, its context, and any other indicia of the parties[']intention," it must be left undisturbed. Tanoma Min. Co., 896 F.2d at 748 (emphasis and citation omitted).[8] Because the Award was rationally derived from the CBA, the District Court erred.

III

For the foregoing reasons, we will vacate and remand for the District Court to enter an order enforcing the Award.

[8] For example, although PPL argues that the CBA provides for certain reimbursements but not for doctor's notes and thus the arbitrator impermissibly added a term to the CBA requiring reimbursements for doctor's notes like Ross's, PPL's interpretation is but one interpretation rationally derived from the CBA's language, and because the arbitrator's interpretation was also rationally derived from the CBA's language, we must defer to it. See Tanoma Min. Co. v. Loc. Union No. 1269, United Mine Workers of Am., 896 F.2d 745, 748 (3d Cir. 1990); see also LB & B Assocs., Inc. v. IBEW, Loc. No. 113, 461 F.3d 1195, 1198 (10th Cir. 2006) ("Whether it is the best interpretation is irrelevant; the arbitrator at least 'arguably construe[d]' the CBA, thus, his decision must stand." (alteration in original) (internal citation omitted) (quoting United Paperworkers Int'l Union, AFL-CIO v. Misco, Inc., 484 U.S. 29, 38 (1987))).