

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of the Borough of Kane Authority  
66 Pa. C.S. § 1329  
Application Filing Checklist – Water/Wastewater  
Docket No. A-2019-3014248**

4. Provide responses to Section 1329 Application Standard Data Requests, including electronic working documents (i.e., Excel spreadsheets) for all the filing's schedules, studies, and working papers to the extent practicable.

**RESPONSE:** See enclosed responses to the Section 1329 Application Standard Data Requests labeled **Appendix A-4.1** and the electronic working documents (i.e., Excel spreadsheets) for all the appraisal filing's schedules, studies, and working papers are provided on a **CONFIDENTIAL** CD ROMS labeled **Appendix A-4.2 (AUS on behalf of PAWC)** and **Appendix A-4.3 (Gannett Fleming on behalf of Borough of Kane Authority)** accompanying the Application.

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Rates/Ratemaking**

1. Estimate the potential monthly incremental cost impact on existing and acquired customers following the actual results of the Buyer's most recently adjudicated base rate proceeding, whether litigated or settled, allocating the fair market value of the acquired system according to the Buyer's previously approved single-tariff pricing model.
  - a. In the case of a wastewater acquisition, a Buyer that employs a combined revenue requirement pursuant to 66 Pa. C.S. § 1311 will provide information assuming a combined water and wastewater revenue requirement consistent with its most recent adjudicated base rate proceeding.
  - b. If a Buyer has filed the thirty-day notice of 52 Pa. Code § 53.45(a), or has filed a rate case, it should calculate the above using data as proposed in its upcoming or filed rate case.

Response: Please refer to **Appendix A-18-d** of the Application. The notices contained in **Appendix 18-d** provide an estimate of the cost impact on existing and acquired customers using the methodology approved by the Commission in the Settlement at Docket No. A-2019-3006880.

Provided by: Rod P. Nevirauskas, Pennsylvania American Water Company  
Senior Director of Rates and Regulations

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Rates/Ratemaking**

2. If the Buyer has a present intention to increase the acquired system's rates to a certain level, please state the basis for the targeted rate.

Response: Pennsylvania American Water Company ("PAWC") will adopt the Authority's existing rates at closing. PAWC anticipates moving the acquired system's rates into a PAWC-consolidated rate zone in future rate proceedings.

Provided by: Rod P. Nevirauskas, Pennsylvania American Water Company  
Senior Director of Rates and Regulations

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Rates/Ratemaking**

3. Provide the annual depreciation expense using the purchase price/proposed rate base. If the exact depreciation expense is not available, provide the best estimate of the annual depreciation expense. Show how the depreciation expense is calculated.

Response: The estimated annual depreciation expense associated with the purchase price is \$614,848. This amount is calculated as shown below:

Utility Plant in Service (UPIS) at Acquisition: \$33,612,710 [Note 1]

Annual depreciation expense: \$614,848 [Note 2]

Composite depreciation rate: 1.83%

Note 1: The UPIS at Acquisition is based on the tentative journal entry shown in **Appendix A-15-f** and represents the undepreciated value of the utility plant at the \$17,560,000 ratemaking rate base. The UPIS at Acquisition does not include projected additions or retirements after acquisition.

Note 2: The calculations of this amount are contained in the AUS Consultants' EXCEL file that has been provided in Application **Appendix A-4.2**. Refer to tab "Plant & Depreciation," cell I2460.

Provided by: Rod P. Nevirauskas, Pennsylvania American Water Company  
Senior Director of Rates and Regulations

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
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**Rates/Ratemaking**

4. Provide an estimate of the annual revenue requirement of the municipal system under the Buyer's ownership. Provide the assumptions for the annual revenue requirement, including expected rate of return, expected depreciation expense, O&M expenses, etc.

Response: The estimated annual revenue requirement of the Authority system under PAWC ownership is \$2,735,000. Please refer to direct testimony of Mr. Nevirauskas at **Appendix A-14-a**, PAWC Statement No. 3, Exhibit RPN-1, page 4 of 5, for the assumptions for the annual revenue requirement shown above.

Provided by: Rod P. Nevirauskas, Pennsylvania American Water Company  
Senior Director of Rates and Regulations

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
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**Rates/Ratemaking**

5. Other than the STAS, does Buyer's current water/wastewater tariff include any provisions that would fall under "pass-through costs or charges imposed by the Commonwealth of Pennsylvania"?

Response: No, other than the STAS, PAWC does not have any provisions in its tariff that would fall under pass-through costs or charges imposed by the Commonwealth of Pennsylvania.

PAWC's current wastewater tariff includes a Tax Cuts and Jobs Act (TCJA) negative surcharge which resulted from the decrease in the federal tax rate in December 2017. This surcharge will not be applied to the Authority customers under PAWC ownership.

PAWC's current wastewater tariff also includes the Distribution System Improvement Charge (DSIC). PAWC's Application requests that this charge be applied to Authority customers, subject to inclusion in PAWC's wastewater LTIP.

Provided by: Rod P. Nevirauskas, Pennsylvania American Water Company  
Senior Director of Rates and Regulations

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
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**Rates/Ratemaking**

6. Provide a listing of any entities that currently receive free service from the Seller.

Response: There are no known entities that currently receive free service from the Seller.

Provided by: Rod P. Nevirauskas, Pennsylvania American Water Company  
Senior Director of Rates and Regulations

**Pennsylvania American Water Company  
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**Rates/Ratemaking**

7. In the next rate case, does buyer anticipate including the acquired system in a combined revenue requirement?

Response: The Buyer anticipates including the Seller's wastewater system in a combined revenue requirement in the next rate case.

Provided by: Rod P. Nevirauskas, Pennsylvania American Water Company  
Senior Director of Rates and Regulations

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Rates/Ratemaking**

8. If Seller has increased rates in the last year, please state the date of the increase and provide a copy of the new rate schedule and the total annual revenues produced under the new rates.

Response: The Seller increased rates on January 1, 2019. See below resolution that adopted the new rate schedule (also attached at **Appendix A-18-a** to the Application). The projected total annual revenues produced under the new rates is \$1,470,000.

BOROUGH OF KANE AUTHORITY  
RESOLUTION # 1-19

A RESOLUTION ESTABLISHING A SCHEDULE OF RATES TO BE APPLIED FOR  
THE MONTHLY SEWER BILLINGS.

WHEREAS, the Borough of Kane Authority wishes to establish a schedule of rates to be  
applied for the monthly sewer billings.

WHEREAS, the schedule of rates for the monthly sewer billings will be as follows:

**5/8 METER SIZE**

0-2000 gallons ----\$41.11  
2,100-10,000 gallons ----\$.66/per hundred gallons  
10,100-30,000 gallons ----\$.733/per hundred gallons  
30,100 gallons and over ----\$.800/per hundred gallons

**OTHER METER SIZES**

0-2000 gallons ----\$82.22  
2,100-10,000 gallons ----\$.66/per hundred gallons  
10,100-30,000 gallons ----\$.733per hundred gallons  
30,100 gallons and over ----\$.800/per hundred gallons

**FLAT RATES**


\$66.74/per month

WHEREAS, all rates for each calendar month shall be subject to a five per centum (5%)  
penalty on any unpaid balance (excluding any prior penalty fees) if not paid within fifteen  
(15) days of the date of the bill.

WHEREAS, a one time annual Pool Credit will be credited to customers showing an  
increase in average consumption of at least 5,000 gallons. The credit of \$.66/per hundred  
gallons will be calculated using the number of gallons above the average consumption on  
the bill reflecting the increased usage not to exceed \$35.00.

THEREFORE, BE IT RESOLVED, this 6th day of November, 2018 that the Borough of  
Kane Authority sets this rate table for the year 2019.

  
\_\_\_\_\_  
David Peterson, Chairman

Attest:   
\_\_\_\_\_  
Edward Sleeman, Secretary/Treasurer

Provided by: Rod P. Neviraskas, Pennsylvania American Water Company  
Senior Director of Rates and Regulations

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Rates/Ratemaking**

9. Are there any leases, easements, and access to public rights-of-way that Buyer will need in order to provide service which will not be conveyed at closing? If yes, identify when the conveyance will take place and whether there will be additional costs involved.

Response: It is anticipated that all leases, easements, and access to public rights-of-way that Buyer will need in order to provide service will be conveyed prior to or at the time of closing. See also APA Section 2.4 attached to the Application as **CONFIDENTIAL Appendix A-24-a**, which provides for an Escrow Account for a period of up to one year following closing to be used to obtain missing easements.

Provided by: Daniel P. Bickerton, Pennsylvania American Water Company  
Director of Business Development

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Costs/Benefits**

10. Provide a breakdown of the estimated transaction and closing costs. Provide invoices to support any transaction and closing costs that have already been incurred.

Response: PAWC estimates transaction and closing costs of \$787,000 to \$997,000. Please see the chart below for a breakdown of these estimated costs.

Area	Amount (Settlement)	Amount (Litigation)
Legal Services	\$400,000	\$600,000
Transfer Taxes	\$255,000	\$255,000
Title Insurance	\$35,000	\$35,000
Engineering Assessment Study	\$15,000	\$15,000
Customer Notice	\$30,000	\$30,000
Act 12 FMV Valuation	\$52,000	\$62,000
<b>Total</b>	<b>\$787,000</b>	<b>\$997,000</b>

Please refer to **Attachment 10** and **Appendix A-7** to the Application for a copy of the non-privileged invoices to support the transaction costs that have been incurred to date.

Provided by: Rod P. Nevirauskas, Pennsylvania American Water Company  
Senior Director of Rates and Regulation



Kane Borough Authority  
112 Bayard Street  
Kane, PA 16735

*Handwritten:* Municipal Accounts

June 18, 2018

PA American Water Company  
Attn: Dan Bickerton/CPA  
Director Business Development  
300 Galley Road  
McMurray, PA 15317

Invoice for Gannett Fleming Engineering Assessment –

Professional Services thru – February 2, 2018  
Professional Services thru – March 30, 2018  
Professional Services thru – April 27, 2018  
Total

\* 6296.93  
\* 18,897.35  
\* 120.75  
25,315.03

X 50%

Due to – Borough of Kane Authority

\$ 12,657.51

\* Copy Attached

**Gannett Fleming**

*Excellence Delivered As Promised*

Project: 063715.01  
 Invoice: 063715.01\*51145  
 Invoice Date: March 9, 2018

**1-TASK 1 - CLIENT MEETINGS**

**Labor Costs**

<u>Employee Name</u>	<u>Class</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Deborah A. Sapple	Engineer I	4.00	49.20	196.80
Dylan G. Bertin	Engineer II	4.00	29.00	116.00
John F. Rae	Project Manager	2.00	59.00	118.00
	Total Direct Salaries	10.00		\$ 430.80
	2.0500 X Direct Salary			883.14

Total Labor Costs \$ 1,313.94

**Total Sequence 1-TASK 1 - CLIENT MEETINGS**

**\$ 1,313.94**

1,313.94  
 4,982.99  


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 6,296.93  


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*Excellence Delivered As Promised*

Project: 063715.02  
 Invoice: 063715.02\*51146  
 Invoice Date: March 9, 2018

**1-TASK 2- ENGINEERS ASSESS STUDY**

**Labor Costs**

<u>Employee Name</u>	<u>Class</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Deborah A. Sappia	Engineer I	12.50	49.20	615.00
Dylan G. Bertin	Engineer II	18.00	29.00	464.00
John F. Rao	Project Manager	8.00	59.00	354.00
Kathleen M. Wilson	Project Management Assistant	8.50	22.20	144.30
	<b>Total Direct Salaries</b>	<b>41.00</b>		<b>\$ 1,577.30</b>
	<b>2.0500 X Direct Salary</b>			<b>3,233.47</b>

**Total Labor Costs** \$ 4,810.77

**Unit Costs**

eExpense Personal Vehicle Usage  
 Dylan G. Bertin

316.00 ML @ 0.545 172.22

**Total Unit Costs** \$ 172.22

**Total Sequence 1-TASK 2- ENGINEERS ASSESS STUDY**

\$ 4,982.99

**Gannett Fleming**

*Excellence Delivered As Promised*

Project: 063715.02  
 Invoice: 063715.02\*53801  
 Invoice Date: April 18, 2018

**1-TASK 2- ENGINEERS ASSESS STUDY**

**Labor Costs**

<u>Employee Name</u>	<u>Class</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Deborah A. Sappie	Engineer I	14.00	150.00	2,100.00
Dylan G. Bertin	Engineer II	85.00	89.00	8,455.00
Jacob F. Vargo	CADD	1.50	117.00	175.50
John F. Rae	Project Manager	41.00	180.00	7,380.00
Kathleen M. Wilson	Project Management Assistant	5.00	61.00	305.00
		<u>156.50</u>		<u>\$ 18,415.50</u>
			<b>Total Labor Costs</b>	<u>\$ 18,415.50</u>

**Expenses**

Copying, Reproduction & Fax Service GANCOM	33.60
Postage, Freight & Courier Services FEDERAL EXPRESS	41.05
	<u>\$ 74.65</u>
<b>Total Expenses</b>	<u>\$ 74.65</u>

**Unit Costs**

Plots Fullsize B/W Color Printer/Plotter	59.00 FT @ 0.800	47.20
		<u>\$ 47.20</u>
<b>Total Sequence 1-TASK 2- ENGINEERS ASSESS STUDY</b>		<u>\$ 18,537.35</u>

18537.35  
 360.00  
18897.35





*Excellence Delivered As Promised*

**Project:** 063715.02  
**Invoice:** 063715.02\*55865  
**Invoice Date:** May 22, 2018

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**1-TASK 2- ENGINEERS ASSESS STUDY**

**Labor Costs**

<u>Employee Name</u>	<u>Class</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Dylan G. Bertin	Engineer II	0.50	89.00	44.50
Kathleen M. Wilson	Project Management Assistant	1.25	61.00	76.25
		1.75		\$ 120.75
	Total Labor Costs			\$ 120.75
<b>Total Sequence 1-TASK 2- ENGINEERS ASSESS STUDY</b>				<b>\$ 120.75</b>

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Kane Borough Authority  
112 Bayard Street  
Kane, PA 16735

PA American Water Company  
Attn: Dan Bickerton/CPA  
Director Business Development  
300 Galley Road  
McMurray, PA 15317

August 5, 2019

Invoice for Gannett Fleming Engineering Assessment –

Professional Services thru – May 25, 2018	*	<u>210.50</u>
Total		210.50
		<u>X 50%</u>
Due to – Borough of Kane Authority		\$ 105.25

\* Copy Attached

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Costs/Benefits**

11. Please describe known and anticipated general expense savings and efficiencies under Buyer's ownership. State the basis for all assumptions used in developing these costs and provide all supporting documentation for the assumptions, if available.

Response: PAWC's national purchasing power will produce savings for expenses after ownership. Estimated cost savings include the following:

- a. PAWC's contract pricing for pipe: 37% below the market index
- b. PAWC's light duty vehicle purchasing: 22% below dealer invoice
- c. PAWC's chemical expense: 8.27% savings through negotiated pricing
- d. PAWC's power expense: \$0.01 per kwh less than the Authority's pricing

Other supply chain benefits include, but are not limited to, improved warranties, price stability, strategic payment terms, discounting, and supplier responsiveness and support.

PAWC anticipates additional savings and synergies will occur under PAWC ownership of the system. For example, PAWC has many on-staff functional specialists available to support the system post-closing that would otherwise be available to the Authority only through the expense of third-party consultants. Also, because PAWC is the water provider in the Kane area, ownership of the wastewater system will allow for the efficiency of one bill for both water and wastewater service.

Additionally, as PAWC completes replacements of collection sewers, it is expected that the reduction in infiltration & inflow will lower the treatment costs of the system and benefit the environment.

Provided by: Daniel P. Bickerton, Pennsylvania American Water Company  
Director of Business Development

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Costs/Benefits**

12. Please provide a copy of the Seller's request for proposals (if there was one) and any accompanying exhibits with respect to the proposed sale of the system.

Response: There was no request for proposals.

Provided by: Daniel P. Bickerton, Pennsylvania American Water Company  
Director of Business Development

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Costs/Benefits**

13. Please provide a copy of the proposal and exhibits of the Buyer for the purchase of Seller's system.

Response: See **Attachment 13** for the Letter of Interest that the Buyer submitted to the Seller. A proposal was not submitted. The purchase price and agreement were negotiated at arm's length.

Provided by: Daniel P. Bickerton, Pennsylvania American Water Company  
Director of Business Development



Bernard J. Grundusky  
Director - Business Development  
852 Wesley Drive  
Mechanicsburg, PA 17055

Via E-Mail

September 19, 2016

To the Members  
Borough of Kane Authority  
112 Bayard Street  
Kane, PA 16735

**SUBJECT:** Letter of Interest

Dear Authority Members:

Pennsylvania-American Water Company ("PAWC") has a long proud history of serving the citizens of the Borough of Kane and Wetmore Township. PAWC would like to expand that partnership to include wastewater service. Recently, Governor Wolf signed Act 12<sup>1</sup> of 2016 into law providing a framework for valuing for ratemaking purposes wastewater systems owned by an authority using a fair market valuation approach.

The purpose of this Letter of Interest is to confirm PAWC's interest in discussing the potential acquisition of the wastewater system assets of the Borough of Kane Authority ("Authority" or "Seller") by Pennsylvania-American Water Company ("PAWC" or "Buyer") using the Act 12 fair market value approach. Our understandings are as follows:

1. Discussions/Due Diligence/Potential Price. The parties would like to continue their discussions regarding the potential acquisition by PAWC of the Assets (as defined below). To the extent not already provided, we would need to obtain certain information from the Authority as well as possibly conducting additional field due diligence. With this in mind, kindly consider this letter as our request for copies of the following information/documents: **i)** articles of incorporation, bylaws and other organizational documents of the Authority; **ii)** grant and loan documents; **iii)** overall map of the Assets showing the location of the various Asset components (i.e. wastewater treatment and disposal facilities, mains, service laterals, real estate interests, etc.); **iv)** permits and correspondence between Authority and Pennsylvania Department of Environmental Protection ("DEP") in the past 2 years; **v)** professional reports (generated in the past 5 years) outlining any capital needs and operating deficiencies; **vi)** other professional reports (generated in the past 5 years) relating to the Assets submitted to either the

<sup>1</sup> Provided separately is a summary of Act 12.



PENNSYLVANIA  
AMERICAN WATER

Municipal, County, State, DEP or other state or federal regulatory agencies; vii) copies of any and all agreements that would survive the transfer of Assets to PAWC; viii) copies of any and all civil complaints or other legal actions involving the Authority and/or the Assets, as well as a brief status of each; ix) customer data; and x) employee data. These documents should be delivered to PAWC as soon as possible, but in no event later than 2 weeks from the date of this letter. Upon receipt of these documents, we may contact you to schedule a field due diligence trip to visit and tour the system. We will then develop a proposal to purchase all of the assets, minus accounts receivable and cash, and shall include, but may not be limited to, all wastewater related treatment and disposal facilities, collection system network and related appurtenances, service laterals (main to curb or edge-of-road), vehicles and equipment/tools, customer accounts, permits, real estate (fee parcel(s)) and real estate rights (easements, right-of-way, licenses, etc.) and intellectual property such as plans, maps, studies. The Authority would keep all other assets (including cash and accounts receivable) and liabilities (including payables, agreements and bank loans) through the date of closing. PAWC would not assume any liabilities of the Authority that exist prior to closing, unless otherwise specified in the Definitive Agreement. These various assets are collectively referred to as the "Assets." The purchase price for the Assets is to be determined using Act 12 which relies on two independent fair market value appraisals of the Assets.

2. Definitive Agreement. Any acquisition of the Assets by PAWC would be effected only in accordance with the terms of a written definitive agreement that would be the subject of negotiations and executed by the parties (the "Definitive Agreement"). The Definitive Agreement would contain terms and conditions mutually satisfactory to PAWC and Seller, and would be conditioned upon, among other things, each party having obtained any required internal approvals, receipt of all applicable regulatory approvals, and PAWC's satisfactory completion of its due diligence review and investigations. PAWC is prepared, within 2 weeks following the conclusion of due diligence, to immediately commence the negotiation and preparation of the Definitive Agreement, including purchase price. The Definitive Agreement will be conditioned upon and subject to the approval of the Pennsylvania Public Utility Commission ("PUC").
3. Expenses. Each of the parties hereto will bear its own costs and expenses (including legal fees and expenses) incurred in connection with any process outlined within this letter as well as the Definitive Agreement and any transactions that may be contemplated therein.
4. Access. Although PAWC will be granted the opportunity to review documents and tour facilities prior to the issuance of its offer and the development of the Definitive Agreement, Seller agrees to provide PAWC, its representatives and



PENNSYLVANIA  
AMERICAN WATER

advisors with full and complete access, during normal business hours and upon reasonable notice, to further review Seller's books, records, documents, facilities, and to its key personnel, attorneys, accountants and other representatives to fully discuss the business, financial condition or prospects of Seller as may be reasonably requested by PAWC.

5. Confidentiality. Each party will keep strictly confidential all documents and information that it receives from, or learns about, the other party during the course of the discussions, performance of due diligence or development of a Definitive Agreement regarding the potential acquisition by PAWC of the Assets. A party receiving such information will use that information solely for the purposes contemplated by this letter and the process/transaction it describes, and will not disclose that information to any person other than its employees or other third parties who need to know that information for purposes of this letter and have agreed to be bound by the provisions of this Letter of Interest. Each party will use no less than the same degree of care as it uses to protect its own trade secrets and confidential information, and no less than a reasonable degree of care, to protect from disclosure the confidential information of the other party. Each party will, on the request of the other party, and in any case on the termination of this Letter of Interest, return to the other party all such information, and all notes, document or other communications incorporating or describing such confidential information, and will certify that the same has been done. The undertakings in this paragraph shall apply to all media on which confidential information is contained, reflected or incorporated, whether in written or electronic form. However, the restrictions of this paragraph will not apply to any information that has come within the public domain through no fault of or action by the receiving party, or has been rightfully made available to the receiving party on a non-confidential basis prior to its disclosure by the other party, or becomes available to receiving party on a non-confidential basis from any third party that, in the course of disclosing such information, does not violate any contractual or legal obligation to the other party to this agreement. The provisions of this paragraph 5 shall survive the termination of this Letter of Interest, unless the legally-binding terms and conditions of this Letter of Interest are superseded by the Definitive Agreement.
6. Exclusivity. In consideration of the time and expense PAWC will incur in the course of its due diligence and review of Seller's business, neither Seller nor any of its board members, directors, officers, representatives, advisors or consultants will solicit, encourage, accept or consider any offer for, or engage in any negotiations, meetings or other communications with, any third party, or enter into agreements with respect to, any sale of the assets of Seller or any of its securities or any proposal for any agreement that would conflict with or



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AMERICAN WATER

impede consummation of the sale of the Assets to PAWC for a period of 90 days commencing on the date Seller signs this Letter of Interest. Seller will promptly communicate in writing to PAWC the existence and terms of any such offer received by Seller or its stockholders, directors, officers or representatives during that 90-day period. However, it is understood that this Letter of Interest shall be returned, by Authority, within 2 weeks of the date of its issuance and that PAWC and Authority expect to have this Letter of Interest superseded by the Definitive Agreement within 90 days from the return of this Letter of Interest by Authority to PAWC.

7. Disclosure. So long as Seller and PAWC are negotiating to effect the potential transactions discussed in this Letter of Interest, neither Seller, PAWC nor their respective stockholders, agents or representatives will make any press release or public disclosures concerning the existence of this Letter of Interest or the potential transactions discussed herein, except as required under applicable law or after obtaining the other party's prior written consent, which will not be unreasonably withheld.
8. No Prior Dealing. Seller represents and warrants that neither it nor any of its agents or representatives has entered into any agreement or had any discussions with any third party regarding the sale of the Assets or other disposition of Seller which could result in PAWC having any liability to such third party as a result of executing this letter or pursuing the potential transactions referenced herein. Seller agrees to indemnify, defend and save and hold PAWC harmless from any claims or liabilities resulting from any breach of the foregoing representation and warranty, including any legal or other expenses incurred in connection with the defense of any such claims or liabilities against PAWC.
9. Legal Effect. Paragraphs 4, 5, 6, 7, 8 and this Paragraph 9 shall be legally binding on the parties upon the execution of this Letter of Interest by Seller. Except as noted in the preceding sentence, this Letter of Interest does not create any other legal obligation upon the parties or any person and has no other legal effect whatsoever. Notwithstanding anything else in this Letter of Interest to the contrary, PAWC shall have the right to determine at any time and for any reason, in its sole and absolute discretion, not to pursue the acquisition of Seller, which it may do in its discretion, it will notify Seller of that fact, whereupon this letter and all obligations hereunder, including any then current exclusivity under paragraph 6, will terminate.



10. Other considerations. Some preliminary considerations for the Definitive Agreement, may include PAWC adopting Authority's current rates for all of Authority's existing customers as its base rates for Authority's customers currently served by the Assets. Any future rate increases will be subject to the approval of the PUC. PAWC would also apply its existing Rules & Regulations, as approved by the PUC. The Borough of Kane and Wetmore Township would agree to support Buyer's requirements as directed by DEP regarding adherence to the nine minimum control standards and other similar requirements by maintaining or adopting the appropriate ordinances or practices that are no more stringent than is currently required of by the Seller. Following Closing, PAWC may make capital investments for purposes of system improvements in the first 5 years of its ownership of the Assets.

If this Letter of Interest correctly expresses our mutual intent regarding the subject matter hereof, and with the intent to be legally bound with respect to Paragraphs 4, 5, 6, 7, 8 and 9, please execute this Letter of Interest where indicated below and return it to the undersigned.

Sincerely,  
PENNSYLVANIA-AMERICAN WATER  
COMPANY

By: Bernard J. Dunderky  
Date: September 19, 2016

Acknowledged and agreed by:  
BOROUGH OF KANE AUTHORITY

By: Dave Peters  
Chairman  
Date: 9-19-16

By: \_\_\_\_\_  
Vice-Chairman  
Date:

**Pennsylvania American Water Company**  
**Acquisition of the Borough of Kane Authority's Wastewater Assets**  
**Section 1329 Application Standard Data Requests**

**Costs/Benefits**

14. Provide a copy of the Buyer's offer to purchase the Seller's system and the Seller's response to that offer.

Response: Refer to the response to Number 13 and see **Attachment 14** that contains the September 17, 2019 minutes of the Seller that approved entering into the Asset Purchase Agreement with the Buyer to sell the System.

Provided by: Daniel P. Bickerton, Pennsylvania American Water Company  
Director of Business Development

**KANE BOROUGH AUTHORITY – SEPTEMBER 17, 2019**

**CALL TO ORDER:** The Kane Borough Authority met on Tuesday September 17, 2019 at 4:00 P.M. at the Kane Borough Building, 112 Bayard Street, Kane, Pa. 16735.

**ROLL CALL:** Dave Peterson (Chairman), Howard Kane (Vice-Chairman), Frank Wojcik, Dave Westerborg, Erik Ross (Solicitor), Don Payne (Borough Manager), Karen A. Walter (Recording Secretary) **EXCUSED:** Edward Sleeman (Secretary/Treasurer), KLH Engineering

**VISITORS:** Dan Bickerton (PAWC-McMurray, Pa.), Todd Meserole (WWTP Employee), Phil Lingenfelter (WWTP Foreman), Elaine Bodistow (Wetmore Township Supervisor), Steve Dyne (Wetmore Township Supervisors Chairman), Tom Kase (Kane Borough Council President), Tony Alfieri (Kane Borough Solicitor), Jim Ianuzzi (Dawson Street), Mr. Ted Lutz (Kane Republican) **STATEMENT OF CITIZENS:** None.

**APPROVAL OF MINUTES:** A motion was made by Mr. Howard Kane seconded by Mr. Dave Peterson to approve the minutes dated July 16, 2019. One correction was requested to be made by Chairman Dave Peterson as follows: Page One – Manager’s Report Monthly Reports submitted be changed to read May and June of 2019. Motion carried with the noted correction. (4-0)

**UNFINISHED BUSINESS:** Borough Manager Don Payne stated the matter of eliminating repair work for grinder pumps is tabled at this time. Chairman Dave Peterson referenced discussion held at the July meeting and reported he has since met with Mr. Seth A. Field with Mr. Field agreeing to provide bookkeeping services on a monthly basis for the Borough Authority at a cost of \$100/per month.

**MANAGER’S REPORT:** WWTP Foreman Mr. Phil Lingenfelter submitted monthly reports for July and August of 2019. Mr. Frank Wojcik had some questions regarding grinder pumps. Borough Manager Don Payne stated we are still handling grinder pump repairs at this time, and explained we get a cost estimate on what the costs are to rebuild a pump and then charge the customer that amount and then we add the top portion from our funds to get a new pump.

**TREASURER'S REPORT:** Secretary Treasurer Edward Sleeman was excused from this meeting due to medical issues. Mr. Sleeman had prepared his report information prior. Submitted were the Balance Sheet as of August 31, 2019, Profit and Loss Report for July through August of 2019, Check Detail Report, along with a list of bills paid for approval in the amount of \$113,676.10, along with the PLGIT Account Statement for month ending August 31, 2019. A motion was made by Mr. Howard Kane seconded by Mr. Frank Wojcik to approve the Treasurer's Report and the billings as submitted. Motion carried. (4-0).

**SOLICITOR'S REPORT:** No Report

**ENGINEER'S REPORT:** No Report

**NEW BUSINESS:** None

**OLD BUSINESS – ASSET PURCHASE AGREEMENT:** Solicitor Ross presented copies of an updated version of The Asset Purchase Agreement to Board Members. He stated the Authority had previously approved The Asset Purchase Agreement in July of 2017. Solicitor Ross highlighted changes to the document with two of the major changes as follows: 1.) Pa. American Water had withdrew from the original offer of \$22,982,500.00 which was derived thru independent appraisals by both the Authority and Pa. American Water Company to the current offer of \$17,560,000.00. 2.) In the event the Authority existence is terminated and the proceeds of the sale are divided between the Borough and the Township this provides the Kane Borough and the Township will then take on whatever the retained liabilities are of the Authority. Solicitor Erik Ross stated himself along with the Attorneys at Eckert Seaman's are satisfied with the updated version of the Asset Purchase Agreement.

**ASSET PURCHASE AGREEMENT- MOTION:** Mr. Howard Kane made a motion to enter into the Asset Purchase Agreement with Pennsylvania American Water Company to sell the Sewage System for a sum of \$17,560,000.00. Motion seconded by Mr. Frank Wojcik. **ROLL CALL VOTE:** Howard Kane- **yes**, Frank Wojcik - **yes**, Dave Peterson- **yes**, Dave Westerburg - **abstain**. Motion carried – (3-1).

Solicitor Erik Ross stated the Asset Purchase Agreement will also need to be formally approved by the Kane Borough Council and Wetmore Township Supervisors.

**MR. DAN BICKERTON: PA AMERICAN WATER COMPANY:** Mr. Dan Bickerton stated he appreciated the Board's approval. He then requested a "clean copy" of the updated Asset Purchase Agreement. He explained his company has an updated disclosure statement to execute the agreement soon and we are on a "time crunch". He noted he will need copies of any new agreements or contracts. Mr. Dan Bickerton stated the water company has no initial plans to separate sanitary and storm water unless required to do so by the DEP. If so he stated we would do this at the companies cost and then the Borough and the Township would have the maintenance responsibilities from that point forward. He is excited where we are at now, but noted we still have a long way to go involving final approval by Kane Borough Council, Wetmore Township Supervisors and the DEP.

**FINAL ASSET PURCHASE AGREEMENT:** Mr. Howard Kane made a motion that the Officers of the Authority be given authorization to execute the final Asset Purchase Agreement upon presentation of the final Asset Purchase Agreement as being acceptable by the authorities Solicitor and the attorney's at Eckert Seaman's. Motion seconded by Mr. Dave Westerburg. Motion carried. (4-0).

**MONTHLY REPORTS:** PAMS Fee Reports for July and August of 2019 were submitted. The Borough of Kane Sewer Fund Budget Reports were submitted for January thru July and January thru August of 2019.

**CLOSING COMMENTS:** Mr. Dave Westerburg wanted to clarify his reason for abstaining on a prior motion. He explained his abstaining was not in terms of a disagreement and was more of a deferral to more "seasoned people", and in addition noted this is only his third meeting as serving on the Borough Authority Board.

**EXECUTIVE SESSION/ADJOURNMENT:** There was no Executive Session. Being no additional comments a motion was made by Mr. Howard Kane seconded by Mr. Frank Wojcik to adjourn the meeting at 5:00 P.M. Motion carried. (4-0).



\_\_\_\_\_, Karen A. Walter – Recording Secretary

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Appraisals**

15. For each UVE in this case, please provide the following, if not already provided:
- a. A list of valuations of utility property performed by the UVE;
  - b. A list of appraisals of utility property performed by the UVE;
  - c. A list of all dockets in which the UVE submitted testimony to a public utility commission related to the appraisal of utility property; and
  - d. An electronic copy of or electronic link to testimony in which the UVE testified on public utility fair value acquisitions in the past two years.

Response: Jerome C. Weinert, AUS Consultants  
Principal and Director

- a. Please see Mr. Weinert's Curriculum Vitae attached as Appendix A to **Appendix A-14-b** of the Application, Direct Testimony of Jerome C. Weinert (PAWC Statement No. 4).
- b. Please see Mr. Weinert's Curriculum Vitae, referred to in the response to a. above.
- c. Please see below list of dockets that Mr. Weinert submitted testimony to a public utility commission related to the appraisal of utility property:

A-2016-2580061 – New Garden  
A-2017-2606103 – McKeesport  
A-2018-3001582 – East Bradford  
A-2018-3002437 – Sadsbury  
A-2018-3004933 – Exeter  
A-2019-3006880 – Steelton  
A-2019-3008491 – Cheltenham  
A-2019-3009052 – East Norriton

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

- d. In the past two years, Mr. Weinert submitted testimony in the below dockets. Links to the dockets where Mr. Weinert testified are below:
- i. City of McKeesport – A-2017-2606103  
[http://www.puc.state.pa.us/about\\_puc/consolidated\\_case\\_view.aspx?Docket=A-2017-2606103](http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2017-2606103)
  - ii. East Bradford Township A-2018-3001582  
[http://www.puc.state.pa.us/about\\_puc/consolidated\\_case\\_view.aspx?Docket=A-2018-3001582](http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2018-3001582)
  - iii. Sadsbury Township – A-2018-3002437  
[http://www.puc.state.pa.us/about\\_puc/consolidated\\_case\\_view.aspx?Docket=A-2018-3002437](http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2018-3002437)
  - iv. Exeter Township – A-2018-3004933  
[http://www.puc.state.pa.us/about\\_puc/consolidated\\_case\\_view.aspx?Docket=A-2018-3004933](http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2018-3004933)
  - v. Steelton Borough – A-2019-3006880  
[http://www.puc.state.pa.us/about\\_puc/consolidated\\_case\\_view.aspx?Docket=A-2019-3006880](http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2019-3006880)
  - vi. Cheltenham Township – A-2019-3008491  
[http://www.puc.state.pa.us/about\\_puc/consolidated\\_case\\_view.aspx?Docket=A-2019-3008491](http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2019-3008491)
  - vii. East Norriton – A-2019-3009052  
[http://www.puc.state.pa.us/about\\_puc/consolidated\\_case\\_view.aspx?Docket=A-2019-3009052](http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2019-3009052)

Response: Harold Walker III, Gannett Fleming Valuation and Rate Consultants, Inc.  
Manager, Financial Studies

- a. Please see Mr. Walker's Curriculum Vitae attached as Appendix A to Mr. Walker's direct testimony, included as **Appendix A-13-b** to the Application (BKA Statement No. 2). Starred items represent dockets where Mr. Walker presented testimony related to the appraisal of utility property.
- b. Please see Mr. Walker's Curriculum Vitae, referenced in response to a. above.
- c. See below list of dockets that Mr. Walker submitted testimony to a public utility commission related to the appraisal of utility property:

A-2016-2580061 – New Garden

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

A-2017-2605434 – Limerick  
A-2018-3001582 – East Bradford  
A-2018-3003519 – Mahoning (water)  
A-2018-3003517 – Mahoning (wastewater)  
A-2018-3004933 – Exeter  
A-2019-3008491 – Cheltenham  
A-2019-3009052 – East Norriton

d. In the past two years, Mr. Walker submitted testimony in the below dockets. Links to the dockets where Mr. Walker testified are below:

- i. Limerick Township – A-2017-2605434  
[http://www.puc.state.pa.us/about\\_puc/consolidated\\_case\\_view.aspx?Docket=A-2017-2605434](http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2017-2605434)
- ii. Mahoning Township – A-2018-3003519  
[http://www.puc.state.pa.us/about\\_puc/consolidated\\_case\\_view.aspx?Docket=A-2018-3003519](http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2018-3003519)
- iii. Mahoning Township – A-2018-3003517  
[http://www.puc.state.pa.us/about\\_puc/consolidated\\_case\\_view.aspx?Docket=A-2018-3003517](http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2018-3003517)
- iv. East Bradford Township A-2018-3001582  
[http://www.puc.state.pa.us/about\\_puc/consolidated\\_case\\_view.aspx?Docket=A-2018-3001582](http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2018-3001582)
- v. Exeter Township – A-2018-3004933  
[http://www.puc.state.pa.us/about\\_puc/consolidated\\_case\\_view.aspx?Docket=A-2018-3004933](http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2018-3004933)
- vi. Cheltenham Township – A-2019-3008491  
[http://www.puc.state.pa.us/about\\_puc/consolidated\\_case\\_view.aspx?Docket=A-2019-3008491](http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2019-3008491)
- vii. East Norriton – A-2019-3009052  
[http://www.puc.state.pa.us/about\\_puc/consolidated\\_case\\_view.aspx?Docket=A-2019-3009052](http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2019-3009052)

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Appraisals**

16. Please explain each discount rate used in the appraisals, including explanations of the capital structure, cost of equity and cost of debt. State the basis for each input. Provide all sources, documentation, calculations and/or workpapers used in determining the inputs.

Response: Jerome C. Weinert, AUS Consultants  
Principal and Director

Please see the direct testimony of Jerome C. Weinert, **Appendix A-14-b** to the Application (PAWC Statement No. 4) at pp. 5-6. Information on the discount rate can also be found in **Appendix A-5.1** to the Application (AUS Appraisal), the section entitled "Cost of Capital / Required Return" and at **CONFIDENTIAL Appendix A-4.2** to the Application (AUS electronic workpapers).

Harold Walker III, Gannett Fleming Valuation and Rate Consultants, Inc.  
Manager, Financial Studies

Please see the direct testimony of Harold Walker III, **Appendix A-13-b** to the Application (BKA Statement No. 2) at p. 17-19, **Appendix A-5.2** to the Application (Gannett Appraisal), and **CONFIDENTIAL Appendix A-4.3** to the Application (Gannet electronic workpapers).

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Appraisals**

17. Please explain whether the UVE used replacement cost or reproduction cost and why that methodology was chosen.

Response: Jerome C. Weinert, AUS Consultants  
Principal and Director

AUS Consultants used replacement cost. Please see direct testimony of Jerome C. Weinert, **Appendix A-14-b** to the Application (PAWC Statement No. 4) at p. 6 for an explanation of why the replacement cost was chosen.

Harold Walker III, Gannett Fleming Valuation and Rate Consultants, LLC.  
Manager, Financial Studies

Gannett Fleming used the original cost new (OCN) method to calculate the trended original cost (TOC) measures and transitioned it to the replacement cost new (RCN). Please see the Direct Testimony of Harold Walker III, **Appendix A-13-b** to the Application (BKA Statement No. 2) at p. 14 for an explanation of why this method was chosen.

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Appraisals**

18. Please provide a copy of the source for the purchase price and number of customers for each comparable acquisition used in the appraisals.

Response:

Jerome C. Weinert, AUS Consultants  
Principal and Director

The source of the purchase prices used in the comparable sales approach to the Market Approach was the Asset Purchase Agreements in those transactions. Those Asset Purchase Agreements are confidential and therefore copies are not provided. However, the purchase price for each transaction is publicly available at the links provided in Response 15(d). Mr. Weinert did not consider number of customers in his comparable sales approach to the Market Approach. Mr. Weinert compared purchase price to original cost less depreciation and to replacement cost new less depreciation in the comparable sales approach.

Harold Walker III, Gannett Fleming Valuation and Rate Consultants, LLC.  
Manager, Financial Studies

Please see Attachment 18. See also the links provided in Response 15(d).

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## Aqua America's Pennsylvania Subsidiary Enters Agreement to Purchase Cheltenham Township Wastewater System

July 02, 2018 07:00 AM Eastern Daylight Time

BRYN MAWR, Pa.--(BUSINESS WIRE)--Aqua America announced today that its Pennsylvania subsidiary has signed an asset purchase agreement with Cheltenham Township to purchase its wastewater system, which serves approximately 10,500 connections in Montgomery County, for \$50.25 million. The agreement must be approved by the Pennsylvania Public Utility Commission.

The transaction will be Aqua Pennsylvania's fourth acquisition application referred to the Pennsylvania PUC since Act 12, commonly referred to as fair market value legislation, was enacted last year. Aqua Pennsylvania has asset purchase agreements with the 2,100-customer New Garden Township wastewater system in Chester County and the 5,400-customer Limerick Township wastewater system in Montgomery County. The company also has an agreement, signed in December 2017, with East Bradford Township in Chester County to purchase its 1,200-customer wastewater collection system. Aqua already provides water service to East Bradford, as it does with Cheltenham.

These four systems, including Cheltenham, total more than 19,000 wastewater connections and would nearly double Aqua Pennsylvania's current 22,000-customer wastewater operation.

The new law encourages a consolidation of the fragmented industry for the benefit of customers, the environment, and local governments. This transaction will benefit customers by leveraging compliance expertise, purchasing power gained through economies of scale and operational efficiencies to ultimately benefit service to our customers at affordable rates.

"We are pleased with the momentum we are gaining to reach agreements with municipal systems," said Aqua America Chairman and CEO Christopher Franklin. "Act 12 is having its intended impact, allowing municipalities to be compensated for the fair value of their water and wastewater assets and enabling utility professionals to bring expertise to systems in need."

Aqua Pennsylvania President Marc Lucca says his team is ready to work with the Cheltenham community on making needed system improvements.

"As with our pending agreements with New Garden, East Bradford and Limerick, the Aqua Pennsylvania team is looking forward to assuming Cheltenham's sewer utility responsibilities so the township can direct its attention and capital to other priorities," said Lucca. "We are anxious to begin the work necessary to help the township meet the requirements of an outstanding Pennsylvania Department of Environmental Protection consent order, specifically related to inflow and infiltration issues there."

In total, Aqua has plans to spend nearly \$50 million over the next 10 years to improve Cheltenham's wastewater system.

Aqua America is one of the largest U.S.-based, publicly traded water utilities and serves nearly 3 million people in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Indiana and Virginia. Aqua America is listed on the New York Stock Exchange under the ticker symbol WTR. Visit [AquaAmerica.com](http://AquaAmerica.com) for more information.

### Forward-Looking Statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, among others: the company's ability to successfully close the acquisition of the wastewater systems noted in this release. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: general economic business conditions, the successful integration of the customers and the facilities, the success of the company's growth efforts including its ability to utilize Act 12, and other factors discussed in our Annual Report on Form 10-K, which is on file with the Securities and Exchange Commission.

**Cheltenham Township****1329 Proceeding****Cheltenham Twp. - Water Accounts reported for Sewer Billing**

Type of Service	Gallons	Customers <sup>1</sup>
Commercial	280,938,300	534
Industrial	364,400	14
Public	9,962,700	23
Residential	484,692,800	9,648
<b>Total</b>	<b>775,958,200</b>	<b>10,219</b>

1. Customers include all Active and Inactive Accounts

Wastewater treatment is provided by the Borough of West Chester pursuant to a Sewer Capacity Agreement dated November 14, 2017, by and between the Borough and East Bradford Township. Copies of West Chester's 2017 Chapter 94 Reports to DEP for the Goose Creek WWTP and for the Taylor Run WWTP are attached hereto as **Exhibit E3** and **Exhibit E4**.

15. The Goose Creek WWTP has a permitted treatment capacity of 1.672 MGD. The Taylor Run WWTP has a permitted treatment capacity of 1.50 MGD. The elevation of the Goose Creek WWTP is generally about EL 370. The elevation of the Taylor Run WWTP is generally about EL 260. The elevation of the Requested Territory ranges from approximately EL 365 to EL 280.

16. Water service in the Requested Territory is provided by both Aqua Pennsylvania, Inc. and private wells.

17. The original cost, by year and major plant category, of the East Bradford Township used and useful plant in service is \$8,294,931 with a related calculation depreciation reserve of \$2,820,983. The original cost value includes a series of capped sewers along the North Benjamin Drive area of the Township. The capped sewers include approximately 3,300 linear feet of 8" Gravity PVC pipe and 20 manholes, with an estimated original cost value of approximately \$100,000 as estimated by Aqua. The pipe and manholes are included in the totals on page 2-11 and 2-12 of Exhibit W. Aqua will categorize the capped sewer pipe and manholes as plant held for future use in its asset allocation upon closing. The area of capped sewers along North Benjamin Drive is not included in the Requested Territory.

18. Tentative journal entries to record the transaction are presented in Section IV.

#### **IV. ASSET PURCHASE AGREEMENT**

19. The *Assets Purchase Agreement* is dated December 20, 2017. The *First Amendment to Assets Purchase Agreement* is dated April 18, 2018. The purchase price is Five Million Dollars

(\$5,000,000.00). In addition to the purchase price, Section 1.5 of the Agreement provides that Aqua will assume certain defined liabilities and pay certain out-of-pocket costs incurred by East Bradford Township.

20. The purchase price and Agreement are based on arm's length negotiations. Aqua and East Bradford Township are not affiliated with each other. Aqua will use short term debt initially for the purchase of the assets with the expectation that the short term debt will be converted to long term debt and equity capital at a later date.

21. The wastewater system assets to be acquired are the "Assets" and have the meaning specified in Section 1.1 of the Agreement. The Assets include the assets, properties and rights of East Bradford Township that comprise the wastewater system or that are owned by East Bradford Township and used by it solely in connection with operation of the system.

22. "Excluded Assets," which are those assets not being transferred to Aqua, have the meaning specified in Section 1.4 of the Agreement. Excluded Assets include customer service laterals that run from the curb area to individual customer residences or structures; piping and fixtures internal to each customer residence or structure; cash and cash equivalents; and the items set forth in Schedule 1.4 of the Agreement.

23. "Assumed Liabilities" has the meaning specified in Section 1.6 of the Agreement and include the liabilities and obligations under the Assumed Contracts that arise after Closing, liabilities incurred or arising from and after Closing under or from failure to comply with permits, approvals or licenses related to the system that are transferred to Aqua and the obligation to provide wastewater service after Closing. The Assumed Contracts, which are listed in Schedule 1.6 of the APA and attached hereto as **Exhibit F1** and **Exhibit F2**, are the Sewer Capacity Agreement dated November 14, 2017, by and between the Borough of West Chester and East Bradford Township and the Intergovernmental Cooperation Agreement dated March 15, 1999, between East Bradford and Birmingham Township.

## East Bradford Township

	# of Customers	Annual Gallons Treated (2017)
Residential- Single Family	399	23,783,560
Residential- Townhomes	814	36,390,635
<b>Commercial</b>		
Bradford Retail - The Bistro		112,800
Bradford Retail - Strip Stores		688,000
Brookworth Plaza - Dunkin Donuts		147,200
Brookworth Plaza - CVS		35,300
Brookworth Plaza - empty building		-
Brookworth Plaza - Strip Stores		142,000
Brookworth Plaza - PNC Bank		17,000
Countryside Food Mart		52,700
Antique Ice Museum		3,600
Mrs. Mike's Restaurant		103,110
Brandywine Hall Nursing Home		8,281,000
Daily Local News - now empty building		24,400
Bradford Plaza - Strip Stores		1,991,430
Bradford Plaza - Giant Food Store		2,527,700
Bradford Plaza - Walgreens		47,000
Bradford Plaza - Giant Gas Station		6,200
Chester County Art Association		120,100
<b>Industrial</b>		
Diesel Systems		66,300
Chem Service		173,400
<b>Other Class(?)*</b>		
Goddard School		252,800
Hillsdale Elementary School		649,700
WCU S Campus Apts - 144		24,200
WCU S Campus Apts - 167		583,900
WCU S Campus Apts - 168		500,900
WCU S Campus Apts - 169		441,900
WCU S Campus Apts - 170		570,900
WCU S Campus Apts - 171		318,900
WCU S Campus Apts - 172		422,000
WCU S Campus Apts - 173		306,400
WCU S Campus Apts - 174		424,500
WCU S Campus Apts - 175		323,400
WCU S Campus Apts - 176		340,000
WCU S Campus Apts - 177		356,000
University Student Housing 1		4,463,500
University Student Housing 2		5,429,000
<b>Total</b>		<b>90,121,435</b>

\*May include church, school, public, etc... (please insert a line for each)

420,000  
153,300,000

35  
399  
814  
1,248

## Exeter Township supervisors agree to sell municipal wastewater system for \$96 million

 [readingeagle.com/news/article/exeter-township-supervisors-agree-to-sell-municipal-wastewater-system-for-96-million](http://readingeagle.com/news/article/exeter-township-supervisors-agree-to-sell-municipal-wastewater-system-for-96-million)

### Share

#### Adjust font size: A A A

The sale to Pennsylvania American Water Co. will keep taxes steady for 10 years and do other things for Exeter, the township manager said.

Written by Mike Urban

Exeter Township, PA —

The Exeter Township supervisors have agreed to sell the township's wastewater treatment plant and system to a private company for \$96 million, a move they expect will save taxpayers money and put the township on much better financial footing.

The supervisors voted 4-1 on April 23 to approve the sale to Pennsylvania American Water Co., which supplies water to the township and operates 15 wastewater treatment systems statewide.

The two sides must finalize the asset purchase agreement, and the sale will require Pennsylvania Utility Commission approval, meaning the earliest the company is likely to take ownership would be early next year.

Township Manager John A. Granger said that if the sale goes through as planned, it will allow the township to hold real estate taxes steady for 10 years or more; pay for future capital projects including equipment replacement, township building relocation and storm sewer improvements; and still leave \$48 million in the bank.

The current property tax rate is 2.14 mills, but that would have increased 32.6 percent to 2.8 mills in 2019 if the township retained ownership of the plant, he said.

The township is expected to raise sewer rates 29 percent before the sale is completed, but that rate hike would likely have been higher if the township held onto the system and made necessary upgrades, said Supervisor John Cusatis.

And the supervisors plan to enact a homestead tax exemption that would more than cover the rate increase for most homeowners, he said.

There are about 9,000 properties in Exeter connected to the wastewater system, and Pennsylvania American spokesman Terry M. Maenza said that they shouldn't notice any changes in sewer service once the company takes control of the system.

"It should be seamless," he said.

The company plans to retain the township's six wastewater employees, he said.

Cusatis and fellow Supervisors Lisa VanderLaan, William F. White and David G. Speece Jr. voted for the sale, saying it was a tough decision but the economic benefits were too good to turn down.

"The sale will pay off the library and sewer debt, stabilize the tax base and improve the township's credit rating," Cusatis said.

Supervisor Gary E. Lloyd Jr. voted against the sale, saying he didn't want to lose the valuable asset.

Cusatis said that most Exeter residents he spoke with support the move, but at the April 23 meeting several expressed concern about selling public property to private industry and giving up control of the wastewater system.

A written handout from resident Sherrie Greene noted that: "I have done some research and read that many municipalities have taken this route, then regretted it later. Once our sewer system is sold, it is gone forever and we cannot get it back."

Pennsylvania American, headquartered in Hershey, is a subsidiary of American Water Works Co., based in Vorhees, N.J.

This would be Pennsylvania American's first wastewater treatment system in Berks.

(Correspondent Valdis I. Lacin contributed to this story.)

Contact Mike Urban: 610-371-5023 or [murban@readingeagle.com](mailto:murban@readingeagle.com).

Report by Class

Account	Name Service Address	Tax ID	Book	Status	Alert Code
97990.00	F M BROWN SONS INC 790 DANIEL BOONE ROAD	43-5345-07-68-8539 BIRDSBORO	PA	A 19508-8737	
99991.00	DIEROLF, CANDACE 21 PINE AVENUE	BIRDSBORO	PA	A 19508	
99992.00	TELFORD, MARK 19-6 CRANBERRY RIDGE	READING	PA	A 19606-3934	

Total Class: R: 8,708

Class: TRAILER PARK

20000.00	KLIEWER, KIM B 4851 PERKIOMEN AVENUE	43-5325-08-79- READING	100 PA	A 19606	
(610)670-0191 20010.00	KL MHC LLC 44 KEYSTONE ROAD	43-5335-14-34- READING	201 PA	A 19606-3655	
20020.00	BORDIC MOBILE HOME PARK 214 BORDIC ROAD	43-5335-09-16- READING	200 PA	A 19606-3605	
20030.00	KL MHC LLC 44 KEYSTONE ROAD	43-5335-10-35- READING	201 PA	A 19606-3655	
20060.00	ALSACE TOWNSHIP 240 SPIES CHURCH ROAD	READING	101 PA	A 19606	
20070.00	KL MHC LLC 44 KEYSTONE ROAD	43-5335-14-34-2494 READING	PA	A 19606-3655	
91230.00	PENN VIEW MOBILE PARK BROADWAY AVENUE	43-5327-14-42- READING	200 PA	A 19606	
(610)779-4202					

Total Class: T: 7

Total: 8,984

**ASSET PURCHASE AGREEMENT**

7. Aqua and Limerick are parties to an Asset Purchase Agreement dated November 16, 2016. Aqua Exhibit 1, Application ¶ 5 and ¶ 18; *see also* Aqua Exhibit No. 1, Exhibit C.

8. The negotiated purchase price, which is based on arms' length negotiation, is Seventy-Five Million One Hundred Thousand Dollars (\$75,100,000.00). Aqua and Limerick are not affiliated with each other. Aqua Exhibit No. 1, Application ¶ 18 and Aqua St. No. 1 at 6, lines 6 through 10.

9. Aqua will use short term credit lines to fund the transaction. The short term credit funding will be converted to a mix of long-term debt and equity capital shortly after closing. Aqua St. No. 1 at 7, lines 18 through 20; *see also* Aqua Exhibit No. 1, Application ¶ 18.

**ASSETS BEING TRANSFERRED**

10. The wastewater system assets to be transferred are the "Acquired Assets" and have the meaning specified in Section 2.01 of the Agreement. The Acquired Assets include all real property Limerick owns and uses in the operation of the wastewater system and all sanitary wastewater related treatment and conveyance facilities, including the Possum Hollow Waste Water Treatment Plant ("PHWWTP"), the King Road Waste Water Treatment Plant ("KRWWTTP") and all pipes, pumping stations, manholes and pipelines and billing and collections related assets necessary to run the system. Aqua Exhibit No. 1, Application ¶ 19.

11. Acquired Assets also include the contracts identified on Schedule 4.15 of the Agreement to which Limerick is a party (the "Assigned Contracts"). Since contract parties, other than Limerick, are identified by name, Schedule 4.15 and the Assigned Contracts are considered CONFIDENTIAL. Copies of CONFIDENTIAL Schedule 4.15 and the CONFIDENTIAL Assigned Contracts were included with the Application as Confidential Exhibit F and admitted into evidence as CONFIDENTIAL Aqua Exhibit No. 4. Aqua Exhibit No. 1, Application ¶ 20 and Tr. 13 and 20.

Attachment to Question 18

Service Address	Customer Number	Edu Purchased	Group Code	Drainage Basin	SPA Amt	SPA Qty	SWR Amt	SWR Qty	Swr Base Amt	PEN Amt	INT Amt
3793 900 FOXMEADOW DR	12133	16	King Road	SOUTHEAST (6)	-	116,300.00	F	-	\$ 1,348.80	-	-
3794 1000 FOXMEADOW DR	12134	16	King Road	SOUTHEAST (6)	-	94,400.00	F	-	\$ 1,348.80	-	-
3795 1100 FOXMEADOW DR	12135	16	King Road	SOUTHEAST (6)	\$ 216.44	153,200.00	F	-	\$ 1,348.80	-	-
3796 1200 FOXMEADOW DR	12136	16	King Road	SOUTHEAST (6)	\$ 69.15	130,400.00	F	-	\$ 1,348.80	-	-
3799 1500 FOXMEADOW CIR	12139	16	King Road	SOUTHEAST (6)	\$ 43.95	126,500.00	F	-	\$ 1,348.80	-	-
3800 1600 FOXMEADOW CIR	12140	16	King Road	SOUTHEAST (6)	-	82,300.00	F	-	\$ 1,348.80	-	-
3801 1700 FOXMEADOW CIR	12141	16	King Road	SOUTHEAST (6)	-	84,300.00	F	-	\$ 1,348.80	-	-
3802 1800 FOXMEADOW CIR	12142	16	King Road	SOUTHEAST (6)	-	92,500.00	F	-	\$ 1,348.80	-	-
3803 1900 FOXMEADOW DR	12143	16	King Road	SOUTHEAST (6)	-	111,200.00	F	-	\$ 1,348.80	-	-
3804 2000 FOXMEADOW CIR	12144	16	King Road	SOUTHEAST (6)	\$ 8.42	121,000.00	F	-	\$ 1,348.80	-	-
3805 2100 FOXMEADOW CIR	12145	16	King Road	SOUTHEAST (6)	\$ 160.88	144,600.00	F	-	\$ 1,348.80	-	-
3806 2200 FOXMEADOW DR	12146	16	King Road	SOUTHEAST (6)	-	101,000.00	F	-	\$ 1,348.80	-	-
3807 2300 FOXMEADOW DR	12147	16	King Road	SOUTHEAST (6)	\$ 176.38	147,000.00	F	-	\$ 1,348.80	-	-
3808 2400 FOXMEADOW CIR	12148	16	King Road	SOUTHEAST (6)	\$ 94.99	134,400.00	F	-	\$ 1,348.80	-	-
3809 2500 FOXMEADOW CIR	12149	16	King Road	SOUTHEAST (6)	\$ 107.26	136,300.00	F	-	\$ 1,348.80	-	-
161 640 N LEWIS RD	275	17	King Road	SOUTHEAST (6)	\$ 1,932.95	306,700.00	F	-	\$ 84.30	-	-
3674 7-27 W RIDGE PIKE/STRP ML	12005	18	King Road	SOUTHEAST (6)	\$ 63.37	92,100.00	F	-	\$ 927.30	-	-
3727 125 SUNSET RD	12065	18	King Road	282 GRATERFORD RD (20)	\$ 1,198.45	193,000.00	F	-	\$ 84.30	-	-
3772 15 KEYSTONE DR	12112	18	King Road	TRINLEY (5)	\$ 2,452.98	387,200.00	F	-	\$ 84.30	-	-
5199 256 SWAMP PIKE/SCHOOL	60965	18	Possum Hollow	RAVENS CLAW (18)	\$ 2,015.24	334,400.00	F	-	\$ 252.90	-	-
162 339 N LEWIS RD	276	19	King Road	SOUTHEAST (6)	\$ 1,256.59	202,000.00	F	-	\$ 84.30	-	-
3706 W RIDGE PIKE/STRIP/BANK	12039	19	King Road	SOUTH LIMERICK (3)	\$ 1,373.73	272,500.00	F	-	\$ 674.40	-	-
3745 542 N LEWIS RD	12084	19	King Road	TRINLEY (5)	\$ 112.65	32,400.00	F	-	\$ 168.60	-	-
3411 70 BUCKWALTER RD/1350/APPLEB	11737	20	King Road	SOUTHEAST (6)	\$ 3,375.47	530,000.00	F	-	\$ 84.30	-	-
5389 206 JONES BLVD/MICROCOAX	70011	20	Possum Hollow	BROOKE EVANS (16)	\$ 14,938.23	2,319,900.00	F	-	\$ 84.30	-	-
3445 70 BUCKWALTER RD/1250/TEXAS	11771	21	King Road	SOUTHEAST (6)	\$ 2,419.39	382,000.00	F	-	\$ 84.30	-	-
3707 22 ANCHOR PARKWAY	12040	23	King Road	SOUTHEAST (6)	\$ 1,958.79	310,700.00	F	-	\$ 84.30	-	-
3773 77 GRATERFORD RD	12113	23	King Road	282 GRATERFORD RD (20)	\$ 1,208.14	194,500.00	F	-	\$ 84.30	-	-
64 677 ELM ST	170	24	Royersford	ORCHARD TERRACE (OT)	-	12,000.00	F	-	\$ 2,023.20	-	-
3863 430 W LINFIELD TRAPPE RD	12208	24	King Road	TRINLEY (5)	\$ 4,782.46	747,800.00	F	-	\$ 84.30	-	-
794 1101 ENTERPRISE DR	2573	28	King Road	TRINLEY (5)	\$ 1,182.95	190,600.00	F	-	\$ 84.30	-	-
2502 196 W RIDGE PK/FLEA MRKT	10679	29	King Road	RIDGE PIKE (10)	\$ 629.07	247,000.00	F	-	\$ 1,686.00	\$ 1.80	-
3869 420 LINFIELD TRAPPE RD	12214	30	King Road	TRINLEY (5)	\$ 852.20	139,400.00	F	-	\$ 84.30	-	-
5410 14 W LIGHTCAP RD	70032	34	Possum Hollow	POSSUM HOLLOW (17)	\$ 7,741.14	1,205,800.00	F	-	\$ 84.30	-	-
3401 19 W LINFIELD TRAPPE RD	11727	36	King Road	SOUTHEAST (6)	\$ 5,421.59	846,736.00	F	-	\$ 84.30	-	-
107 475 N LEWIS RD	216	52	King Road	SOUTHEAST (6)	\$ 3,921.34	614,500.00	F	-	\$ 84.30	-	-
3761 88 ANCHOR PARKWAY	12101	52	King Road	SOUTHEAST (6)	\$ 3,746.92	587,500.00	F	-	\$ 84.30	-	-
2292 420 W LINFIELD TRAPPE RD	10357	59	King Road	TRINLEY (5)	\$ 5,568.64	869,500.00	F	-	\$ 84.30	-	-
167 350 S LEWIS RD	282	60	King Road	SOUTHEAST (6)	\$ 3,791.50	594,400.00	F	-	\$ 84.30	-	-
2465 827 N LEWIS RD	10630	80	King Road	SOUTH LIMERICK (3)	-	150,200.00	F	-	\$ 6,744.00	-	-
3091 FOX RIDGE APTS	11378	97	King Road	SOUTH LIMERICK (3)	\$ 2,050.04	1,043,000.00	F	-	\$ 8,177.10	-	-
2685 165 W RIDGE PIKE/TRLR PK	10913	115	King Road	SOUTHEAST (6)	\$ 6,018.69	1,792,000.00	F	-	\$ 9,694.50	-	-
5397 EXELON LIM GEN STA	70019	137	Possum Hollow	POSSUM HOLLOW (17)	N	-	\$ 8,659.75	1,348,000.00	\$ 84.30	\$ 1,041.07	-
5400 18 LIGHTCAP RD	70022	200	Possum Hollow	POSSUM HOLLOW (17)	\$ 4,006.31	1,278,500.00	F	-	\$ 7,418.40	-	-
<b>5416</b>	<b>8402</b>				<b>\$ 299,707.92</b>	<b>89,160,697</b>	<b>\$ 25,039.14</b>	<b>7,288,556</b>	<b>\$ 600,843.05</b>	<b>\$ 14,296.74</b>	<b>\$ 1,169.98</b>

\$5,572,770. Exh. A-14-a, SWPA St. 1 at 11-12. The allocated purchase price for the water system is \$4,734,800 and the wastewater system is \$4,765,200. Appendix A-14, SWPA St. 2 at 4-5.

The valuation experts were paid \$59,145 for the Fair Market Value Appraisal Reports for both the water and wastewater systems. Exh. A-8-a. SWPA also indicates that it will incur transaction and closing costs of approximately \$1,000,000 between the Water System and the Wastewater System, which will be included in rate base. Appendix A-14, SWPA St.1 at 5-6; Appendix A-12.

OCA will examine the ratemaking rate base claims to determine if the claims are reasonable and appropriate for ratemaking purposes.

2. Proposed Rates: SWPA proposes to charge customers of the Mahoning Township system the Mahoning Township water and wastewater rates in effect at closing. Application at 6, 11; Appendix A-13. Those rates will remain in effect until SWPA's next base rate case but SWPA may impose any fee or surcharge permitted by its Commission-approved tariff. Id.

The proposed rates do not appear to match the existing Mahoning Township rates. The OCA will investigate this apparent discrepancy. The OCA will investigate the impacts on the current customers as well as on Mahoning Township customers of the various assumptions and proposals.

3. The OCA submits that additional information is necessary to determine how the transaction will substantially and affirmatively benefit Suez's existing customers.

4. Conditions: Whether any conditions should be imposed upon the proposed transfer to ensure that Suez's customers are treated in a fair and just manner in accord with Pennsylvania law and Commission rules and regulations.

## MAHONING TOWNSHIP CUSTOMER LIST

Customer No	Name	Service Address	Service	SWR EDUs	EDU	Count
11470.01	T & S REALTY	304 HOLLOW DR	Sewer	1	1	1431
11471.01	T & S REALTY	306 HOLLOW DR	Sewer	1	1	1432
11472.01	T & S REALTY	308 HOLLOW DR	Sewer	1	1	1433
11473.01	T & S REALTY	310 HOLLOW DR	Sewer	1	1	1434
11474.01	T & S REALTY	312 HOLLOW DR	Sewer	1	1	1435
11475.01	DAVID & JOANNE BROOKO\	32 TERRE LANE	Sewer	1	1	1436
11476.02	JAYA SUGUNARAJ & JESSIT\	214 ABBEY RD	Sewer	1	1	1437
11478.01	DAVID BULBIN & BARBARA	74 WOODLAND DR	Sewer	1	1	1438
11479.01	JEFFREY MOLINARO	1318 BLOOM RD	Sewer	1	1	1439
11480.01	CRYSTAL DOMETITA	91 WOODLAND DR	Sewer	1	1	1440
11482.01	AYUSA SINHA	672 LOWER ST	Sewer	1	1	1441
11483.01	MADIAN YAHYA	676 LOWER ST	Sewer	1	1	1442
11484.01	JEFF WATSON	168 KASEVILLE RD	Sewer	1	1	1443
11485.01	ANWER & SARAH QURESHI	656 LOWER ST	Sewer	1	1	1444
11486.01	ROSS & ASHLEY PETERS	83 TERRE LN	Sewer	1	1	1445
11488.01	QUESHI ANWER	664 LOWER STREET	Sewer	1	1	1446
11489.01	MATHUR HERSH	660 LOWER STREET	Sewer	1	1	1447
11490.01	PRASANNA SANKEPALLI & S	668 LOWER ST	Sewer	1	1	1448
11491.01	MARK GATSKI & CATHERIN\	82 DELWOOD DR	Sewer	1	1	1449
11492.01	JONATHAN & LAURA SPAHF	78 TERRE LN	Sewer	1	1	1450
11166.02	DANKO HOLDINGS LP	1301 BLOOM RD	Sewer	0	1	1451
TOTALS					2195	1451

Report Criteria:  
Customer.Final bill date = {IS NULL}

5/30/18

Customer #	Name	Service Address	Meter ID	Customer Type	Size
11104.01	ANIMAL CARE	32 ENTERPRISE DR	0049503582	Commercial	1
11107.01	EMMANUEL HOME	MONTOUR BLVD. 11107	8280982952	Commercial	1
11120.02	REDEEMER ORTHODOX PRESBYTER	1820 MONTOUR BLVD.	1540802894	Commercial	1
11121.01	FAB-TEX	29 WOODBINE LANE	0004695133	Commercial	1
11137.01	GEISINGER HEALTH SYSTEMS - MCB	MCBRIDE	1541355520	Commercial	1
11151.01	ROAT-KRINER ROAT	1133 BLOOM RD.	1541286282	Commercial	1
11157.01	TRINITY METHODIST CHURCH	84 LOMBARD AVE	1018010545	Commercial	1
11159.01	VINTAGE KNOLLS ASSISTED LIVING	9 JUSTIN DR 101	1541313242	Commercial	1
11160.01	GEISINGER COMMUNITY HEALTH - VI	44 WOODBINE LANE	0048920994	Commercial	1
11165.01	RINEHART DENTAL	20 WESNER LANE	1481726108	Commercial	1
Total 1:					
10					10 10
11110.01	BUSY BEAVER	23 WESNER LN	0053635505	Commercial	1.5
11139.01	MEADOWS COMM.	77 TOWER VIEW CIRCLE	0051583844	Commercial	1.5
11148.01	SHANER HOTEL GRP ✓	43 PINE BARN PLACE	1832339361	Commercial	1.5
11170.01	HAWKINS CHEVROLET	1856 MONTOUR BLVD.	1852732193	Commercial	1.5
11439.01	GEORGE HEIM CAR WASH	1802 MONTOUR BLVD	1541551330	Commercial	1.5
Total 1.5:					
5					5 5
11102.01	ATLANTIC EQUIP	15 ENTERPRISE DR	0048304212	Commercial	2
11108.01	EMMANUEL NAZARETH	1707 MONTOUR BLVD. 11108	1007034764	Commercial	2
11117.01	T & S REALTY	1083 BLOOM RD	0046645520	Commercial	2
11126.01	GUM REALTY GROUP LLC	74 SCHOOL HOUSE RD STE 101	0022379100	Commercial	2
11134.01	MARIA JOSEPH AL CENTER	MONTOUR BLVD. 11134	1832120637	Commercial	2
11136.01	GEISINGER HEALTH SYSTEMS - HUG	HUGHES CENTER SOUTH	0052693508	Commercial	2
11146.01	SHANER HOTEL GRP ✓	43 PINE BARN PLACE A	0043702654	Commercial	2
11166.02	DANKO HOLDINGS LP	1301 BLOOM RD	1548931502	Commercial	2
Total 2:					
8					8 8
11101.01	NAILS TO TAILS GROOMING SALON	938 BLOOM RD.	1810172132	Commercial	3/4
11109.01	BROKENSHIRE JOHN	769 BLOOM RD.	1541276964	Commercial	3/4
11111.01	CERO JAMES PATRICK	795 BLOOM RD	1541282452	Commercial	3/4
11113.01	COLE'S HARDWARE	25 ENTERPRISE ROAD	1541310306	Commercial	3/4
11115.01	HAWKINS JAMES	1581 MONTOUR BLVD.	1852924202	Commercial	3/4
11116.01	HAWKINS COLLISION CENTER	MONTOUR BLVD. 11116	1541425432	Commercial	3/4

Commercial  
Water Meters  
70

Residential  
Water Meters  
1116

2"  
+ 1 = 15 Wesner Lane  
added 5/24/18

Total Meters  
=  
1186



## McKeesport sewer system to be sold for \$156 million

September 16, 2016 12:00 AM

By Deana Carpenter

The Municipal Authority of the City of McKeesport has agreed to sell its sewer system to Pennsylvania American Water for approximately \$156 million.

The sale is needed to bring the city to more stable financial ground and avoid Act 47, the program for financially distressed municipalities, or municipal bankruptcy, McKeesport Mayor Michael Cherepko said at the Sept. 7 council meeting.

“It became very clear to this administration that the only way to save our community from municipal bankruptcy, while continuing to offer the same level of services our residents deserve, would be to transfer our local sewage system to a regional or national utility company,” Mr. Cherepko said in a news release.

A purchase agreement was signed by both parties last Friday following votes by city council and the municipal authority to sell the sewer system. The sale is expected to be finalized in the second half of next year pending regulatory approvals and other closing conditions.

The system serves 22,000 customers in McKeesport and the communities of Dravosburg, Duquesne, East McKeesport, Elizabeth Township, Glassport, Liberty, Lincoln, North Versailles, Port Vue, Versailles and White Oak.

“We look forward to closing the proposed acquisition and to providing wastewater services that reflect our commitment to environmental stewardship and quality customer service,” said

Kathy L. Pape, president of Pennsylvania American Water, said that after the deal is closed, the company looks forward “to welcoming the Municipal Authority of the City of McKeesport’s employees and customers to the Pennsylvania American Water family.”

She said the company also looks forward to “providing wastewater services that reflect our commitment to environmental stewardship and quality customer service.”

The next step is approval of the acquisition by the Pennsylvania Public Utility Commission along with other approvals, such as from the state Department of Environmental Protection.

In June, state Auditor General Eugene DePasquale said McKeesport erred when it accidentally spent \$729,275 in state funds earmarked for pension costs and subsequently couldn't pay its \$2.3 million annual pension obligation last year.

McKeesport officials said then they would remedy the shortfall through “the sale of an asset in the near future.”

“The total proceeds of the pending sale of the Municipal Authority of the City of McKeesport will solidify the City of McKeesport’s financial position for years to come,” Mr. Cherepko said this week. “The down payment associated with this

sale will generate enough revenue to cover all of the city's outstanding financial obligations, including the minimum municipal obligations associated with the city's pension funds.”

*Deana Carpenter, freelance writer: suburbanliving@post-gazette.com.*

21. Second, Ms. Vicari used inconsistent purchase price values to calculate the average costs per customer. Id. at 21-22.

(a) Incorrect Use of Projected Customers

Ms. Vicari used an incorrect number of customers for MACM. In Appendix A-17-a, it states that MACM has 12,780 customers, yet Ms. Vicari used 21,953 customers. OCA St. 1 at 20-21. She explained that she used that number because she counted the individual connections for each bulk customer. Id. She never supplied her calculation of the individual connections for the four bulk customers. Id.

Ms. Vicari does not necessarily apply that logic to the other acquisitions in her sample group by reflecting individual connections for any bulk customers. OCA St. 1S at 16-17. By using the actual number of customers for the other systems, she achieved a higher average cost per customer. She then multiplied this overstated cost per customer times the unsupported number of bulk customers' individual connection, compounding the error. Ms. Everette was not able to confirm whether all of the customer numbers in Ms. Vicari's sample group were consistently counted. She therefore used the 21,953 customer number used by Ms. Vicari to minimize the issues in the proceeding.

(b) Inconsistent Purchase Price Values

Similar to the problem with the customer count, MACM witness Vicari did not use consistent purchase price values. OCA St. 1 at 21-22. For the comparative acquisitions, she used the purchase price plus the value of capital improvements required by the agreement of sale. For MACM, however, she uses only the purchase price and does not consider the \$62.7 million of capital investments that PAWC anticipates making over the next 10 years. Including the cost



Dilworth  
Paxson<sup>LLP</sup>

Home > News / Events > Press Releases > The PA PUC Approves First Wastewater Sale Under New Act 12

## The PA PUC Approves First Wastewater Sale Under New Act 12

06/14/2017

June 14, 2017 (Philadelphia, PA) - On June 14, 2017, the Pennsylvania Public Utility Commission approved, in a four-to-one vote, Aqua Pennsylvania Wastewater, Inc.'s application to acquire the wastewater system of New Garden Township and its Sewer Authority, and to begin providing wastewater service to the residents of New Garden and Kennett Townships in Chester County. The transaction is the first to be approved using the fair market valuation approach established by the Pennsylvania State Legislature and Governor Tom Wolf with Act 12 of 2016 (Act of Apr. 14, 2016, P.L. 76, No. 12, 66 Pa. C.S. § 1329).

Act 12 is changing the landscape for municipal sales of water and wastewater systems to PUC-regulated public utility companies. The new law allows the parties to the transaction to opt in to a new method of valuation, which takes the value of the system for ratemaking purposes as either the lower of the average of two independent fair market value appraisals—one obtained by the utility buyer and one by the municipal seller—or by the negotiated purchase price. Prior to Act 12, system value for ratemaking was based on depreciated original cost, which would likely always result in a lower sale price than fair market value. In addition, the new law requires the PUC to act within six months of the acceptance of the application.

Act 12 became effective mid-June 2016, and the PUC issued its final implementation order in October 2016. The New Garden transaction was the first Act 12 application, submitted for approval in December 2016. Aqua, New Garden, and the Authority agreed to a negotiated purchase price of \$29,500,000, which turned out to be less than the average of the two appraisals commissioned by Aqua and New Garden. The valuation for ratemaking purposes was therefore set at \$29,500,000.

A protest to Aqua's application for PUC approval pursuant to Act 12 in the New Garden transaction was filed by the Bureau of Investigation and Enforcement, which sought a review of both of the fair market appraisals used, additional information about the proposed rate freeze agreed to by the parties, and a determination of whether the transaction was in the public interest under Section 1102 of the Public Utility Code.

An additional protest was filed by the Office of Consumer Advocates requesting further information to determine whether supplementary conditions should be imposed on the transaction to ensure that Aqua's existing customers are treated in a fair and just manner; how the transaction will substantially and affirmatively benefit Aqua's existing customers; and whether the agreement sufficiently provides for safe, adequate, and reasonable service at just and reasonable rates.

An evidentiary hearing was held before an administrative law judge on February 16, 2017. After the hearing, the judge recommended the denial of Aqua's application, concluding that Aqua had failed to demonstrate by a preponderance of the evidence that the acquisition was in the public interest because it failed to demonstrate that the transaction will result in affirmative public benefits to its existing customers. The judge also concluded that Aqua had failed to support its rate stabilization plan with evidence to show its basis and impact. The judge did

### Related Lawyers

Skye C.A. Nickalls

Marc A. Feller

### Related Practices

Corporate and Business

### Related Offices

Philadelphia, PA

## EAST END SEWER ACCOUNTS

Type	2015-4	2015-3	2015-2	2015-1	2014-4	2014-3	2014-2	2014-1
CO1	2,070,000	2,060,000	1,831,000	2,284,000	2,971,000	2,665,000	1,498,000	1,278,000
CO2	739,000	1,050,000	885,000	793,000	1,028,000	1,061,000	873,000	873,000
IND								
MIX	15,000	9,000	10,000	4,000	17,000	14,000	12,000	18,000
RES	13,780,000	13,367,000	12,924,000	13,280,000	12,700,000	14,137,000	14,241,000	12,874,000
<b>Grand Total</b>	<b>16,604,000</b>	<b>16,486,000</b>	<b>15,650,000</b>	<b>16,361,000</b>	<b>16,716,000</b>	<b>17,877,000</b>	<b>16,624,000</b>	<b>15,043,000</b>

# DAYS	94	90	89	91	87	94	93	91
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Type	2015-4 GPD	2015-3 GPD	2015-2 GPD	2015-1 GPD	2014-4 GPD	2014-3 GPD	2014-2 GPD	2014-1 GPD
CO1	22,021	22,889	20,573	25,099	34,149	28,351	16,108	14,044
CO2	7,862	11,667	9,944	8,714	11,816	11,287	9,387	9,593
IND								
MIX	160	100	112	44	195	149	129	198
RES	146,596	148,522	145,213	145,934	145,977	150,394	153,129	141,473
<b>Grand Total</b>	<b>176,638</b>	<b>183,178</b>	<b>175,843</b>	<b>179,791</b>	<b>192,138</b>	<b>190,181</b>	<b>178,753</b>	<b>165,308</b>

Type	Total Units	Total Active Units	Total Accounts
CO1	145	109	65
CO2	40	16	13
IND			
MIX	8	7	3
RES	1,043	1012	823
<b>Grand Total</b>	<b>1,236</b>	<b>1,144</b>	<b>904</b>

Type	2015 Total	2014 Total
CO1	8,245,000	8,412,000
CO2	3,467,000	3,835,000
IND		
MIX	38,000	61,000
RES	53,351,000	53,952,000
<b>Grand Total</b>	<b>65,101,000</b>	<b>66,260,000</b>

Service Area	Total Units	Total Active Units	Total Accounts
BP	290	282	107
BR	52	51	52
BW	99	90	56
CR	5	4	5
CW	110	109	110
EE	1		1
GL	132	110	70
HD	127	110	112
PD	31	31	31
PM	48	47	48
PS	66	66	66
SC	65	37	40
SH	132	132	132
SRO	2	2	2
WB	76	73	72
<b>Grand Total</b>	<b>1,236</b>	<b>1,144</b>	<b>904</b>

**SOUTH END SEWER ACCOUNTS**

Type	2015-4	2015-3	2015-2	2015-1	2014-4	2014-3	2014-2	2014-1
CO1	163,000	68,000	33,000	27,000	277,000	265,000	28,000	25,000
RES	7,444,000	7,494,000	7,172,000	7,565,000	7,109,000	7,576,000	7,233,000	7,750,000
<b>Grand Total</b>	<b>7,607,000</b>	<b>7,562,000</b>	<b>7,205,000</b>	<b>7,592,000</b>	<b>7,386,000</b>	<b>7,841,000</b>	<b>7,261,000</b>	<b>7,775,000</b>

# DAYS	94	90	89	91	87	94	93	91
--------	----	----	----	----	----	----	----	----

Type	2015-4 GPD	2015-3 GPD	2015-2 GPD	2015-1 GPD	2014-4 GPD	2014-3 GPD	2014-2 GPD	2014-1 GPD
CO1	1,734	756	371	297	3,184	2,819	301	275
RES	79,191	83,267	80,584	83,132	81,713	80,596	77,774	85,165
<b>Grand Total</b>	<b>80,926</b>	<b>84,022</b>	<b>80,955</b>	<b>83,429</b>	<b>84,897</b>	<b>83,415</b>	<b>78,075</b>	<b>85,440</b>

Type	Total Units	Total Active Units	Total Accounts
CO1	6	2	2
RES	611	605	607
<b>Grand Total</b>	<b>617</b>	<b>607</b>	<b>609</b>

Type	2015 Total	2014 Total
CO1	291,000	595,000
RES	29,675,000	29,668,000
<b>Grand Total</b>	<b>29,966,000</b>	<b>30,263,000</b>

Service Area	Total Units	Total Active Units	Total Accounts
ES	178	174	174
HGN	129	125	125
HGS	30	29	30
MG	21	21	21
WS	259	258	259
<b>Grand Total</b>	<b>617</b>	<b>607</b>	<b>609</b>

## AVONDALE SEWER ACCOUNTS SEWER ACCOUNTS

Type	2015-4	2015-3	2015-2	2015-1	2014-4	2014-3	2014-2	2014-1
CO1	2,833,000	3,044,000	2,895,000	3,014,000	2,844,000	2,681,000	2,598,000	2,992,000
CO2	191,000	208,000	235,000	228,000	224,000	195,000	192,000	179,000
MIX	301,000	312,000	255,000	273,000	227,000	258,000	276,000	332,000
RES	4,090,000	3,750,000	3,588,000	4,089,000	3,506,000	4,183,000	4,716,000	3,705,000
TWP	31,000	24,000	20,000	19,000	21,000	22,000	19,000	74,000
<b>Grand Total</b>	<b>7,446,000</b>	<b>7,338,000</b>	<b>6,993,000</b>	<b>7,623,000</b>	<b>6,822,000</b>	<b>7,339,000</b>	<b>7,801,000</b>	<b>7,282,000</b>

# DAYS	94	90	89	91	87	94	93	91
--------	----	----	----	----	----	----	----	----

Type	2015-4 GPD	2015-3 GPD	2015-2 GPD	2015-1 GPD	2014-4 GPD	2014-3 GPD	2014-2 GPD	2014-1 GPD
CO1	30,138	33,822	32,528	33,121	32,690	28,521	27,935	32,879
CO2	2,032	2,311	2,640	2,505	2,575	2,074	2,065	1,967
MIX	3,202	3,467	2,865	3,000	2,609	2,745	2,968	3,648
RES	43,511	41,667	40,315	44,934	40,299	44,500	50,710	40,714
TWP	330	267	225	209	241	234	204	813
<b>Grand Total</b>	<b>79,213</b>	<b>81,533</b>	<b>78,573</b>	<b>83,769</b>	<b>78,414</b>	<b>78,074</b>	<b>83,882</b>	<b>80,022</b>

Type	Total Units	Total Active Units	Total Accounts
CO1	397	48	38
CO2	4	4	4
MIX	8	22	8
RES	306	282	230
TWP	3	3	3
<b>Grand Total</b>	<b>718</b>	<b>359</b>	<b>283</b>

Type	2015 Total	2014 Total
CO1	11,786,000	11,115,000
CO2	862,000	790,000
MIX	1,141,000	1,093,000
RES	15,517,000	16,110,000
TWP	94,000	136,000
<b>Grand Total</b>	<b>29,400,000</b>	<b>29,244,000</b>

Service Area	Total Units	Total Active Units	Total Accounts
41	308	76	46
BH	123	120	121
BH2	6	6	6
RR	130	119	79
TK	151	38	31
<b>Grand Total</b>	<b>718</b>	<b>359</b>	<b>283</b>

1 interest in discussing the potential acquisition of the System and the use of Section 1329,  
2 the fair market value approach. TOS's representatives executed the Letter of Interest on  
3 December 6 and 7, 2016 and returned it to PAWC. This "Letter of Interest" was extended  
4 through amendments on March 9, 2017, May 2, 2017, June 6, 2017, and July 5, 2017 to  
5 allow the parties to enter into a definitive agreement. Through these extensions, PAWC  
6 and TOS jointly retained the services of Herbert E. MacCombie, Jr., P.E., of Media  
7 Pennsylvania to complete the Engineer's Assessment of Tangible Assets pursuant to  
8 Section 1329. The Engineer's Assessment of Tangible Assets is included as **Schedule 1.1**  
9 of the APA and included with the UVE fair market valuation reports at **Appendix A-5**.  
10 PAWC, pursuant to Section 1329, retained the services of AUS Consultants of Greenfield  
11 Wisconsin to complete an appraisal of the System. TOS retained the services of Herbert,  
12 Rowland & Grubic, Inc. of Harrisburg, Pennsylvania to also complete an appraisal of the  
13 System. These appraisals accompany the Application at **Appendix A-5** (together with  
14 electronic working documents at **Appendix A-4**) and are included as **Schedule 2.2** of the  
15 APA. After receipt of the two appraisals and subsequent arms-length negotiations, on May  
16 1, 2018 TOS's Board of Supervisors approved the APA, which was subsequently executed  
17 by PAWC and TOS that day too. This APA includes a negotiated purchase price of  
18 \$9,250,000.

19  
20 **Q. CAN YOU PLEASE PROVIDE AN OVERVIEW OF THE APA?**

21 **A.** Yes. The APA is attached as **Appendix A-24-a** to the Application (**PAWC Exhibit KEG-**  
22 **1**). The APA sets forth the terms and conditions pursuant to which the TOS will sell, and  
23 PAWC will purchase, the System, as well as substantially all assets, properties and rights

1 invest in necessary capital improvements and resources, and experienced managerial and  
2 operating personnel necessary to provide safe and reliable sewer services to the residents of  
3 the TOS and surrounding areas. PAWC is currently the water provider within TOS and is  
4 the operator of TOS's System pump station.

5  
6 **Q. PLEASE DESCRIBE PAWC'S HISTORICAL RELATIONSHIP WITH TOS.**

7 A. Since PAWC's acquisition of the water and wastewater assets of the City of Coatesville  
8 Authority ("CCA") in March 2001, PAWC has been the regional wastewater (and water)  
9 provider in the City of Coatesville and surrounding communities. . PAWC's treats the  
10 wastewater from the communities of Sadsbury Township, City of Coatesville, East  
11 Fallowfield Township, Caln Township, West Caln Township, Valley Township, West  
12 Sadsbury Township, Highland Township, West Brandywine Township and Parksburg  
13 Borough. TOS has been a bulk wastewater customer of PAWC since PAWC's acquisition  
14 of CCA's water and wastewater system assets. We maintain a relationship with TOS and  
15 other local municipalities by participating in local events, providing environmental and  
16 firefighting grants, offering the "H2O Assistance Program," and supporting economic  
17 growth through infrastructure improvements in the communities we serve.

18  
19 **Q. HOW MANY CUSTOMERS DOES THE TOS SYSTEM CURRENTLY SERVE  
20 AND HOW MANY CUSTOMERS DOES PAWC CURRENTLY SERVE?**

21 A. As of December 31, 2016, TOS furnished wastewater services to 998 customers. This  
22 number includes 950 residential and 48 commercial customer connections. Of these

PENNSYLVANIA REAL-TIME NEWS

## Steelton water sale closer to completion as Pa. American Water signs \$22.5 million agreement

Updated Nov 15, 2018;  
Posted Nov 15, 2018



Pennsylvania American Water announced today it signed an agreement to acquire the water assets of the Steelton Borough Authority. Pending regulatory approvals, the sale should be complete by the third quarter of 2019.

1

8  
shares

By [Steve Marroni | smarroni@pennlive.com](mailto:smarroni@pennlive.com)

The sale of Steelton's water system is one step closer to completion.

Pennsylvania American Water announced today it has signed an agreement to acquire the water assets of the Steelton Borough Authority for \$22.5 million.

The two will next seek approval of the acquisition from the Pennsylvania Public Utility Commission and other necessary approvals from the Pennsylvania Department of Environmental Protection, according to the company.



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Elizabeth Rose Triscari, Esquire  
Pennsylvania-American Water Company  
800 West Hersheypark Drive  
Hershey, PA 17033  
(717) 520-4606  
[elizabeth.triscari@amwater.com](mailto:elizabeth.triscari@amwater.com)

The Applicant's attorneys are authorized to receive all notices and communications regarding this Application.

6. PAWC is a regulated public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania, and is engaged in the business of collecting, treating, storing, supplying, distributing and selling water to the public, and collecting, treating, transporting and disposing of wastewater for the public. Water and wastewater services are furnished by PAWC to the public in a service territory encompassing more than 400 communities across the Commonwealth with a combined population of over 2,400,000. A description of PAWC's existing certificated water and wastewater service territory is found in **Appendix B**, along with a detailed corporate history, outlining all of the mergers, acquisitions and consolidations, which have created PAWC as it exists on the date of this Application.

7. Steelton is a municipal water authority, organized by the Borough of Steelton in accordance with the Municipality Authorities Act, 53 Pa. C.S. §5601, et seq., with its offices located at 123 North Front Street, Steelton, Pennsylvania. Steelton owns and operates the Steelton System, providing water service to the public in the Borough of Steelton and a portion of Swatara Township (the "Service Area"), in Dauphin County, Pennsylvania.

8. As of November 30, 2018, Steelton furnishes water service to 2,472 customers including 2,289 residential, 124 commercial, 13 industrial, 34 institutional, 11 municipal, and one bulk sales customer connection.

DEALS AUGUST 6, 2018 / 5:11 PM / 6 MONTHS AGO

## SJW Group makes \$1.1 billion all-cash offer for Connecticut Water

3 MIN READ



NEW YORK (Reuters) - SJW Group ([SJW.N](#)) and Connecticut Water Service Inc ([CTWS.O](#)) said on Monday they were changing from a merger to an acquisition agreement, with SJW offering to buy the New England utility for \$1.1 billion in cash instead of combining stock.

The switch to an all-cash offer is worth \$70 per Connecticut Water share, a 33 percent premium to Connecticut Water's share price prior to the original deal announced in March, according to a joint statement.

It was also higher than the implied \$61.86 per share value of the Clinton, Connecticut-based firm under the merger-of-equals transaction, which would have created a combined company in which existing SJW shareholders would hold 60 percent of the stock.

SJW closed 2.3 percent lower, while Connecticut Water was 9 percent higher at \$68.50.

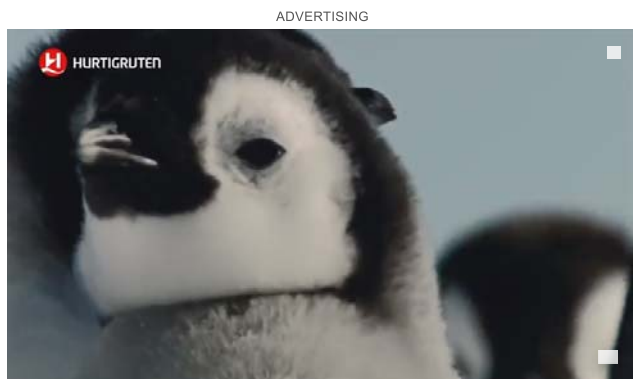
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To pay for the acquisition, SJW will initially utilize a \$975 million bridge loan from financial adviser JP Morgan Chase ([JPM.N](#)). Ultimately, the purchase would be covered by debt and between \$450 million and \$500 million of equity finance.

The new deal aims to conclude in the first quarter of 2019, subject to approvals from Connecticut Water's shareholders, as well as regulators in Connecticut and Maine.

The duo's original all-stock merger announcement in March triggered competing offers from Eversource Energy ([ES.N](#)) and California Water Service Group ([CWT.N](#)).

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"We have converted from a stock-for-stock deal to a cash offer, which will resolve any further market distractions from the inferior proposals," SJW Chief Executive Eric Thornburg told Reuters, in reference to the actions by Eversource and CalWater.

Switching to an acquisition, versus a merger structure, means that SJW shareholders will no longer be required to vote on approving the deal, the statement said.

CalWater has an open tender offer to acquire SJW that runs until Sept. 28.

However, asked if the change was aimed at heading off any shareholder challenge to the deal, Thornburg told Reuters it "wasn't a consideration" and it had received nothing but support from its shareholders.

RBS sounds alarm over Brexit

CalWater declined to comment. A spokesman for Eversource said the company was evaluating developments but, as it has made clear, it will be disciplined in pursuing this or any other transaction.

Reporting by David French in New York; Additional Reporting by Liana B. Baker; Editing by Lisa Shumaker

Our Standards: [The Thomson Reuters Trust Principles.](#)

MORE FROM REUTERS

## Attachment to Question 18

The following table breaks down the above total figures by customer class as of December 31, 2017, 2016, and 2015 :

	2017	2016	2015
<b>Customers:</b>			
Residential	118,493	111,494	110,254
Commercial	9,386	8,626	8,569
Industrial	536	479	478
Public Authority	1,072	948	964
Fire Protection	3,178	2,876	2,815
Other (including non-metered accounts)	2,980	545	553
Total	135,645	124,968	123,633
<b>Water Revenues (in thousands):</b>			
Residential	\$ 62,831	\$ 59,884	\$ 58,439
Commercial	13,676	12,250	11,816
Industrial	3,196	3,176	3,229
Public Authority	3,845	3,510	3,193
Fire Protection	20,235	18,486	18,016
Other (including non-metered accounts)	3,271	1,361	1,348
Total	\$ 107,054	\$ 98,667	\$ 96,041
<b>Customer Water Consumption (millions of gallons):</b>			
Residential	6,408	6,583	6,551
Commercial	2,026	1,954	1,941
Industrial	711	724	777
Public Authority	575	539	503
Total	9,720	9,800	9,772

The Regulated Companies own various small, discrete parcels of land that are no longer required for water supply purposes. At December 31, 2017, this land totaled over 600 acres. Over the past several years, we have been disposing of these land parcels through sales and/or donations, primarily to towns and municipalities. For more information, please refer to *Segments of Our Business* below.

Additional information on land dispositions can be found in Item 7 – “Management’s Discussion and Analysis of Financial Conditions and Results of Operations – Commitments and Contingencies”.

### *Competition*

Our Regulated Companies face competition from a few small privately-owned water systems operating within, or adjacent to, our franchise areas and from municipal and public authority systems whose service areas in some cases overlap portions of our franchise areas.

### *Employees*

As of December 31, 2017, we employed a total of 294 people. Our employees are not covered by collective bargaining agreements.

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Appraisals**

19. Have Buyer's and Seller's UVE corresponded with regard to their respective fair market value appraisals of the assets at issue in this case? If yes, provide the following information:
- a. Identify the nature and date(s) of correspondence;
  - b. Identify the type(s) of correspondence (i.e. written, verbal, etc); and,
  - c. Provide copies of any written correspondence exchanged between the UVEs.

Response: No. The Buyer's and Seller's UVE did not correspond with regard to their respective fair market value appraisals of the assets at issue in this case.

Provided by: Jerome C. Weinert, AUS Consultants  
Principal and Director

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

Harold Walker III, Gannett Fleming Valuation and Rate Consultants, Inc.  
Manager, Financial Studies

**Miscellaneous**

20. Are there any outstanding compliance issues that the Seller's system has pending with the PA Department of Environmental Protection? If yes, provide the following information:
- a. Identify the compliance issue(s);
  - b. Provide an estimated date of compliance;
  - c. Explain Buyer's anticipated or actual plan for remediation;
  - d. Provide Buyer's estimated costs for remediation; and,
  - e. Indicate whether the cost of remediation was or is anticipated to be factored into either or both fair market valuation appraisals offered in this proceeding.

Response: To Buyer's knowledge there are no outstanding compliance issues that the Seller's system has pending with the PA Department of Environmental Protection.

Provided by: Michael J. Guntrum, Pennsylvania American Water Company  
Senior Project Engineer

**Pennsylvania American Water Company  
Acquisition of the Borough of Kane Authority's Wastewater Assets  
Section 1329 Application Standard Data Requests**

**Miscellaneous**

21. Are there any outstanding compliance issues that the Seller's system has pending with the US Environmental Protection Agency? If yes, provide the following information:
- a. Identify the compliance issue(s);
  - b. Provide an estimated date of compliance;
  - c. Explain Buyer's anticipated or actual plan for remediation;
  - d. Provide Buyer's estimated costs for remediation; and
  - e. Indicate whether the cost of remediation was or is anticipated to be factored into either or both fair market valuation appraisals offered in this proceeding.

Response: To the Buyer's knowledge there are no outstanding compliance issues that the Seller's system has pending with the US Environmental Protection Agency.

Provided by: Michael J. Guntrum, Pennsylvania American Water Company  
Senior Project Engineer