
EXHIBIT F78

SERVICE AGREEMENT, DATED JUNE 21, 1988, BY AND
AMONG BOROUGH OF EDDYSTONE AND DELCORA

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SERVICE AGREEMENT

THIS AGREEMENT is made as of the 21ST day of JUNE 1988, between the BOROUGH OF EDDYSTONE ("Municipality") and DELAWARE COUNTY REGIONAL WATER QUALITY CONTROL AUTHORITY ("DELCORA"), a Pennsylvania Municipal Authority.

RECITALS

A. By order of the Pennsylvania Department of Environmental Resources ("DER"), a regional wastewater system has been constructed and is operated by DELCORA to provide proper conveyance and treatment for wastewaters generated in portions of Delaware County.

B. By order of DER, certain municipal authorities and certain corporations and municipalities, including Municipality, in Delaware County have been ordered to negotiate with DELCORA for treatment of wastewaters in regional facilities.

C. Municipality currently operates its municipal wastewater system which is comprised of sanitary sewers, a pump station and a treatment plant. Municipality desires to construct a new pump station and force main which will convey Municipality's wastewater to the DELCORA Regional Wastewater System.

D. Municipality will design and construct a pump station, a metering station and a force main (the "Eddystone Bypass System" or "The System") which will convey all wastewater from Municipality into certain existing sewers of DELCORA. The design and construction of the Eddystone Bypass System will comply with both DER and DELCORA standards and requirements. After DELCORA approves the System, all of Municipality's right, title and interest to the System will be conveyed to DELCORA. Municipality will retain ownership and control over its sanitary sewer system.

E. The wastewater received from municipality will be conveyed to DELCORA's Western Regional Treatment Plant via: (1) the Eddystone Bypass System, (2) existing sewers of DELCORA, and (3) DELCORA's Chester Conveyance System.

F. Municipality will become a customer of DELCORA upon the terms and provisions hereinafter set forth.

NOW, THEREFORE, with the foregoing recitals made a part hereof and incorporated herein, the parties hereto, intending to be legally bound, hereby covenant and agree as follows:

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ARTICLE I
CONSTRUCTION OF EDDYSTONE BYPASS SYSTEM AND RELATED MATTERS

1.01. Construction and Design Capacity. Municipality will be responsible for design and construction of the Eddystone Bypass System and will use its best efforts to have the System on line and operational on or before July 1, 1988. The Eddystone Bypass System shall be designed to provide capacity sufficient to meet the present and projected future requirements of the respective users thereof, and the System shall be designed and constructed to comply with the standards and requirements of DELCORA and DER.

Municipality will proceed in two (2) phases, a design phase and a construction phase. The design phase will be accomplished in three (3) stages: concept design, preliminary plans and specifications and final plans and specifications. Municipality must receive DELCORA's written approval accepting each stage of the design process before it can proceed to the next stage. Construction may begin after DELCORA has approved the final plans and specifications and after all required government approvals have been obtained and copies delivered to DELCORA. During the construction phase of the project, DELCORA has the right to periodically inspect construction, without prior notice. Any construction change orders or variations from the final plans and specifications must be approved in writing by DELCORA before their implementation. DELCORA will notify Municipality in writing of any variations in contractual requirements it observes during the construction process.

When construction is completed, Municipality will convey all of its right, title and interest to the Eddystone Bypass System to DELCORA under the terms and conditions specified in Sections 1.02 and 1.03 of this Agreement. This conveyance will not be effective and will not be accepted by DELCORA until Municipality has demonstrated to DELCORA's satisfaction that construction variations, if any, have been corrected, that final construction is in accordance with the final design plans and specifications, including any DELCORA approved variations, and Municipality has delivered copies of Maintenance Bonds, Surety Statements, Affidavits and Releases from all contractors, two (2) copies of record drawings, two (2) copies of manufacturer's operation and maintenance manuals, and copies of all manufacturer's guarantees.

DELCORA's monitoring and approval of the System's design and construction is solely for the purpose of making the System compatible with the DELCORA Regional Wastewater System. DELCORA does not assume any duty or responsibility to any party by approving any phase of this project or by accepting ownership of the System when construction is completed.

1.02. Conveyance of the System. Municipality agrees to convey all of its right, title and interest to the real property, fixtures and personal property comprising the Eddystone Bypass System (a legal description and a survey of the real property which comprises the System is attached hereto as Exhibit "A" and

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made a part hereof as if more fully set forth herein) to DELCORA for One Dollar (\$1.00). Municipality hereby covenants that the Eddystone Bypass System is or at the time of conveyance to DELCORA will be free of any liens, claims, judgments, encumbrances, easements, rights of way or licenses. Title will be conveyed to DELCORA by Municipality's general warranty deed executed, duly authorized, acknowledged and delivered to DELCORA within thirty (30) days of receipt by Municipality of written notice that construction has been approved by DELCORA. Municipality's deed shall contain a clause providing that once the Real Property which comprises the System is no longer used for purposes other than sewage treatment and/or sewage disposal, then title to said Real Property shall revert to the Borough of Eddystone.

1.03. Easements. Municipality does hereby grant to DELCORA the free and uninterrupted use, liberty and privilege of, and passage in and along all public lands, roads, streets, alleys and ways owned by Municipality or in which it has a right of easement, together with free ingress, egress and regress to and for DELCORA, its agents, successors and assigns at all times and seasons for the operation and maintenance of the Eddystone Bypass System, subject, however, to the conditions that (1) in operating and maintaining the System, DELCORA will comply with all duly enacted laws regulating the use of public lands, roads, streets, alleys and ways, and (2) DELCORA will restore at DELCORA's sole expense, the surface of said lands, roads, streets, alleys and ways to the condition which existed prior to the commencement of any construction, maintenance or repair. In addition, Municipality will obtain and convey to DELCORA easements for all portions of the System not in the public right-of-way. All such easements will include the provisions of and be in the form of Exhibit "B".

ARTICLE II DELIVERY AND ACCEPTANCE OF WASTEWATER

2.01. Point of Connection: Metering Station: Acceptance of Wastewater. The wastewater covered by this Agreement will be delivered by Municipality to DELCORA at a point of connection shown on Exhibit "A". A metering station will be constructed as part of the Eddystone Bypass System which will measure and record all flows from Municipality to DELCORA.

2.02. Additional Capacity. DELCORA agrees to provide at all times during the term of the Agreement, after the date when Municipality commences delivering wastewater pursuant to Section 2.01 above, sufficient conveyance and treatment capacity for all wastewater emanating from Municipality and the entire Western Delaware County Service Area. If, at an time in the opinion of DELCORA or as validly determined by any governmental agency having regulatory powers over wastewater treatment, such capacity will become inadequate at a time less than ten years thereafter to convey or treat the total flows of wastewater emanating from the entire Western Delaware County Service Area, DELCORA shall

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design, plan and construct or otherwise provide such additional conveyance and treatment facilities as in its opinion or as required by said governmental agencies are necessary to provide sufficiency capacity. No capital contributions will be required from Municipality in connection with any of the above mentioned construction without an appropriate supplement hereto executed by Municipality, but no supplement or other agreement shall be required prior to any adjustment of rates to recover thereby the cost of such construction, subject to Section 3.01 hereof.

ARTICLE III
SERVICE CHARGES AND PAYMENTS

3.01. Service Charges. Municipality agrees to pay DELCORA in each calendar year or portion thereof during which this Agreement is in effect, subject to the other provisions hereof, a service charge for the wastewater treatment and transportation services rendered by DELCORA to Municipality for wastewater emanating from Municipality. The service charge shall be based upon rates which are uniform for all users within a particular class in the region served and which are equitable between classes. Costs may include pro rata shares of administrative and general expenses, costs of effective and reasonable operation, maintenance, repair, renewal, and replacement, ordinary improvements, costs of construction, costs of operating and maintaining flow monitoring and sampling equipment, all amounts required to carry and amortize temporary and bonded indebtedness including required payments to reserve funds, and reasonable reserves.

Service charges for any industrial users in Municipality who are required to obtain an industrial discharge permit shall be shown separately on each invoice, charges for such industries shall include a volume charge (based upon wastewater flow or water consumption as seemed appropriate by DELCORA) and any applicable surcharges for high strength flows. Such rates and surcharges shall be equitable and consistent with rates and surcharges established for industrial users in other parts of the Western Service Area. Charges for industrial users will be reconciled at year end based on actual flows and loadings.

Such service charges will not include any costs of: (1) the collection, conveyance and treatment of wastewater in the Eastern Delaware County Service Area; and (2) the costs of any of DELCORA's facilities in the Western Delaware County Service Area not used for Municipality's wastewater hereunder. DELCORA's good faith determinations as to elements of costs, classifications of customers, size of reasonable reserves and like matters shall be conclusive.

3.02. Estimates of Service Charges. On or before November 1st of each year commencing in 1987, DELCORA will prepare and submit to Municipality a statement approved by the Board of DELCORA showing, in reasonable detail, for the next succeeding

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calendar year: (1) the estimated amounts to be paid by Municipality during such year as its estimated service charge determined in accordance with the provisions hereof; (2) the amount, if any, to be credited against the estimated service charge for such year as the result of any overpayments or adjustments of payments for any preceding year, as provided under Section 3.06 below; and (3) the amount of any prior bill not paid pursuant to Section 3.06, plus interest pursuant to Section 3.07.

3.03. Amended Estimates. In the event of unusual contingencies requiring an upward revision in the current budget adopted by DELCORA, or in the event of a material change in the quantity or quality of Municipality's wastewater flow, DELCORA may amend the estimated service charges to reflect such changed conditions. A statement showing the amended estimated payments, in reasonable detail, and the reasons therefore shall be submitted to Municipality, thereafter, commencing with the next quarterly payment, the payments made by Municipality shall be based upon the amended estimate. In the event Municipality is not able legally to obtain funds with which to pay all of its share of the increase, any unpaid amount shall be paid by it in the calendar year following the receipt of the notice of the amended service charge. Interest on the increase resulting from the amended service charge shall be applied at the rate of 6% A.P.R. to the portion of the increase remaining to be paid as of March 1 of the said calendar year following the year in which the notice of the increase was received.

3.04. Payments on Estimates. Municipality agrees to pay its Estimated Service Charges for such next succeeding calendar year in four (4) equal installments to be paid on or before March 1, June 1, September 1, and December 1 of each year. Actual usage of DELCORA's sewer system will be reconciled with the estimates utilized in calculating quarterly billings and adjustments made pursuant to 3.05 below.

3.05. Audited Statements. DELCORA shall cause to be prepared and certified by an Independent Public Accountant on or before March 31st of each year a report setting forth in reasonable detail (a) the Operating and Capital Costs of the Western Regional System for the preceding calendar year, and (b) the final service charge chargeable to Municipality for such year determined in accordance with the provisions of Sections 3.01 through 3.04 above. Such report shall contain statements setting forth the payments theretofore made by Municipality as estimated payments of service charges and the amount by which the final service charge to Municipality exceeds or is less than the aggregate of the payments and credits theretofore made by or allowed to Municipality on account of such service charge.

3.06. Payment to Final Service Charges; Credit for Overpayments. If the Final Service Charge to Municipality for any calendar year as shown by such certified report differs from the aggregate of the payments and credits theretofore made by it

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based upon the aforesaid estimates, then Municipality will pay to DELCORA the amount of any deficiency within thirty (30) days after the delivery of said certified report, and any excess of such payments and credits on account of estimates over the Final Service Charges shall be refunded to Municipality within thirty (30) days.

3.07. Interest on Late Payments. If Municipality does not make full payment of any such quarterly installments or additional charges, except as specified in 3.03, on or before the specified payment date, there shall be added to the amount thereof interest at the rate of 10% from the due date of such charge to the date on which DELCORA shall receive payment thereof.

3.08. State and Federal Regulations to be Followed. Notwithstanding any provision set forth in this Article, the service charges payable by Municipality under this Agreement shall be calculated in such manner as will comply with the applicable regulations of the Federal Environmental Protection Agency and the Pennsylvania Department of Environmental Resources, or any successor agencies having jurisdiction thereof.

ARTICLE IV MEASUREMENT OF WASTEWATER FLOWS

4.01. Installation of Meters. The quantity of wastewater emanating from Municipality's facilities and discharged into the Eddystone Bypass System shall be based upon readings of the meter referenced in Section 2.01 above. The quantity of wastewater flowing through the Western Regional Treatment Plant shall be based upon the readings of a meter which will be installed by DELCORA at the Western Regional Treatment Plant.

4.02. Meter Readings, Maintenance and Calibration. DELCORA will maintain a continuous record of the wastewater flowing through the aforesaid meter. DELCORA will maintain, or cause to be maintained, as part of the annual costs the aforesaid meters and cause them to be inspected and calibrated at least quarterly for accuracy by the manufacturer thereof or some other company or person qualified to make such inspections.

4.03. Access to Meters. Municipality shall have the right of access, upon fifteen (15) days prior written notice, to the meters for the purpose of reading them and checking them in place for accuracy, at its expense.

4.04. Missing or Inaccurate Flow Records. In the case of missing or inaccurate flow records due to faulty meter operation or otherwise, an estimate of flows shall be made by DELCORA based on records of past flow or similar flows as applied to the current conditions, for use in place of meter readings.

ARTICLE V
WASTEWATER QUALITY RESTRICTIONS

5.01. Uniform Standards. DELCORA has adopted uniform wastewater quality standards known as the "DELCORA Standards, Rules and Regulations of 1984", which comply with the requirements of Federal, State and Local regulatory authorities. Municipality will refrain from discharging or permitting the discharge of wastewater from the Municipality's facilities into DELCORA's System that would violate any of such standards as they now exist or as they may be modified from time to time.

5.02. Compelling Compliance by Users. Municipality shall enact and keep in full force and effect at all times ordinances and resolutions prohibiting and providing penalties for the discharge into its system of anything violating the above-mentioned DELCORA Standards, Rules and Regulations of 1984 (as amended). Such ordinance shall also prohibit and/or regulate the discharge into its collection system by industries of Industrial Waste as defined in the applicable resolution of DELCORA. Municipality shall not permit any discharge into its local collection system except in the manner and in accordance with the provisions of said resolution of DELCORA.

5.03. Permits for Industrial Connections. Municipality will require each industry now discharging or hereafter desiring to discharge Industrial Waste into Municipality's collection system to apply to and receive from DELCORA a permit as required by DELCORA's said Standards, Rules and Regulations of 1984, as hereafter supplemented or amended, and Municipality will prohibit any such discharge by any industry which has not received a permit from DELCORA.

5.04. Sampling Facilities. If deemed required by DELCORA, DELCORA shall install, maintain and operate, for such period of time as required by DELCORA, sampling equipment or facilities at or near the point that the Municipality's facilities discharge wastewater into the DELCORA System. DELCORA will have samples collected and tested. The cost of installation, operation and maintenance of such sampling equipment and the cost of collecting and testing samples shall be incorporated in the service charge as a part of the general rate structure and shall not be a separate or additional billing.

5.05. Treatment and Harmful Wastes. If any analysis of samples pursuant to Section 5.04 indicates that the wastewater discharged by Municipality into the DELCORA System requires special treatment or would be harmful to such system or the Western Regional Treatment Plan, then upon request by DELCORA, Municipality will either (i) pay DELCORA the entire cost of such special treatment after receiving the same from the person or entity which is the source of the harmful discharge, (ii) provide or require pretreatment of such wastewater in such manner as DELCORA shall specify, or (iii) compel disconnection from the

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collection system of the property from which harmful wastewater is being discharged.

5.06. Reimbursement for Damages from Improper Discharge. Municipality will assist DELCORA in determining the source of any improper wastewater. Upon notice from and at the direction of DELCORA, Municipality will assist DELCORA in terminating the flow of any improper discharge. DELCORA shall be the Municipality's agent in prosecuting and/or initiating civil action against the person or entity which is the source of the improper discharge. All damages caused to DELCORA's and Municipality's property as the result of improper discharge shall be recoverable from the person or entity which is the source of the improper discharge. If DELCORA is unable to recover its damages after pursuing a civil action against the source, the excess damages shall be recovered through the general rate structure in succeeding years.

ARTICLE VI OPERATION AND MAINTENANCE OF FACILITIES

6.01. DELCORA Facilities. After the conveyance set forth in Sections 1.02 and 1.03, during the term hereof, DELCORA will exercise best efforts to continuously operate, maintain and repair the System or cause it to be maintained and repaired so that it will be at all times in efficient operating condition and in compliance with the standards prescribed by all appropriate regulatory agencies for the purpose of this Agreement.

6.02. Municipality Facilities. Municipality will continue to operate, maintain, and repair its sanitary sewer system and any other sewage treatment or conveyance facilities so that they will be at all times in efficient operating condition and in compliance with the standards prescribed by all appropriate regulatory agencies.

6.03. Imposition of Sewer Rentals by Municipality. Amounts payable by Municipality hereunder will be payable from the current revenues of the Municipality derived from the imposition of sewer rents and charges and other related revenues. Municipality agrees to impose and collect rents and charges for the use thereof, which together with all other revenues will be sufficient to provide in each year, 110% of the payments due under this Agreement and any other Agreements relating to sewage service. Municipality further agrees to assess all industrial charges segregated on each invoice directly to each identified industry. To the extent that sewer revenues of Municipality are insufficient in any year to comply with the foregoing requirement, Municipality will promptly increase its sewer rentals and charges by an amount sufficient to provide in the immediately following year for the deficiency and future compliance with such requirement.

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ARTICLE VII
GOVERNMENTAL GRANTS AND SUBSIDIES: PERMITS

7.01. Applications. DELCORA will make proper and timely applications to the Commonwealth of Pennsylvania and to the United States of America and their appropriate agencies for all available grants, subsidies or other payments and for all permits and approvals in respect to the construction, acquisition, operation and maintenance of the Western Regional System.

7.02. Compliance With Conditions for Grants. Each party will take all such action, within its legal powers, as may be required to comply with applicable laws and regulations relating to Federal and State grants and subsidies, to the end that such grants and subsidies may be obtained for the Western Regional System in the maximum amount, and each party will use its best efforts to obtain similar compliance from users and others.

ARTICLE VIII
MISCELLANEOUS

8.01. Insurance; Repairs and Reconstruction. DELCORA will insure, or cause to be insured, the Western Regional System, or such parts thereof as are usually insured by the owners and/or operators of wastewater systems in the Commonwealth of Pennsylvania. Such insurance policies shall be nonassessable. Municipality will insure, or cause to be insured, in a responsible company or companies authorized and qualified to do business under the laws of the Commonwealth of Pennsylvania, against loss or damage by fire and such other risks (including public liability) and casualties and in such amounts as are usually carried on like properties in said Commonwealth, the Eddystone Bypass System during its construction and until conveyance to DELCORA and will name DELCORA as an additional insured.

8.02. Inspection. Each party shall provide each other from time to time all information relevant to the proper administration of their responsibilities under this Agreement, or in respect to the interpretation hereof, as, and in such form and detail as, may be reasonably requested and each shall at all reasonable times and from time to time permit their representatives to examine and inspect their respective records and physical facilities relevant to the subject matter of this Agreement.

8.03. Force Majeure. Notwithstanding any other provision of this Agreement, neither party hereto shall be responsible in damages to the other for any failure to comply with this Agreement resulting from an act of God or riot, sabotage, public calamity, flood, strike, breakdown of conveyance or treatment facilities, or other event beyond its reasonable control.

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8.04. Indemnity; Agency. Each party agrees to indemnify, defend and save harmless the other party against all costs, claims, losses, damages or legal actions of any nature on account of any injury to persons or property occurring in the performance of this Agreement due to the negligence of such party or its agents, employees, contractors or subcontractors.

Municipality agrees to indemnify, defend and save harmless DELCORA from any costs, claims, losses, damages and legal actions of any nature arising from or in connection with the design and construction of the Eddystone Bypass System. Municipality will require extended bonding and warranties satisfactory to DELCORA from all parties taking part in the design and/or construction process. In addition, Municipality shall name DELCORA as an additional insured on its general liability insurance policy and shall furnish DELCORA with a certificate of insurance in the amount of no less than \$500,000 prior to the commencement of the construction phase of the project.

DELCORA's supervisory rights as set forth under Section 1.01 are for the express purpose of providing necessary input for the successful completion of the project and do not in any way impose any duties whatsoever on DELCORA for inspection, safety and/or maintenance of the project/construction site or operations. After conveyance to DELCORA pursuant to Section 1.02 of this Agreement, Municipality gives DELCORA the authority to act as its Agent and proceed with any litigation which, in DELCORA's estimation, may be required in order to enforce rights which Municipality may have against any party which took part in the design and/or construction process.

8.05. No Joint Ownership. No provision of this Agreement shall be construed to create any type of joint ownership of any property, any partnership or joint venture, or create any other rights of liabilities except as expressly set forth herein.

8.06. Severability. Should any provision hereof for any reason be held illegal or invalid, no other provision of this Agreement shall be affected, and this Agreement shall then be construed and enforced as if such illegal or invalid provision had not been contained herein.

8.07. Headings. The headings in this Agreement are solely for convenience and shall have no affect in the legal interpretation of any provision hereof.

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8.08. Effective Date and Term of Agreement. This Agreement shall become effective as of the date and year first written above and shall remain in force and effect for a period of forty-five (45) years from such date, (subject to appropriate extensions of the period of existence of DELCORA and of similar extensions of the other Service Agreements) and may be renewed by either party for an additional period of fifty (50) years.

8.09. Waiver. The failure of a party hereto to insist upon strict performance of this Agreement or of any of the terms or conditions hereof shall not be construed as a waiver of any of its rights hereunder.

8.10. Counterparts. This Agreement has been executed in four (4) counterparts, each of which shall be regarded for all purposes as an original, but such counterparts shall together constitute but one and the same instrument.

8.11. Successors and Assigns. Except as provided in Section 8.12 hereof, this Agreement may not be voluntarily assigned by either party without the consent of the other. Subject to the foregoing, this Agreement shall bind and inure to the benefit of the respective successors and assigns of the parties hereto.

8.12. Assignment of Service Charges. DELCORA's right to receive payments hereunder may be assigned and pledged to Mellon Bank (East), as Trustee under Indenture dated May 1, 1974, or any subsequent Indenture to secure DELCORA's Sewer Revenue Bonds currently outstanding or hereafter issued to cover any Project Costs to DELCORA.

ARTICLE IX DEFINITIONS

9.01. Definitions Incorporated Herein. The definitions set forth in ARTICLE II of the DELCORA Standards, Rules and Regulations of 1984 are incorporated herein by reference thereto as though set forth in full herein. Wherever used herein, the said terms shall have the meanings as so defined except in those instances where the context clearly indicates otherwise.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first written above by their respective duly authorized officers and their respective seals to be hereunto affixed.

(CORPORATE SEAL)

DELAWARE COUNTY REGIONAL
WATER QUALITY CONTROL AUTHORITY

BY:

John J. O'Malley
Chairman

Attest:

Dee Wythes
Secretary

BOROUGH OF EDDYSTONE

(CORPORATE SEAL)

BY:

Paul P. Sines
President of Council

Attest:

Mary J. Howat
Secretary

Approved:

William R. Armstrong
Mayor

EXHIBIT "A"

Legal Description and Survey
of Eddystone Bypass System

ALL THAT CERTAIN lot or piece of land situate in the Borough of Eddystone, County of Delaware, State of Pennsylvania, as shown on a Subdivision Plan for the Borough of Eddystone, prepared by H. Gilroy Damon Associates, Inc., Civil Engineers, Sharon Hill, PA dated March 14, 1988, being bounded and described as follows:

BEGINNING at a point on the southwesterly side of Eddystone Avenue (60' wide) said point being located S 20° E 45' from its intersection with the southeasterly side of Eighth Street (50' wide); thence along said Eddystone Avenue S 20° E 60' to a point; thence S 70° W 65' to a point; thence S 20° E 60' to a point; thence S 70° W 100' to a point; thence N 20° W 90' to a point; thence N 70° E 165' to the first mentioned point and place of beginning.

CONTAINING 10,950 sq. ft.

BEING Lot #2 on said Plan.