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**Seth A. Mendelsohn**  
Corporate Counsel

March 26, 2013

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility  
Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17105-3265

**In re: Application of Pennsylvania-American Water Company for Approval of (1) the transfer, by sale, of substantially all of Koppel Borough's assets, properties and rights related to its wastewater system to Pennsylvania-American Water Company, and (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in all of Koppel Borough, Beaver County, Pennsylvania. Docket No. A-2012-2307203**

Dear Ms. Chiavetta:

Attached please find for e-filing the First Amendment of the Purchase Agreement between Koppel Borough and Pennsylvania-American Water Company, dated March 19, 2013, regarding the above-referenced application. The amendment revises paragraphs 1.1, 2.1.2, 3.2.5, 4.9, 5.1.3 and 8.3 as it relates to Koppel Borough's outstanding PennVest obligations.

If you have any questions, please do not hesitate to contact me.

Respectfully,

  
Seth A. Mendelsohn

blg  
Enclosure

cc: B. Grundusky

**FIRST AMENDMENT OF THE PURCHASE AGREEMENT  
BETWEEN KOPPEL BOROUGH AND  
PENNSYLVANIA-AMERICAN WATER COMPANY**

THIS FIRST AMENDMENT is made and entered into as of the 19<sup>th</sup> day of MARCH, 2013 by and between KOPPEL BOROUGH, a municipality, organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter referred to as "KOPPEL") and PENNSYLVANIA-AMERICAN WATER COMPANY, a Pennsylvania corporation, organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter referred to as "PAWC").

WITNESSETH

WHEREAS, KOPPEL is the owner of a public wastewater system located in Koppel Borough, Beaver County, Pennsylvania (hereinafter referred to as the "Wastewater System"); and

WHEREAS, PAWC is a public utility owning and operating a public water supply system in the same area serviced by KOPPEL's Wastewater System in Koppel Borough, Beaver County, Pennsylvania; and

WHEREAS, KOPPEL and PAWC entered into a Purchase Agreement dated March 29, 2012 (hereinafter referred to as the "Purchase Agreement"), whereby KOPPEL will sell and PAWC will purchase substantially all of the assets, properties and rights of the KOPPEL public Wastewater System; and

WHEREAS, KOPPEL has an outstanding loan with the Pennsylvania Infrastructure Investment Authority ("PennVest"); and

WHEREAS, pursuant to the terms and conditions of the Purchase Agreement, PAWC was to assume the obligations related to KOPPEL's PennVest Loan No. 71222 through the issuance of a note by PAWC to KOPPEL equal to the non-delinquent principal and interest on KOPPEL's PennVest loan (Loan No. 71222 of approximately \$1.33 Million) at Closing; and

WHEREAS, at Closing, PAWC will not issue KOPPEL a note equal to the non-delinquent principal and interest on KOPPEL's PennVest loan (Loan No. 71222 of approximately \$1.33 Million), but instead, PAWC will pay, in full, PennVest Loan No. 71222 as part of the Purchase Price for the Wastewater System and any obligations under Loan No. 71222 will be terminated; and

WHEREAS, KOPPEL and PAWC desire to amend the Purchase Agreement by revising Paragraphs 1.1, 2.1.1, 2.1.2, 3.2.5, 4.9, 5.1.3 and 8.3 to reflect that Loan No. 71222 will be paid in full at Closing and that PAWC will not assume any of KOPPEL's outstanding PennVest obligations; and

WHEREAS, KOPPEL and PAWC intend that the remaining terms and conditions of the Purchase Agreement remain in full force and effect; and

WHEREAS, KOPPEL and PAWC now desire to enter into this First Amendment to confirm their understanding in writing.

NOW THEREFORE, this First Amendment witnessed that for and in consideration of the respective covenants and agreements of the parties hereinafter set forth, the parties hereto, intending to be legally bound hereby, do covenant, contract and agree as follows:

1. The Purchase Agreement dated March 29, 2012 is incorporated herein by reference.

2. Page 2, Paragraph 1.1 – SALE AND PURCHASE OF KOPPEL'S ASSETS: delete the language “(based upon PAWC’s assumption of KOPPEL’s outstanding PennVest obligations)”. The paragraph will now appear as follows:

*1.1 SALE AND PURCHASE OF KOPPEL'S ASSETS. Subject to the terms, representations and conditions set forth in this Agreement, at Closing, KOPPEL shall sell, assign, transfer, deliver and convey to PAWC, free and clear of all liens and encumbrances whatsoever, and PAWC shall purchase, the Acquired Assets. “Acquired Assets” means all of KOPPEL's right, title, and interest in and to all of the assets, properties and rights owned or used by KOPPEL in their Wastewater System or used in the business of providing wastewater service of every kind, nature and description existing on the Closing Date, excepting only those assets listed in Section 1.2. For avoidance of doubt, PAWC and KOPPEL agree that, excepting only the assets specifically described in Section 1.2, every asset, property and right owned by KOPPEL or used in the provision of wastewater service, whether real, personal, mixed, tangible or intangible, and including all the physical plant, property, equipment, and facilities comprising the existing Wastewater System owned and operated by KOPPEL for providing wastewater service to the public in and about Koppel Borough, Beaver County, Pennsylvania, wherever located and without any other exception whatever, is included within the Acquired Assets to be conveyed hereby. Except as specifically described in Section 1.2, the Acquired Assets shall include the following:*

3. Page 3, Paragraph 1.3 – LIABILITIES EXCLUDED: delete the language “(other than KOPPEL’s PennVest obligations)”. The paragraph will now appear as follows:

*1.3 LIABILITIES EXCLUDED. PAWC shall not assume any liabilities of KOPPEL. It is further understood and agreed that all other obligations of any*

*nature whatsoever, whether owed to KOPPEL by others or owed by KOPPEL to others, on the date of Closing shall be and remain with KOPPEL.*

4. Page 4, Paragraph 2.1.1 – Purchase Price: Paragraph is hereby deleted in its entirety and replaced with the following new paragraph:

*2.1.1 Purchase Price. Subject to the terms and conditions of this Agreement, the total purchase price to be paid by PAWC for the purchase of the Wastewater System (the "Purchase Price") shall be no more than \$1,833,000 (One Million Eight Hundred Thirty Three Thousand Dollars). The purchase price shall be composed of: 1) payment by PAWC to the Pennsylvania Infrastructure Investment Authority for KOPPEL's PennVest loan (Loan No. 71222). Payment will be equal to the non-delinquent principal and interest on KOPPEL's PennVest loan (Loan No. 71222 of approximately \$1.33 Million); and 2) a cash payment of \$500,000 (Five Hundred Thousand Dollars) for the balance of the Purchase Price. The Purchase Price is contingent on a depreciated original cost study that verified the depreciated original cost of the Wastewater System is at or above the Purchase Price at Closing. The depreciated original cost study will commence upon execution of the Purchase Agreement. PAWC will pay for the study. If the depreciated original cost is determined to be less than the Purchase Price, the Purchase Price, subject to the approval of KOPPEL, will be lowered to meet the depreciated original cost. The cash payment of \$500,000 (Five Hundred Thousand Dollars) shall be payable directly to KOPPEL on the date of Closing by corporate check or wire transfer at PAWC's discretion.*

5. Page 5, Paragraph 2.1.2 delete paragraph in its entirety. The remaining Paragraphs 2.1.3-Employees, 2.1.4-Rates and 2.1.5-Termination of Agreement will retain their respective paragraph numbers and content.

6. Page 6, Paragraph 3.2.5 of the Purchase Agreement: delete the language “excluding the PennVest loan assumed by PAWC through issuance of a “note” by PAWC to KOPPEL (SEE 2.1.1)”. The Section will now appear as follows:

*3.2.5 Evidence that any indebtedness of KOPPEL on the Wastewater System has been retired, including PennVest Loan No. 71222 which will be paid in full at Closing.*

7. Page 11, Paragraph 4.9 – PERSONALTY: delete the language “subject to outstanding PennVest obligations”. The Paragraph will now appear as follows:

*4.9 PERSONALTY. KOPPEL owns free and clear of all liens or leases from others under valid and enforceable leases not presently in default, all personal property in its possession or which is used or required for ownership, operation and maintenance of the Wastewater System as it is now conducted.*

8. Page 14, Paragraph 5.1.3 – Release of Liens. Delete paragraph and insert:

*5.1.3 Release of Liens. KOPPEL will take action necessary to cause the release, cancellation and discharge of any and all liens or encumbrances so that as of the Closing, the Acquired Assets will be free and clear of any and all such liens and encumbrances, including PennVest Loan No. 71222 which will be paid in full at Closing.*

9. Page 19, Paragraph 8.3 – RELEASE OF LIENS: delete the language “subject to PAWC’s assumption of KOPPEL’s PennVest obligations through issuance of a “note” by PAWC to KOPPEL (SEE 2.1.1)”. The paragraph will now appear as follows:


*8.3 RELEASE OF LIENS. All necessary action shall have been taken to cause the release, cancellation and discharge of any and all liens and encumbrances so that as of the Closing, the Acquired Assets shall be free and clear of any and all such liens and encumbrances, including*

*PennVest Loan No. 71222, which will be paid in full at Closing, and KOPPEL shall have provided PAWC with such opinions, instruments or documents as PAWC may reasonably request, and in form and substance satisfactory to PAWC, evidencing the release, cancellation and discharge of any and all liens and encumbrances and that the Acquired Assets are not subject to any lien or encumbrances. In the event KOPPEL is unable to convey title to the Wastewater System assets to PAWC at the Closing in accordance with the terms of this Agreement, PAWC shall have the option of: (a) accepting such title as KOPPEL is able to convey without abatement of the purchase price; or (b) canceling this Agreement in which case this Agreement shall be of no further force or effect and neither of the parties hereto shall have any further liability hereunder.*


9. All other terms and conditions of the Purchase Agreement shall remain in full force and effect and the Purchase Agreement shall only be amended as set forth in this First Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment of the Purchase Agreement between KOPPEL and PAWC to be executed on the day and year first above written.

KOPPEL BOROUGH

By:   
\_\_\_\_\_  
President of Council

PENNSYLVANIA-AMERICAN WATER  
COMPANY

By:   
\_\_\_\_\_  
Name: Kathy L. Pape  
Title: President